Cause No. 45990

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INDIANA UTILITY
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SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a CENTERPOINT ENERGY INDIANA SOUTH
(CEI SOUTH)

DIRECT TESTIMONY
OF
DENEISIA R. WILLIFORD
DIRECTOR OF COMPENSATION

ON

COMPENSATION AND BENEFITS

SPONSORING PETITIONER'S EXHIBIT NO. 10 (PUBLIC),
ATTACHMENTS DRW-1 THROUGH DRW-14

DIRECT TESTIMONY OF DENEISIA R. WILLIFORD

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Deneisia R. Williford. My business address is 1111 Louisiana Street, Houston, Texas 77002

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by CenterPoint Energy Service Company, LLC ("Service Company"), a wholly owned subsidiary of CenterPoint Energy, Inc. Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South ("CEI South," "Petitioner," or "Company") is an indirect subsidiary of CenterPoint Energy, Inc. CenterPoint Energy, Inc. and its affiliates, which include the Service Company and CEI South, are collectively referred to herein as "CNP." The Service Company provides centralized support services to CNP's operating units, including CEI South.

Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?

A. I am submitting testimony on behalf of CEI South.

Q. WHAT IS YOUR ROLE WITH RESPECT TO THE SERVICE COMPANY?

A. I am the Director of Compensation at Service Company.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. In 2010, I graduated from University of Houston with a Bachelor of Science degree in Health and Human Performance.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

A. I have been employed by Service Company as a Human Resources ("HR") professional since 2012, specializing in employee compensation plan design and administration. I also have prior experience in other areas, including wellness, benefits, and employee recognition.

Q. WHAT ARE YOUR PRESENT DUTIES AND RESPONSIBILITIES AS DIRECTOR OF COMPENSATION?

A. I provide leadership in the design and administration of compensation and incentive plans for CNP. I also work closely with the Director of Benefits to provide an effective total compensation and benefits program for CenterPoint Energy, Inc. and its affiliates.

Q. HAVE YOU EVER TESTIFIED BEFORE THE INDIANA UTILITY REGULATORY COMMISSION ("COMMISSION") OR ANY OTHER STATE REGULATORY COMMISSION?

A. Yes. I have filed testimony with the Railroad Commission of Texas in GUD No. 15513 and the Minnesota Public Utilities Commission in Docket Nos. G-008/GR-23-173.

II. PURPOSE & SCOPE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. My testimony describes the compensation and benefits provided to CEI South employees and executives, provides information on the basis for CNP's compensation and benefits decisions, and supports the compensation and benefits costs included in the test year for direct (i.e., CEI South) and affiliate employees. As I will detail below, our compensation and benefits are targeted to the median of the market and are necessary to recruit and retain a qualified workforce. Maintenance of a qualified workforce furthers the Company's goal of providing safe, reliable, and cost-effective service to CEI South customers. I also address how the Company's compensation and benefits costs, including incentive compensation costs, are consistent with market studies.

Q. ARE YOU SPONSORING ANY ATTACHMENTS IN THIS PROCEEDING?

A. Yes. I am sponsoring the following attachments in this proceeding:

- Petitioner's Exhibit No. 10, **Attachment DRW-1:** Retirement Projections
- Petitioner's Exhibit No. 10, **Attachment DRW-2 (CONFIDENTIAL):** 2022 Compensation Surveys
- Petitioner's Exhibit No. 10, **Attachment DRW-3 (CONFIDENTIAL):** 2022 – 2023 WorldatWork Salary Budget Survey

- Petitioner's Exhibit No. 10, **Attachment DRW-4:** Frederic W. Cook & Co. 2022 Top 250 Report
- Petitioner's Exhibit No. 10, **Attachment DRW-5 (CONFIDENTIAL):** Willis Towers Watson 2023 General Rate Case Total Compensation Study for CNP
- Petitioner's Exhibit No. 10, **Attachment DRW-6:** Market Compensation Survey Data Compared to CEI South
- Petitioner's Exhibit No. 10, **Attachment DRW-7:** CNP 2022 Short-Term Incentive Plan
- Petitioner's Exhibit No. 10, **Attachment DRW-8:** CNP 2022 Short-Term Incentive Plan Goal Results
- Petitioner's Exhibit No. 10, **Attachment DRW-9:** Market Compa-ratio Analysis
- Petitioner's Exhibit No. 10, **Attachment DRW-10 (CONFIDENTIAL):** CNP 2023 Short-Term Incentive Plan Goals
- Petitioner's Exhibit No. 10, **Attachment DRW-11:** CNP 2022 Long-Term Incentive Plan
- Petitioner's Exhibit No. 10, **Attachment DRW-12 (CONFIDENTIAL):** 2020 – 2023 Long-Term Incentive Plan Goals
- Petitioner's Exhibit No. 10, **Attachment DRW-13 (CONFIDENTIAL):** 2022 Meridian Compensation Partners Incentive Plan Analysis
- Petitioner's Exhibit No. 10, **Attachment DRW-14 (CONFIDENTIAL):** 2022 Willis Towers Watson Benefits Data Source.

Q. WERE THESE ATTACHMENTS PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes, they were.

III. COMPENSATION

A. TOTAL COMPENSATION PHILOSOPHY AND COMPONENTS

Q. WHAT IS CNP'S COMPENSATION PHILOSOPHY?

A. CNP follows a compensation philosophy that is focused on maintaining the competitiveness of its compensation plans and levels as measured from a "total compensation" perspective. That is, CNP measures the value of all components that make up employees' total compensation (meaning base pay, incentive compensation, and benefits) and compares that value against competitor companies to ensure that its compensation plans and benefits are sufficient to recruit, retain and motivate the quality workforce and leadership needed to serve our customers. The objective of this approach is to approximate the median (50th percentile) of the market for total compensation represented by the companies included in the market compensation surveys or studies CNP uses to assess the competitiveness of its compensation and benefits. This philosophy is applied consistently across CNP's business units, including CEI South.

Q. ARE THERE EMPLOYMENT TRENDS AFFECTING THE COMPANY'S ABILITY TO ATTRACT AND MAINTAIN A QUALIFIED WORKFORCE?

A. Yes. Turnover in our industry is increasing as workers are aging. As of December 2022, approximately 19% of CNP employees were eligible to retire and 31% will be eligible to retire within the next five years. Regarding CEI South[1] specifically, 21% of employees were eligible to retire as of December 2022, and 35% will be eligible to retire within the next five years. See **Attachment DRW-1**, Retirement Projections. The Company is focused on retaining these employees because the specialized knowledge and expertise of experienced utility employees is not easily developed or replaced. The looming retirements also mean the Company must be proactive in attracting new employees. In addition, as the Indiana economy grows and continues to have low unemployment levels,[2] the Company has an increasingly greater risk of losing employees and higher competition for qualified candidates to fill skilled positions, compounding the effects of increasing retirements. Therefore, ensuring competitive base pay, incentive compensation, and benefit plans that are both strategic and cost-effective are key to retaining current employees, while recruiting new employees for the benefit of all stakeholders.

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[1] Unless otherwise indicated, CEI South, when referenced, refers to the electric operations, which is one of the business units (or operating divisions) within the combined gas and electric company.

[2] *See* U.S. Bureau of Labor Statistics, "Indiana Economy at a Glance," https://www.bls.gov/eag/eag.in.htm (accessed October 23, 2023).

Q. WHAT ARE THE COMPONENTS OF TOTAL COMPENSATION?

A. The components of total compensation are base pay, short-term incentive ("STI"), long-term incentive ("LTI"), and benefits. For purposes of this discussion, I will refer to all of these components other than benefits collectively as "pay."

Q. WHY DOES CNP DIVIDE PAY INTO COMPONENTS SUCH AS BASE PAY AND INCENTIVE COMPENSATION INSTEAD OF JUST RELYING ON BASE PAY?

A. Compensating employees solely through base pay with no opportunity for variable incentive pay reflects an outdated and less than competitive approach to current compensation practices. By managing some portion of pay as incentive pay, CNP is able to include tangible goals to motivate positive and productive employee behavior that benefits stakeholders including customers, employees, and shareholders, in its compensation plans. Incentive pay motivates employees to provide quality customer service, perform their jobs more effectively, achieve operating efficiencies, and maintain safe and reliable electric utility service. It also allows CNP to reward and retain high performers as demonstrated by relevant peer-based surveys. If CNP relied solely on base pay, it would constrain CNP's ability to use compensation as a tool to motivate employees to work towards CNP-wide and business unit goals and achieve high levels of individual performance as well. Doing so would also be inconsistent with market compensation studies that support the use of STI and LTI as part of a competitive total compensation package.

Q. ARE ALL OF THE COMPANY'S PAY AMOUNTS REASONABLE AND PRUDENTLY INCURRED?

A. Yes. The total pay, and the components of total pay, offered to Company employees are reasonable and prudent when compared to competitor companies because they are designed to target the median of the market and are consistent with market studies. As noted above, CNP evaluates its pay from a total compensation perspective, as total compensation is the key factor in determining whether the company is offering sufficient pay to attract and maintain the qualified workforce it needs to provide safe and reliable electric utility service. In addition, currently base pay is slightly below the median of the market. To achieve and maintain a competitive position, CNP must continue to provide competitive base pay levels, annual base pay increases, and incentive compensation opportunities. In addition, CNP continues to offer all of these elements of pay and target its total pay to the market median to continue to attract, retain, and motivate the skilled workforce that is necessary to provide safe and reliable service, taking into consideration that during these times of inflation, employees may leave the Company for other opportunities with higher salaries and benefits.

Q. WHAT PAY COSTS ARE INCLUDED IN THE COMPANY'S RATE REQUEST IN THIS CASE?

A. The Company is requesting recovery of base pay amounts and a related Competitive Pay Adjustment ("CPA"), test year STI expenses, and test year LTI expenses.

Q. HOW DOES CNP ENSURE THAT EMPLOYEE PAY IS MARKET-BASED?

A. CNP uses a process referred to as market pricing to determine the external value of a position compared to the total compensation for its non-union employees. Market pricing is a process of determining the compensation amounts provided by other employers for jobs performing essentially the same duties and requiring similar qualifications as employee positions at CEI South.

More specifically, pay data is reported to participating companies via surveys based on a process of matching jobs having similar core duties and qualifications. Depending on the position being analyzed, the HR compensation staff uses a variety of national, regional, and local survey data that is refreshed annually to monitor and determine market pay values. Most jobs are matched to multiple surveys. HR compensation staff analyzes these multiple survey sources to determine various statistical pay values represented by the survey data, including median, average, and percentile amounts. These are the types of surveys that support the reasonableness of the Company's pay.

The market-based values derived for base pay, STI, and LTI are then annually compared by the HR compensation staff to actual pay levels of CEI South employees to determine whether adjustments are needed to maintain a competitive position relative to pay levels of other survey participants. For any individual employee, pay or the individual components of pay, may be below, at, or above the market median depending on many factors such as hiring rates, time in the job, experience, and individual performance.

Q. WHAT ARE SOME EXAMPLES OF MARKET COMPENSATION STUDIES USED TO ASSESS EMPLOYEE COMPENSATION ISSUES?

A. The different types of surveys that are used to monitor market-based pay related to employees include:

(1) Industry specific surveys covering the electric utility segment, such as:

- Willis Towers Watson ("WTW") Energy Services Middle Management, Professional and Support Compensation Survey; and
- WTW Energy Services Executive Compensation Survey.

(2) General industry surveys, such as:

- WTW General Industry Middle Management, Professional, and Support Compensation Survey; and
- WTW General Industry Executive Compensation Survey.

(3) Salary trend and plan design surveys, such as:

- 2022 – 2023 WorldatWork Salary Budget Survey; and
- Frederic W. Cook & Co. ("Cook") 2022 Top 250 Report.

The surveys named above are attached to my testimony as **Attachments DRW-2 (CONFIDENTIAL), DRW-3 (CONFIDENTIAL) and DRW-4**. These surveys are refreshed annually with current market data and relied upon to establish pay references that CNP can be confident represent pay levels of CNP's competitors for the positions CNP and the Company require, and to ensure that CNP is receiving objective data reflective of a broad representation of the market. Because market compensation studies such as these are reliable and widely used in the industry to set compensation levels, it makes sense that CNP and subsequently, the Company used them as the benchmark to assess the reasonableness of utility compensation.

Q. IS THIS SAME MARKET-BASED COMPENSATION PHILOSOPHY APPLIED TO EXECUTIVE COMPENSATION?

A. Yes. The same market forces exist with respect to recruiting and retaining executive-level employees, including Vice Presidents and above. As such, CNP uses the same market-based pay philosophy for all executives that is used for non-executives. All components of pay for executive positions are measured against the same or similar positions at comparable companies based on market compensation studies. This analysis ensures that our compensation is fully competitive and sufficient to recruit, retain, and engage the executive talent necessary to plan and lead the operations of

CNP and the Company. An example of that type of study is attached to my testimony as **Attachment DRW-2 (CONFIDENTIAL)**.

Q. PLEASE DESCRIBE THE COMPANY-SPECIFIC STUDY CONDUCTED BY WTW.

A. The company engaged WTW to independently evaluate the competitiveness of CNP's compensation philosophy, compensation levels and plan designs, and to determine how CNP's, and CEI South's, compensation aligns with the compensation offered to employees of other utility companies and other industries in general. This study is provided as **Attachment DRW-5 (CONFIDENTIAL)**. The company-specific study specifically focuses on the following:

- Total compensation philosophy
- Competitive position to market (Compa-ratio analysis)
- Design of CNP's Short-Term Incentive Plan
- Design of CNP's Long-Term Incentive Plan

WTW [redacted] CEI South's Electric Operating Division ("Indiana Electric") and corporate shared support [redacted] The specific findings of WTW's analysis will be discussed later in my testimony.

1. <u>BASE PAY</u>

Q. HOW DOES THE COMPANY'S AVERAGE BASE PAY COMPARE TO THE BASE PAY OF COMPETITOR COMPANIES?

A. Annually, HR staff compares the median base pay levels reported in the market surveys to the base pay of its non-union employees with similar job responsibilities and requiring comparable skills and experience. As of December 31, 2022, this comparison which is included in **Attachment DRW-6**, Market Compensation Survey Data Compared to CEI South, indicated that the overall average Company non-union base pay was below the market median base pay of the surveyed companies by approximately 3%.

Q. DOES CNP PROVIDE ANNUAL BASE PAY INCREASES?

A. Yes. CNP reviews the need and the overall budget percentage for annual base pay increases every year and determines the appropriate base pay increase for non-union employees. This annual base pay increase is called a CPA, or Competitive Pay Adjustment. The overall forecasted CPA applicable to base pay in this case is 3%.

Q. HOW IS THE ANNUAL CPA DETERMINED?

A. Each year, HR staff reviews third-party surveys of competitive trends, turnover statistics, negotiated labor agreements, and market economic data. This information is used to determine how much of an increase is needed to maintain the competitiveness of non-union base pay. The senior management of CNP also considers other factors when finalizing the CPA, such as CNP's financial ability to pay, employee turnover, and overall CNP plans and related expenses. Additionally, HR reviews pay increase budget surveys to monitor trends in the general industry and utility segments of the market. As reported in one such survey, **Attachment DRW-3 (CONFIDENTIAL)**, 2022-2023 WorldatWork Salary Budget Survey, the median budget increase implemented and reported by surveyed organizations for 2022 on a national basis was [redacted] Similarly, a budget trend of [redacted] was reported by those employers with operations in the state of Indiana. The survey also reported a [redacted] budget trend within the utility industry overall. The report also projected future salary increases for 2023 of [redacted], mostly attributed to increasing labor market pressure.

In addition, market data obtained from surveys is used to determine the Market Reference Point ("MRP")" for each type of non-union position. This data on market practices is used to administer CPA decisions. In arriving at the CPA, HR develops compensation compa-ratios from the market surveys as an indication of the competitiveness of CNP's base pay versus the survey median base pay reported. A compa-ratio is an expression of employee base pay in relation to survey data. The compa-ratio is calculated by dividing the CNP base pay by the survey-derived MRP, expressed as a percentage. The compa-ratios for job groups are used in the administration and allocation of pay increase budgets to achieve or maintain CNP's market-based pay philosophy. The compa-ratio of non-union Company employees in 2023 was approximately 97%. This indicates that, even with CNP's CPA, overall base pay for Company employees was below the MRP. See **Attachment DRW-6**, Market Compensation Survey Data Compared to CEI South.

Q. WHEN DOES THE CPA TAKE EFFECT FOR NON-UNION EMPLOYEES?

A. The CPA is effective on or around April 1 each year for non-union employees.

Q. HOW ARE BASE PAY INCREASES HANDLED FOR UNION EMPLOYEES?

A. Base pay increases for union employees are addressed in the union's contract. Test year union wages were determined by applying the wage increases set forth in the union contract. The current contract for Local Union 702 of the International Brotherhood of Electrical Workers ("IBEW 702") runs through June 30, 2025 and has an annual increase of [redacted] for the duration of the contract. The current contract for Local 12 of the Office and Professional Employees International Union ("Local 12") runs through December 31, 2025 and has annual increase of [redacted] for the duration of the contract.

Q. IS THE 3% CPA REASONABLE?

A. Yes. Base pay is the foundation of CNP's market-based total compensation pay philosophy. Base pay recognizes the job being performed and how it is valued in the competitive job market. As noted previously, CNP uses a market-based approach to set pay levels and the annual CPA. The annual CPA is part of CNP's total compensation approach that ensures that pay is sufficient to attract, retain, and engage the talent necessary to provide safe and reliable service throughout the Company's service territory.

Q. WHAT DOES THE COMPANY-SPECIFIC WTW STUDY CONCLUDE REGARDING BASE PAY?

A. WTW found that base salary amounts are [redacted] the market median for CNP and [redacted] the market median for Indiana Electric. WTW's analysis relied on salary amounts as of April 1, 2023 and used employee-weighted data.

2. INCENTIVE COMPENSATION

Q. PLEASE GENERALLY DESCRIBE THE COMPANY'S INCENTIVE COMPENSATION REQUEST IN THIS CASE.

A. The Company requests recovery of incentive pay for those employees who are involved in the day-to-day operation and support of CEI South. These employees include personnel directly employed by CEI South as well as support personnel who provide necessary services from centralized locations such as Houston. All STI-eligible employees who work for, or support, the Company may receive incentive pay. This includes, but is not limited to, CEI South operations employees who connect electric service to customer homes, operate or maintain CEI South's generation assets, maintain CEI South's transmission and distribution system, and inspect the system to ensure compliance with regulatory requirements. These eligible employees also include, but are not limited to, employees outside of CEI South who provide necessary services such as billing processing agents, employees who handle customer service calls, and the employees who provide safety and other operations-related training programs.

a. SHORT-TERM INCENTIVE PLAN

Q. PLEASE EXPLAIN CNP'S STI PLAN.

A. After base pay, STI is the second component of CNP's market-based total compensation pay philosophy. See **Attachment DRW-7**, CNP 2022 Short-Term Incentive Plan, for a detailed description of the STI plan. The STI Plan provides the opportunity for all eligible employees to earn incentive pay based on the attainment of annual goals. Consistent with the market compensation studies, these goals include a balance of operational, safety, and financial goals, which function in an integrated manner to communicate to stakeholders, including customers, the measures that are important for CNP, including CEI South, to continue to be successful. These goals include efficient work execution, capital delivery, operational performance, customer satisfaction, and safety. In addition, to be eligible for STI awards, employees must meet individual job performance expectations and goals. To create better alignment of CNP and Company results, STI payouts and the performance of each of CNP's business unit and corporate functions, the STI Plan was further segmented into the following business unit groups: Electric Operations;[3] Natural Gas Distribution; Operations Support; Customer Transformation and Business Services; and Corporate Services. For goals specific to each business unit group, see **Attachment DRW-8**, 2022 Short-Term Incentive Plan Goal Results.

Together, the plan goals are designed to motivate employees to do their best to contribute to the effective operation of CNP and its business units. The STI goals are designed to encourage employees to execute their job functions safely and to strive for high levels of customer satisfaction. The plan goals also focus employee efforts in ways that help CNP and the Company to maintain their financial health and to encourage employees to run a cost-efficient business, which ultimately benefits customers.

By providing incentive pay opportunities that are consistent with opportunities in the market and comparable to those an employee could find in other companies, as reflected in the market studies attached to my testimony, CNP is able to assure its customers that experienced and capable employees will be on the job to provide safe and reliable electric service.

Q. DO INCENTIVE PLANS SUCH AS CNP'S STI PLAN CONTINUE TO BE A PREVALENT COMPONENT OF TOTAL COMPENSATION IN THE MARKETPLACE?

A. Yes. The majority of CNP's peer companies use a combination of base pay and incentive pay as part of their total compensation package, as demonstrated by relevant peer-based surveys listed on **Attachment DRW-2 (CONFIDENTIAL)**. More specifically, according to a 2022 – 2023 survey conducted by WorldatWork, [redacted] of [redacted] U.S. survey respondents, including [redacted] utilities, indicated that they use variable pay programs, which is another term for incentive plans. Further, [redacted] of companies using variable pay use an incentive plan design like CNP's plan, which is based on achieving both the organization's goals and individual performance. The 2022 – 2023 WorldatWork Salary Budget Survey is provided as **Attachment DRW-3 (CONFIDENTIAL)**. Therefore, CNP's provision of STI is consistent with its peers in the market and is necessary to compete with other utilities and other employers. If

[3] The Electric Operations business unit group was further segmented in the 2023 Short-Term Incentive Plan into Houston Electric and Indiana Electric.

CNP were to rely solely on base pay with no opportunity for incentive compensation, it would be perceived as an outlier and out of step with currently accepted compensation practices. This would negatively impact the company's ability to attract and retain appropriate talent, as well as deprive CNP, and CEI South, of a valuable tool to motivate and incentivize its workforce.

Q. HOW DOES CNP'S AVERAGE TOTAL CASH COMPENSATION COMPARE TO THE TOTAL CASH COMPENSATION OF COMPETITOR COMPANIES?

A. Total cash compensation consists of base pay and STI. As with base pay, CNP compares the median total cash compensation levels reported in market surveys to the average total cash compensation of its employees. In 2022, this comparison, which is included in **Attachment DRW-6**, indicated that the overall average Company non-union total cash compensation was also below the market median total cash compensation of the surveyed companies by approximately 1%.

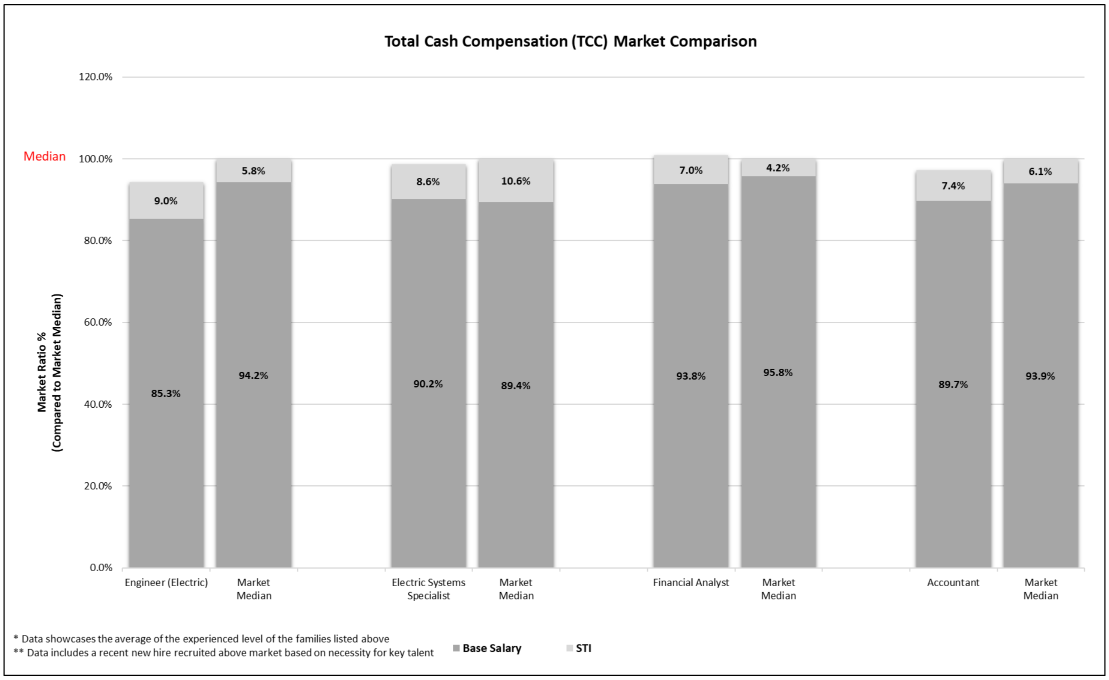
Q. WHAT DOES THIS MEAN FROM A TOTAL PAY PERSPECTIVE?

A. This means that if STI was not offered, the Company's total pay would be under the market median, especially given that the Company is slightly under the market median even including STI. If the Company stopped paying STI, it would negatively impact the Company's ability to attract and retain the employees it needs. It also means that if STI costs are not included in rates, the Company is unable to recover costs it must incur in order to provide employees with a competitive cash compensation opportunity.

Q. CAN YOU PROVIDE EXAMPLES THAT ILLUSTRATE THE REASONABLENESS OF THE CASH COMPENSATION CNP OFFERS COMPARED TO THE MARKET MEDIAN?

A. Yes. The Company's requested base pay and STI expenses are reasonable because CNP targets the median of the market when designing total cash compensation for positions in business units throughout CNP. **Chart DRW-1** below shows that even with the combination of base pay and STI, average cash compensation is below the median of the market. In the examples below, if the Company's requested STI expenses are disallowed, the recovery of total cash compensation would fall to approximately 93.8% of market. See **Attachment DRW-9** Market Compa-ratio Analysis.

CHART DRW-1 – TOTAL CASH COMPENSATION ("TCC") MARKET COMPARISON



Q. IS THE COMPANY'S STI COMPENSATION REASONABLE?

A. Yes. Under CNP's total compensation philosophy, CNP measures the value of total compensation against peer companies to ensure that CNP's compensation, as a whole, is sufficient to recruit, retain, and motivate each level of the workforce needed to serve customers. As long as a utility's total compensation is comparable to its peers and the actual awards under such programs are not excessive, then these costs are reasonable and necessary in today's labor market as base pay. Even if viewed as a free-standing component of pay, however, STI target levels for CNP and Company employees are market-based and are consistent with similarly situated employees in peer and competitor companies based on market studies.

Q. DOES THE COMPANY'S STI COMPENSATION MEET THE STANDARD FOR RECOVERY ESTABLISHED BY THE COMMISSION?

A. Yes, it does. The STI compensation policies are reviewed regularly by CenterPoint Energy, Inc.'s Board of Directors to determine the appropriate combination and levels of such compensation elements, as well as setting performance standards and approval of payout levels. The Company's STI compensation is not a pure profit-sharing plan but instead ties compensation levels to customer service and reliability as well as other goals. In addition, the Company's STI compensation does not cause compensation to exceed the levels reasonably necessary for the Company to attract its workforce. Since the Company is requesting recovery of STI at target, shareholders are responsible for any STI above target. These are the elements I understand the Commission applied when approving CEI South's incentive compensation in its most recent general rate case for electric utility service, Cause No. 43839,[4] and in approving the Stipulation and Settlement Agreements, which included incentive compensation, in CEI South's and Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North's ("CEI North") most recent general gas rate cases, Cause Nos. 45447 and 45468,[5] respectively.

Q. WHAT WERE CNP'S GOALS FOR STI FOR THE 2022 PLAN YEAR?

A. The goals for Electric Operations were as follows:

GOAL	WEIGHTING
Efficient Work Execution (O&M)	30%
Capital Delivery	20%
Safety	20%
Other Performance	30%

A detailed presentation of CNP's 2022 STI goals is provided within **Attachment DRW-8**, CNP 2022 Short-Term Incentive Plan Goal Results.

Q. HOW ARE THE STI PLAN GOALS DESIGNED TO FUNCTION?

A. The STI Plan goals are designed to focus employee attention and effort on goals that benefit the company's stakeholders, which include customers, employees themselves, and shareholders. Customers directly and materially benefit from the provision of STI awards to employees that are based on the attainment of the operational, safety, and financial goals in the STI plan, which serve to align the interests of customers, employees, and shareholders. Together, each of the goals identified above serve to encourage expense management and operational efficiencies that provide customers benefits through lower or stable rates, safe and reliable operations, and enhanced

[4] *S. Ind. Gas and Electric* Co., Cause No. 43839 (IURC 4/27/2011), pp. 50-51.
[5] *S. Ind. Gas and Electric Co.*, Cause No. 45447 (IURC 10/6/2021), pp. 13-15; and *Ind. Gas Co., Inc.*, Cause No. 45468 (IURC 11/17/2021), pp. 13-14.

customer service. The goals associated with STI, specifically Efficient Work Execution (O&M), also motivate employees to effectively manage operations expenses. Thus, not only are the requested STI costs reasonable because they are tied to an STI Plan that is comparable to those in the market and necessary because the costs are part of an overall compensation package that must be competitive, the STI Plan also includes goals that lead to benefits for customers. In this way, STI is no different than the Company's ongoing capital investment in new infrastructure. In fact, Capital Delivery, or ensuring that necessary capital investments are made in the system, is one of the STI goals. That capital investment allows the Company to continue to provide safe and reliable service to customers while also giving shareholders the opportunity to earn a reasonable return on the Company's investment. Overall, if the Company does not provide safe, reliable service at a reasonable cost, neither its customers nor shareholders will be satisfied. This highlights precisely why a properly designed incentive compensation plan must include a mixture of goals that lead to success for all interested stakeholders.

Q. HAVE THERE BEEN ANY CHANGES TO THE COMPANY'S STI GOALS AND WEIGHTINGS FOR THE 2023 PLAN YEAR?

A. Yes. For 2023, CNP will have both enterprise-wide shared Safety goals as well as business unit specific Safety goals. The goals for Indiana Electric are as follows:

GOAL	WEIGHTING
Efficient Work Execution (O&M)	30%
Capital Delivery	20%
Safety and Cyber	20%
Other Performance	30%

A detailed presentation of CNP's 2023 STI goals is provided at **Attachment DRW-10 (CONFIDENTIAL)**, CNP 2023 Short-Term Incentive Plan Goals.

Q. HOW DO THE CNP STI GOALS COMPARE TO THE STI GOALS OF PEER UTILITY COMPANIES?

A. CNP's STI goals are generally consistent with goals used by most of CNP's peer utilities as demonstrated in the company-specific study (included as **Attachment**

DRW-5 (CONFIDENTIAL)), which are designed to benefit company stakeholders such as customers, communities, employees, and shareholders.

Q. DOES THE COMPANY'S STI COMPENSATION CAUSE TOTAL PAY TO EXCEED LEVELS REASONABLY NECESSARY FOR THE COMPANY TO ATTRACT EMPLOYEES?

A. No. As mentioned before, CNP measures the value of total compensation against peer companies to ensure that CNP's compensation as a whole is sufficient to recruit, retain, and motivate each level of the workforce needed to serve customers. As long as a utility's total compensation is comparable to its peers and the actual awards under such programs are not excessive, then these costs are as justifiable in today's labor market as is base pay. Even if viewed as a free-standing component of pay, however, STI target levels for Company employees are market-based and are consistent with similarly situated employees in our peer companies and with other companies with which the Company competes for talent.

Q. IF THE AMOUNT PAID OUT TO THE COMPANY'S EMPLOYEES AS STI IS REMOVED FROM THE TOTAL PAY EQUATION, HOW DOES THE COMPANY'S PAY COMPARE TO THAT AT PEER COMPANIES?

A. If compensation paid as STI is not included, the Company's total cash compensation is below market when compared to our peers. If the Company stopped paying STI, it would negatively impact the Company's ability to attract and retain the employees it needs to provide safe and reliable electric service.

Q. WHAT DOES THE COMPANY-SPECIFIC WTW STUDY CONCLUDE REGARDING STI?

A. The study confirms CNP's STI program is consistent and competitive with plan designs compared to the market. [redacted]. According to WTW, [redacted] Finally, WTW concluded that CNP's STI payout target thresholds and ranges are consistent with industry peers.

Q. DO THE INCENTIVE GOALS HELP MINIMIZE OPERATIONS AND MAINTENANCE EXPENSE?

A. Yes. The inclusion of Efficient Work Execution (O&M) goals in the employee total compensation package fosters awareness at all levels that prudent spending practices are expected and necessary. All managers and employees are reminded that their day-to-day actions directly impact the Company's bottom line and its ability to provide service at a reasonable cost to customers.

Q. PLEASE EXPLAIN WHAT PORTION OF STI IS INCLUDED IN THE REVENUE REQUIREMENT AND WHAT PORTION IS BORNE BY SHAREHOLDERS.

A. Only the target level of STI is included in the revenue requirement in this Cause. Therefore, all STI compensation in excess of target would be borne by shareholders.

Q. WHAT IS THE AVERAGE STI ACHIEVEMENT LEVEL FOR THE LAST FIVE YEARS?

A. 134%.

Q. ARE THE COMPANY'S STI COSTS REASONABLE AND NECESSARY?

A. Yes, and as I have described in this testimony, they meet the Commission's standard for recovery through rates. Further, the provision of STI, the goals CNP uses, and the amount of award payouts are consistent with recent market compensation studies, so the Company's requested STI costs are reasonable and necessary. In addition, STI is a reasonable and necessary component of an employee's total compensation because incentive compensation opportunities are prevalent in all industry segments where CNP competes for, or attempts to recruit, employees. Based on the data provided in market studies, CNP's STI design and plan goals are consistent with peer utilities and other companies with which the Company competes for talent, and individual employee rewards are based on objective performance expectations. The level of STI compensation paid to employees is based on the achievement of their individual goals and the achievement of CNP plan goals, which are linked to creating benefits for key stakeholders, including customers. Moreover, STI amounts paid in excess of target are borne by shareholders.

b. LONG-TERM INCENTIVE PLAN ("LTI")

Q. IS THE COMPANY SEEKING RECOVERY OF ANY PORTION OF LTI COMPENSATION IN THIS RATE CASE?

A. The Company is proposing to recover long-term incentive pay based on 100% of the target level in the test year.

Q. WHAT IS THE PURPOSE OF THE LTI PLAN?

A. The LTI Plan is the third component of CNP's market-based total compensation pay philosophy. See **Attachment DRW-11**, CNP 2022 Long-term Incentive Plan, for a detailed description of the LTI plan. Like STI, LTI opportunities and goals are based on market compensation studies. LTI pay along with base pay and STI pay comprise the non-benefits portion of the total compensation package that CNP offers employees, which is designed to compensate employees at the median (or 50th percentile) of the market. As with STI, LTI is essential for attracting, retaining, and motivating plan participants, typically CNP executives and key employees who can influence the long-term performance of CNP. The LTI Plan is also designed to focus the efforts of participants on sustained improvements in CNP's and the Company's performance over longer periods of time, typically three years. It is also designed to retain participants over time to provide continuity of a qualified management team. In this way, the LTI Plan is one tool the Company uses to retain experienced employees who are necessary to ensure the safe, reliable, and successful operations of the Company.

Q. WHO IS ELIGIBLE TO PARTICIPATE IN THE LTI PLAN?

A. Employees who are Directors and Executives are eligible to participate in the LTI plan. Key employees below the Director level may be nominated to receive an LTI grant in any year.

Q. IS IT NECESSARY AND APPROPRIATE FOR LTI TO BE OFFERED AS PART OF THE TOTAL COMPENSATION PACKAGE?

A. Yes. LTI pay is a nearly universal component of compensation for employees in executive and key positions among investor-owned utilities in today's workplace. In fact, Frederic W. Cook & Co., Inc.'s ("Cook") December 2022 study titled "The 2022 Top 250 Report," provided as **Attachment DRW-4**, demonstrates that LTI is a necessary and expected component of executive and management compensation plans. This study includes thirteen utility sector companies. In addition, because recent market compensation studies support CNP's decision to offer LTI, the Company's requested LTI costs are reasonable and necessary.

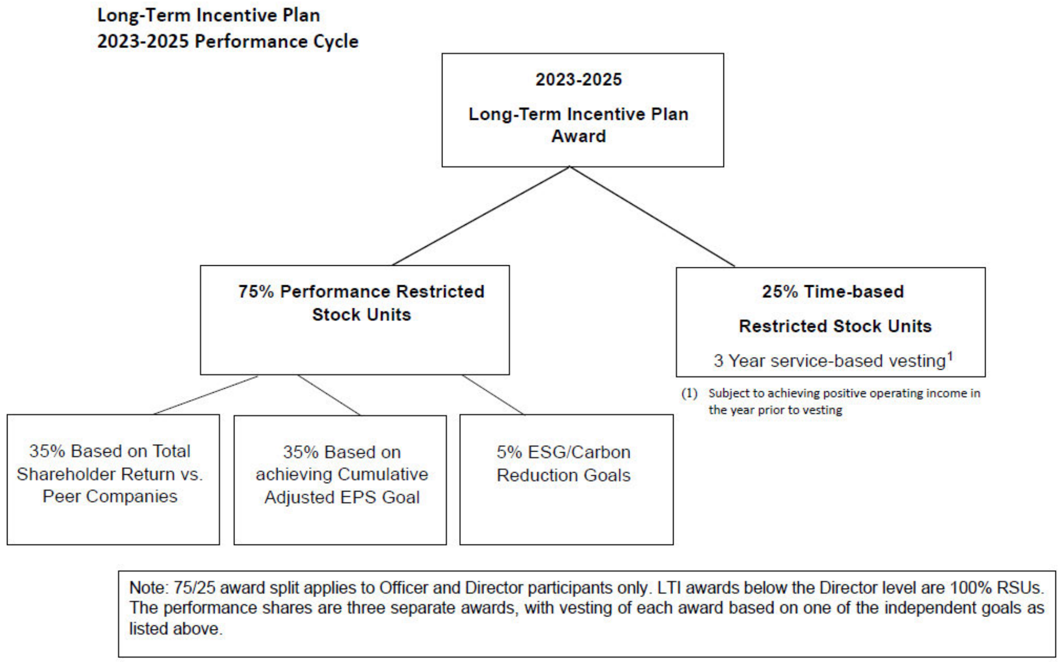
Q. HOW DOES THE TOTAL PAY LEVEL (THE COMBINATION OF BASE PAY, STI, AND LTI) OF CNP'S LTI-ELIGIBLE EMPLOYEES COMPARE TO THE TOTAL PAY LEVELS FOUND IN THE MARKET?

A. As described previously, annually CNP compares its total pay, including STI and LTI, to the pay found in the market surveys for LTI-eligible employees. As with STI, the 2022 comparison, which is included in **Attachment DRW-6**, indicates that the Company's average total pay levels when LTI is included are at approximately 99.6% of the median of the market for LTI-eligible employees. In other words, the total pay is just under the median of the market.

Q. PLEASE EXPLAIN THE COMPONENTS OF THE LTI PLAN.

A. LTI pay is a variable compensation component that rewards participants using two different types of awards: (1) performance-based restricted stock units ("RSUs") and (2) time-based RSUs. The performance-based RSUs are based on the achievement of predetermined goals such as total shareholder return, utility earnings per share, and carbon emissions reduction goals measured over a three-year performance period, which must be achieved before performance shares are awarded. The time-based RSUs depend upon an employee staying with CNP for three years and are subject to the company achieving positive operating income in the year prior to vesting. This type of LTI award is critical for CNP's and the Company's ability to retain experienced Directors and Executives whose knowledge and expertise are critical to the Company. LTI awards for employees below the Director level are 100% time-based. **Chart DRW-2**, below, illustrates the structure of the LTI award for Directors and Officers.

Chart DRW-2 – LTI Structure



Costs for LTI during the base year are represented by the performance-based and time-based RSUs during the three-year periods that overlap with the 2022 base year: 2020 through 2022, 2021 through 2023, 2022 through 2024, and 2023 through 2025. The LTI goals for the performance-based RSUs for these periods are based on total shareholder return and cumulative net income for 2020; total shareholder return and cumulative utility earnings per share for 2021; and total shareholder return, cumulative utility earnings per share, environmental, social, governance ("ESG")/carbon reduction for 2022 and 2023. These goals are achieved based on the efforts of the plan participants to improve productivity, service, expense management, and other factors that are a necessary part of providing safe and reliable electric utility service. This type of variable incentive plan opportunity motivates and rewards employee performance, which is essential to meeting customer needs and recruiting and retaining a qualified management team. A more detailed explanation of the goals associated with the performance-based and the time-based RSU awards included in test year costs is provided in **Attachment DRW-12 (CONFIDENTIAL)**, 2020 – 2023 Long-Term Incentive Plan Goals.

Q. IS IT COMMON FOR PERFORMANCE-BASED LTI TO BE LINKED TO SHAREHOLDER RETURN AND INCOME GOALS?

A. Yes. CNP's LTI plan is consistent with market studies. Specifically, the majority of LTI plans in the market consist of one or two goals that are designed to align management activities with the interests of all stakeholders. CNP's LTI Plan design is very similar to the LTI plan design of other comparable regulated investor-owned utilities that fall within a reasonable range of CNP's annual revenue and current market capitalization. Using a group of peer companies helps align CNP's compensation programs with other companies in the utility industry sector. LTI goals are meant to ensure that participants are focused on the health of the entire company, including CEI South.

The Cook study referenced previously reported that 94% of the 250 companies used performance-based LTI and many companies use more than one performance measure or goal. The following are the performance goals and frequency of use of each as reported by the Cook study:

Performance Measure/Goal	Frequency of Use
Total Shareholder Return	72%
Profit (Operating/Net Income)	56%
Capital Efficiency	37%
Revenue	23%
Cash Flow	16%
Other (Safety, Quality, New Business)	18%

Additionally, according to a proxy statement analysis of [redacted] CNP peer companies conducted by Meridian in 2022, [redacted] of the [redacted] companies used total shareholder return as a metric for their LTI plans. [redacted]

The most common goal reported was total shareholder return, which is a component of CNP's LTI plan. The Meridian analysis is included as **Attachment DRW-13 (CONFIDENTIAL)**. The independent Cook and Meridian studies show that LTI is a common component of utility total compensation plans and CNP's selection of specific LTI goals is very similar to those of other utilities within its peer group, which indicates that CNP's LTI Plan is reasonable and consistent with market studies. In addition, for the ESG/carbon reduction goal, [redacted] of CNP's peer utilities include an ESG-like metric as shown in **Attachment DRW-13 (CONFIDENTIAL)**, and [redacted]

[redacted]

Q. HOW ARE THE LTI GOALS INTENDED TO OPERATE?

A. Like STI, the LTI goals are designed to focus employee efforts on metrics that benefit the Company's stakeholders. For example, achievement of strong financial performance is a direct benefit to customers. Positive operating income is a direct result of the prudent management of operating expenses. Similarly, positive total shareholder return reflects strong performance from all CNP operating divisions, which attracts capital for maintaining and investing in the Company's infrastructure to deliver safe and reliable electric utility service. Therefore, higher employee productivity, careful control of operations and maintenance costs, attention to customer service levels and customer retention, adherence to employee and customer safety procedures, and other customer-based actions assist in minimizing expenses and achieving stable earnings. These are factors that are within the direct influence of employees, including LTI Plan participants. Customers also benefit from CNP's LTI Plan because it enables CNP to attract and retain a quality management team that is focused on improving CNP's performance, including that of CEI South. Without LTI, CNP would be lacking an important component of an effective total compensation package to compete for the right talent in today's job market. Given the competitive job environment, including low unemployment and the competition CEI South faces in Indiana from other energy companies, retaining employees is critical. It is costly to lose experienced and knowledgeable employees who are familiar with CNP and the Company.

Q. WHAT CONCLUSIONS DOES THE COMPANY-SPECIFIC WTW STUDY REACH REGARDING LTI?

A. [redacted] the restricted stock ("RSU") long-term incentive compensation vehicle use a similar three-year vesting approach. [redacted]

[redacted]

Q. ARE THE COSTS THE COMPANY IS SEEKING TO RECOVER ASSOCIATED WITH THE LTI PLAN A REASONABLE AND NECESSARY COST OF PROVIDING SERVICE?

A. Yes. The LTI plan awards stock to participants when CNP achieves the plan goals, which are aligned with customer and shareholder interests, or when employees remain with CNP for at least three years. LTI pay opportunities are prevalent in the utility industry segment, and the LTI Plan design and goals are consistent with peer utilities as demonstrated by market studies, including the Cook report and the Meridian analysis. In addition, because the LTI expenses the Company seeks to recover are related to LTI plans that are consistent with market compensation studies, the costs are reasonable and necessary.

Q. HAS THE COMMISSION APPROVED THE RECOVERY OF LTI IN PREVIOUS DOCKETS? PLEASE EXPLAIN.

A. In CEI South's most recent electric rate case, Cause No. 43839, the Commission approved the recovery of proposed long-term incentive compensation, which was up to the board approved target level. The evidence showed that shareholders bear the expense of incentive compensation in excess of the target level.[6]

Q. DOES THE COMPANY'S LTI COMPENSATION MEET THE STANDARD FOR RECOVERY?

A. Yes. I have already described the various ways in which the LTI compensation aligns with the interests of the Company's customers. Moreover, I have described the ways in which LTI allows the Company to remain competitive in the overall compensation offered to employees. The comparison to the market demonstrates that LTI compensation does not cause total pay to exceed levels needed to attract and retain a qualified workforce. Finally, as with STI, the Company is seeking to recover the costs of LTI at 100% of target; shareholders bear all LTI costs in excess of target.

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[6] *S. Ind. Gas and Electric* Co., Cause No. 43839 (IURC 4/27/2011), pp. 50-51.

B. COMPENSATION SUMMARY

Q. IS IT IMPORTANT FOR THE COMPANY TO RECOVER COSTS RELATED TO STI AND LTI?

A. Yes. An employee's total pay opportunity is determined by targeting the median total pay, including incentive compensation, of similar positions in the industry. If an employee does not have the opportunity to receive incentive pay, then the employee will receive less than the median pay of similar positions within the industry, putting the Company at a competitive disadvantage. The STI and LTI compensation costs requested in this case provide total pay opportunities that are well aligned with the market median total pay levels.

In addition, it is my understanding that general ratemaking principles indicate that a utility should recover its reasonable and necessary expenses prudently incurred in operating its business. My testimony and related market compensation studies show that each component of CNP's compensation expenses is reasonable due to the levels at which they are set and the reasonableness of compensating employees in the form of incentive pay. CNP's compensation costs are also necessary to provide appropriate motivation to encourage employees to perform their jobs safely and cost effectively. For these reasons, compensation costs, including all requested incentive plan costs, should be recovered through rates.

Q. ARE ALL OF THE COMPANY'S PAY COMPONENTS REASONABLE AND NECESSARY?

A. Yes, and as described above, they meet the Commission's standards for recovery through rates. The total pay offered to CNP and Company employees is reasonable, necessary and prudent. As noted above, CNP evaluates its pay from a total compensation perspective, as total compensation is the key factor in determining whether the Company is offering sufficient pay to attract, retain, and maintain the qualified workforce it needs to conduct its business. Incentive pay is an essential part of the overall compensation picture, and CNP factors in incentive pay when comparing the pay it offers to its employees to that offered by peer companies.

IV. BENEFITS

Q. WHAT IS THE PHILOSOPHY OF CNP AS IT PERTAINS TO BENEFITS?

A. CNP's benefits philosophy is to provide a comprehensive set of benefits to meet our employees' welfare and financial security needs in an affordable and efficient manner with the overall value targeted at the midpoint of the marketplace, the same as CNP's pay philosophy. CNP generally uses a "one-company" approach with the objective of offering a common set of benefits to all employees in all business units. CNP leverages its size and the expertise of its HR staff to get the best value it can for its benefits expenditures.

Q. WHAT ARE THE BENEFITS THAT CNP OFFERS?

A. CNP offers the following types of benefits:

- Health and Welfare Plans;
- Retirement Plan and Benefit Restoration Plan;
- Savings Plan and Savings Restoration Plan;
- Postretirement benefits;
- Postemployment benefits; and
- Deferred Compensation Plan.

I address each of these benefits below in greater detail.

Q. WHAT TOOLS DOES CNP USE TO DETERMINE THAT THE OVERALL VALUE OF THE BENEFITS OFFERED TO EMPLOYEES IS CONSISTENT WITH MARKET MEDIAN VALUES?

A. CNP relies on market studies. Specifically, CNP participates in the WTW Data Source to analyze benefit plan prevalence results, which is an online database that contains detailed benefit plan provisions for [redacted]-member companies, including [redacted] utility and energy companies. CNP uses this benchmarking tool to compare its benefit plans to the plans of other participating companies.

Q. ARE THE SAME BENEFITS PROVIDED TO EMPLOYEES OF THE COMPANY AND SERVICE COMPANY EMPLOYEES?

A. Yes.

Q. HAVE THERE BEEN ANY CHANGES IN BENEFIT PLANS OR BENEFIT PLAN DESIGN SINCE THE END OF THE HISTORICAL BASE PERIOD (2022)?

A. No. CNP has not eliminated or added benefit plans since the end of the historical base period (2022) and has not made significant changes to existing benefit plans. However, various administrative changes or plan design changes since the historical base period are described below under each specific benefit plan.

A. <u>HEALTH AND WELFARE PLANS</u>

Q. WHAT HEALTH AND WELFARE PLANS DOES CNP PROVIDE?

A. CNP provides medical (including prescription drug), dental, vision, life insurance, accidental death and dismemberment insurance, and long-term disability benefits.

Q. WHAT IS CNP'S PHILOSOPHY WITH RESPECT TO BENEFITS COST SHARING?

A. CNP shares the cost of benefits with employees who participate in the plans. For example, for coverage in the medical plan, CNP, in general, targets a 76/24% employer/employee cost share of claims paid by the plan. Employees have contributions deducted from their pay at a rate designed to achieve the referenced cost sharing ratio. In addition to the costs incurred directly through employee contributions, plan participants incur out-of-pocket expenses such as deductibles, co-insurance, and co-pays when they utilize the medical plan. These out-of-pocket expenses vary based on the design of the particular medical plan offered to employees. CNP makes periodic adjustments in plan design to remain competitive both with other utility companies and large employers in general.

Q. HOW DOES HR HELP CNP ENSURE THAT THE INSURANCE CARRIERS AND ADMINISTRATORS CNP USES ARE CHARGING A COMPETITIVE RATE FOR THEIR SERVICES?

A. For all insured plans, CNP uses brokers to ensure that administrative services are competitively priced. The HR staff also meets from time to time with consultants, benefit providers, and insurance carriers to discuss competitive trends and plan design. Additionally, HR periodically solicits third-party bids on all of its insured plans. Typically, CNP utilizes multi-year agreements of at least three years' duration to lock in competitive pricing. We also work jointly with our carriers to design benefit plans to help manage costs and maintain competitiveness. This objective is also achieved by aggregating all CNP employees into insurance pools to leverage CNP's size to obtain the best rates possible.

Q. IS THE PROVISION OF HEALTH AND WELFARE BENEFITS TO EMPLOYEES REASONABLE AND NECESSARY?

A. Yes. The provision of health and welfare benefits to employees is an industry standard. In fact, of the [redacted] organizations in the 2022 WTW Benefits Data Source, which is provided as **Attachment DRW-14**, [redacted] provide active medical and dental plans. In order to attract and retain a qualified and effective workforce, CNP seeks to provide a comprehensive and competitively based package of health and welfare benefits. Health and welfare benefits help shield employees and their families from financial loss and protect the health and well-being of employees and their dependents during their careers. In addition, the health and welfare benefits costs the Company seeks to recover are reasonable and necessary because they are consistent with market compensation studies.

Q. DOES CNP TAKE STEPS TO CONTROL THE RISING COSTS OF HEALTHCARE?

A. Yes. Each year, CNP reviews its medical claims experience and compares it with industry trends to estimate future medical plan costs. Based on these cost increase projections, administrative changes and plan design changes are recommended to management to help control or reduce rising costs while maintaining a competitive benefits package.

B. <u>RETIREMENT PLAN AND BENEFIT RESTORATION PLAN</u>

Q. WHAT IS THE RETIREMENT PLAN?

A. CNP's Retirement Plans are qualified defined benefit pension plans that are intended to provide employees with income in retirement. Certain employees are eligible for participation under the Retirement Plans. Generally, eligibility is limited to employees hired prior to January 1, 2020 and certain union employees. CNP pays the full cost of the Retirement Plans.

Q. WHAT IS THE BENEFIT RESTORATION PLAN ("BRP")?

A. The BRP is an unfunded, non-qualified retirement plan that restores retirement benefits for employees that would have been paid under certain Retirement Plans, had they not been subject to limitation under the Internal Revenue Code. The BRP is simply a way for CNP to offer employees at all levels comparable retirement benefits.

Q. IS THE CONTINUED PROVISION OF A RETIREMENT PLAN AND BRP TO EMPLOYEES REASONABLE AND NECESSARY?

A. Yes. In the past, [redacted] utility and energy companies provided defined benefit retirement plans, and per the WTW Benefits Data Source, [redacted] utility and energy companies still do. Retirement plans have been a necessary and reasonable part of providing a competitive package of benefit programs that have allowed companies to attract and retain qualified employees, and it is necessary and prudent to continue to provide this benefit to those employees that were eligible for the plan when they were hired and have come to rely on the Retirement Plan as they plan for their financial security. The CNP BRP is simply an extension of the Retirement Plan that is designed to restore benefits due to limitations imposed under the Internal Revenue Code.

C. <u>SAVINGS PLAN AND SAVINGS RESTORATION PLAN</u>

Q. WHAT ARE THE BASIC FEATURES OF CNP'S SAVINGS PLAN?

A. The Savings Plan is a qualified defined contribution plan. All CNP employees are eligible for the Savings Plan. Employees may contribute on a pre-tax ROTH and an after-tax basis. Generally, CNP matches the employee contribution dollar for dollar up to an amount equal to 6% of the employee's eligible compensation each pay period (union match as defined in the Collective Bargaining Agreement). Effective January 1, 2020, certain employees participate only in the defined contribution benefits approach instead of the defined benefits Retirement Plan. For those employees, CNP matches dollar for dollar up to 6% of eligible compensation plus a 3% non-matching contribution. Participants direct their contributions, including the employer match and non-matching contributions, into various investment options offered by the Savings plan. Non-union employees are immediately fully vested in their contributions, as well as the Company's matching and non-matching contributions.

Q. WHAT IS THE SAVINGS RESTORATION PLAN ("SRP")?

A. The SRP is an unfunded, non-qualified savings plan. The SRP restores amounts the employer would have matched absent the Internal Revenue Code limits. The rate of return earned in the plan is based on each participant's actual rate of return earned under the Savings Plan.

Q. ARE THE EXPENSES ASSOCIATED WITH THE SAVINGS PLAN AND SRP REASONABLE AND NECESSARY?

A. Yes. [redacted] of the organizations, including all [redacted] utility and energy companies in the WTW Benefits Data Source – U.S. Broad-Based Database, provide defined contribution plans. The SRP is merely an unfunded, non-qualified extension of the Savings Plan to restore benefits due to limitations under the Internal Revenue Code. Therefore, in order to provide a competitive package of benefit programs that allows CNP to attract and retain qualified employees and leadership, the provision of the Savings Plan and SRP is reasonable and necessary.

Q. WHY DOES CNP PROVIDE BOTH RETIREMENT AND SAVINGS PLANS?

A. CNP provides market-based retirement benefits to enable employees to provide for their financial security in retirement and because doing so is consistent with benefits offered by other companies in the market. CNP provides both a Retirement Plan and a Savings Plan because both types of plans are important to help employees achieve their retirement income goals. The Company bears the responsibility of providing the benefit as defined by the Retirement Plan. In contrast, with respect to the Savings Plan, similar to other 401(k) plan designs, the employee makes the decision as to whether to participate in the plan, the degree of participation and the actual investments held in the plan.

Q. DOES THE COMPANY TAKE STEPS TO MANAGE COSTS RELATED TO ITS RETIREMENT AND SAVINGS PLANS?

A. Yes. For example, in 2022, CNP amended a Retirement Plan to provide for the purchase of an annuity contract to fund small annuities under the Retirement Plan. This change was made to reduce risk in the Retirement Plan and to reduce administrative costs (vendor fees and Pension Benefit Guaranty Corporation ("PBGC") premiums) in the Retirement Plan. Any cost savings that are incurred for the Savings Plan are recognized by Savings Plan participants.

D. POSTRETIREMENT BENEFITS

Q. WHAT ARE POSTRETIREMENT BENEFITS?

A. Generally, postretirement benefits are medical, dental, and life insurance plans that are provided to retired employees, their beneficiaries, and covered dependents.

Q. PLEASE EXPLAIN CNP'S POSTRETIREMENT BENEFIT PLAN.

A. CNP's postretirement benefit plan is a defined dollar health and welfare benefit plan that provides retiree medical and dental benefits to eligible employees. Employees become eligible for postretirement benefits at age 55 with at least five years of active service after age 50. Benefit coverage is similar to benefits coverage under the medical plans offered to active employees until they attain age 65. When a retiree and/or eligible spouse attains age 65, benefits are provided under a fully insured Medicare Advantage program. The cost of postretirement benefits is generally shared between CNP and its retirees.

Q. IS THE CONTINUED PROVISION OF THE POSTRETIREMENT BENEFIT PLAN TO THOSE EMPLOYEES WHO REMAIN ELIGIBLE FOR THE PLAN A REASONABLE AND NECESSARY EXPENSE?

A. Yes. [redacted] of the utility and energy peer group in the WTW Benefits Data Source – U.S. Broad-Based Database provides postretirement benefits. However, CNP has determined that postretirement benefits are not as prevalent for new hires and therefore, CNP discontinued offering postretirement benefits to employees hired from and after January 1, 2018. In the past, postretirement plans have been a necessary and reasonable part of providing a competitive package of benefit programs that allowed companies to attract and retain qualified employees. In addition, it is necessary and fair to maintain the benefits for those employees that were eligible for the postretirement benefits when they were hired.

Q. DOES CNP TAKE STEPS TO MANAGE THE COSTS RELATED TO POSTRETIREMENT BENEFITS?

A. Yes. Each year, CNP reviews its retiree medical claims experience and compares it with industry trends to calculate future medical plan costs. In addition, plan design changes are recommended to help reduce rising costs while maintaining competitive benefit plans.

Q. HOW IS THE TEST YEAR AMOUNT OF POSTRETIREMENT PLAN EXPENSE DETERMINED?

A. The amount of test year postretirement plan expense is forecasted based upon future expectations of postretirement plan expense in the most recent Aon Hewitt ("Aon") report, which is as of 2023. The test year forecasted expense reflects our best-known calculation of these costs at this time as provided by Aon based on actuarial assumptions using the Company's employee population.

E. POSTEMPLOYMENT BENEFITS

Q. WHAT ARE POSTEMPLOYMENT BENEFITS?

A. Postemployment benefits are medical, dental, and life insurance plans that are provided to certain inactive employees, their beneficiaries and covered dependents after employment, but before retirement. This would include benefits to surviving spouses and dependents of active employees and employees approved for long-term disability benefits. Effective January 1, 2020, long-term disability participants will have a deemed termination of employment 24 months following their date of disability and will no longer be eligible for active benefit programs after the 24-month period.

Q. WHAT IS INCLUDED IN POSTEMPLOYMENT EXPENSE?

A. Postemployment benefit expense includes postemployment benefits costs determined as required by GAAP under ASC Topic 712, Compensation – Nonretirement Postemployment Benefits (formerly SFAS No. 112 "Employers' Accounting for Postemployment Benefits"), as calculated by Aon for the company.

The annual expense consists of an accrual for the present value of future health and welfare benefits for certain inactive employees, their beneficiaries, and covered dependents. The accrual is determined at the Company level based on the underlying demographic data of Company employees.

Q. HOW IS THE TEST YEAR AMOUNT OF POSTEMPLOYMENT BENEFIT EXPENSE DETERMINED?

A. The test year amount of postemployment benefit expense for employees is forecasted by the company's Actuarial Firm – Aon – based upon future expectations of postemployment benefit expense in the most recent Aon report, which is as of 2023.

The test year forecasted expense reflects our best-known calculation of these costs at this time as provided by Aon based on actuarial assumptions using the Company's employee population.

Q. IS IT REASONABLE AND NECESSARY TO PROVIDE EMPLOYEES WITH POSTEMPLOYMENT BENEFITS?

A. Yes. Providing postemployment benefits offers security to employees and their families against unforeseen incidents and is common across multiple industry segments. In the WTW Benefits Data Source – U.S. Broad-Based Database, [redacted] of participants provide long-term disability plans. Such benefits are part of the competitive package of benefit programs offered by CNP to attract and retain qualified employees and are consistent with market studies.

F. DEFERRED COMPENSATION

Q. WHAT IS THE DEFERRED COMPENSATION PLAN?

A. The Deferred Compensation Plan is a non-qualified, unfunded savings vehicle for eligible employees. The plan allows eligible employees to defer receipt for income tax purposes of base pay and/or STI payments, until distribution. Annually, the deferred amount is credited with interest, also on a tax-free basis until distribution. Beginning January 1, 2023, the Deferred Compensation Plan was frozen, and no employee is eligible to participate.

Q. IS THE COMPANY SEEKING RECOVERY OF ANY COSTS ASSOCIATED WITH ITS DEFERRED COMPENSATION PLAN?

A. No. The Company is not seeking recovery of these expenses in this case. The Company reserves its right to request recovery in future proceedings.

V. CONCLUSION

Q. ARE THE COMPENSATION AND BENEFIT PLAN COSTS THE COMPANY SEEKS TO RECOVER REASONABLE?

A. Yes. My testimony shows that the Company's compensation and benefit plans are based on the median of both the general and utility industries. In addition, incentive compensation provides the opportunity for employees to earn compensation that is competitive compared to the market and motivates employees to serve the interests of customers, the Company, and shareholders. The benefits plans CNP offers are also reasonable and their costs are reasonable and necessary to attract and retain qualified employees. CNP's method for determining total pay (base salaries, wages, incentive compensation) and benefits for all employees is consistent with recently issued market compensation studies. Finally, the allocated portions of CNP's compensation and benefits costs included in CEI South's cost of service are reasonable and necessary expenses to support the Company's provision of safe, reliable, and cost-effective service to its customers and should be recovered in rates.

Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

A. Yes, it does.

Cause No. 45990

VERIFICATION

I affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A CENTERPOINT ENERGY INDIANA SOUTH

Deneisia R. Williford
Director, Compensation

11/30/2023
Date

Retirement Projections

CenterPoint Energy

Year	Employee Count	Retirement Eligible (Age 55+ and Service 5+)	Percent Eligible
2022	8,651	1,668	19%
2027	8,651	2,652	31%

IN Electric (Direct & Affliates)

Year	Employee Count	Retirement Eligible (Age 55+ and Service 5+)	Percent Eligible
2022	2,455	504	21%
2027	2,455	857	35%

Attachment DRW-2 (CONFIDENTIAL) Filed Confidentially

Attachment DRW-3 (CONFIDENTIAL) Filed Confidentially

FW COOK

December 2022

2022 TOP 250 REPORT 50th EDITION

2022 TOP 250 REPORT 50th EDITION

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EXECUTIVE SUMMARY

The 50th annual FW Cook Top 250 Report details long-term incentive practices and trends of the 250 largest companies in the S&P 500 by market capitalization. This study focuses on understanding how long-term incentive ("LTI") programs are currently designed and how they have evolved since the release of FW Cook's 2021 report.

Long-term incentive practices generally reflect a continuation of trends observed over the past several years.

Key Takeaways

- **Long-term incentive mix** continues to be strongly oriented towards performance awards, which represent 59% of total long-term incentives.
- **Total Shareholder Return ("TSR")** continues to increase in prevalence – now used by 72% of companies vs. 60% in 2017 – and remains the most common performance metric among the Top 250 companies, with 96% of companies using relative TSR ("rTSR").
- **Performance goals** remained relatively similar to the prior year, though threshold goals for absolute and relative top-line metrics increased in prevalence.
- **Above-median rTSR target setting** became more widespread with sustained pressure from proxy advisory firms requesting above-median performance achievement for target payouts.

Prevalence of Long-term Incentive Grant Types

Performance Awards 94%

Restricted Stock 68%

Stock Options 54%

94% of Top 250 companies
use performance awards; stock option has declined and continues to trail restricted stock use

Long-term Incentive Mix

Stock Options/SARs 19%

Performance Awards 59%

Restricted Stock 22%

59% of CEO long-term incentives are delivered in performance awards

Long-term Incentive Metrics

72% of companies with performance plans use TSR as a performance metric, with almost every company measuring on a relative basis (96%) and often paired with at least one other financial or strategic metric (81% of companies employ multiple metrics)

Note that additional statistics are provided in the Appendix of this report.

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INTRODUCTION

Overview and Background

Since 1973, FW Cook has published annual reports on long-term incentive grant practices for executives. This report, our 50th edition, presents information on long-term incentives granted to executives at the 250 largest U.S. companies in the S&P 500 Index. It is intended to inform boards of directors and compensation professionals in designing and implementing effective long-term incentive programs that promote continued success for their companies by supporting strategic objectives and aligning pay delivery with performance.

Survey Scope

The report covers the following topics:

- Executive long-term incentive grant vehicle prevalence
- CEO long-term incentive grant value mix
- Key performance plan characteristics, including performance metrics, performance periods, performance/funding slope leverage, and measurement approaches

The Appendix includes information on equity vesting, additional performance award detail, and LTI statistics by industry.

Source of Data

All information was obtained from public documents filed with the Securities and Exchange Commission ("SEC"), including proxy statements and 10-K and 8-K filings.

Top 250 Company Selection

The Top 250 companies, limited to those granting long-term incentives, are selected annually based on market capitalization (share price multiplied by basic common shares outstanding). The sample was determined using market capitalization as of April 30, 2022 (as reported by S&P's Capital IQ). See the Appendix for a list of companies reviewed.

Volatility in the equity markets, corporate transactions, and fluctuating corporate fortunes result in changes in market capitalization and therefore turnover in the survey sample. Of the Top 250 companies in 2022, 15 companies (6%) are new to this year's report. The majority of the changes are due to fluctuations in market capitalization between March 31, 2021 and April 30, 2022 (the dates used to determine the 2021 and 2022 Top 250 companies lists).

The following table profiles the industry sectors represented in the Top 250 for 2022, defined by S&P Dow Jones and Morgan Stanley Capital International ("MSCI")'s Global Industrial Classification System ("GICS").

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INTRODUCTION

Industry Sector (# of companies)	Percent of 2022 Top 250	Median Market Data ($Bil) Net Sales	Net Income	(6/30/22) Market Capital.	TSR[1] Year-to-Date	1-Year	5-Year CAGR[2]
Information Technology (40)	16%	$16.47	$3.06	$77.54	-23%	-14%	18%
Health Care (38)	15%	$26.64	$2.64	$71.16	-12%	-1%	15%
Financials (32)	13%	$22.61	$5.56	$57.93	-20%	-15%	10%
Industrials (31)	12%	$18.24	$1.85	$56.76	-16%	-12%	13%
Consumer Staples (22)	9%	$30.06	$2.51	$47.32	-3%	5%	11%
Consumer Discretionary (21)	8%	$23.22	$2.40	$44.74	-28%	-16%	13%
Energy (16)	6%	$21.72	$2.00	$44.09	28%	42%	8%
Real Estate (14)	6%	$4.58	$1.21	$37.17	-18%	-3%	8%
Utilities (13)	5%	$13.68	$1.60	$44.42	5%	13%	12%
Materials (12)	5%	$16.73	$1.98	$38.38	-20%	-16%	10%
Communication Services (11)	4%	$67.42	$4.65	$150.05	-21%	-35%	3%
Total Top 250 - Median	**—**	**$18.70**	**$2.55**	**$53.65**	**-16%**	**-5%**	**12%**

Source: S&P Capital IQ (net sales and net income represents 10-K results; all other data measured as of 6/30/2022)
[1] TSR = Total Shareholder Return, a measure of stock price and dividend performance; calculated through 6/30/2022.
[2] CAGR = Compounded Annual Growth Rate

Definition of Long-term Incentive

This report presents the most recently disclosed long-term incentive grant types in use at the Top 250 companies as of mid-2022. A grant type is considered in use at a company if grants were made in the current or prior year and there is no evidence the grant practice has been discontinued, or if the company indicates the grant type will be awarded in the future.

To be considered a long-term incentive for purposes of this report, a grant must reward performance and/or continued service for a period of one year or more and cannot be limited by both scope and frequency.

- A grant with limited scope is awarded to only one executive or to a very small or select group of executives.
- A grant with limited frequency is not part of a company's regular grant practice. For example, a grant made as a hiring incentive, replacement of compensation forfeited from a prior employer, or a promotional award is not considered a long-term incentive for this report.
- A grant with limited scope but without limited frequency (e.g., annual grants of performance shares made only to the CEO) may be considered a long-term incentive, and vice versa (e.g., one-time grants made to all executives).

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Definitions

Award Vehicles

Long-term incentive award vehicles include, but are not limited to, the following:

- Stock options/Stock Appreciation Rights ("SARs"), which are derivative securities with value dependent upon stock price appreciation; stock options are rights to purchase company stock at a specified exercise price over a stated term, while SARs are rights to receive the increase between the grant price and the market price of a share of stock at exercise
- Restricted stock, which includes actual shares or share units that are earned for continued employment and are often referred to as time-based awards
- Performance awards, which consist of stock-denominated shares or share units ("performance shares") and grants of cash or dollar-denominated units ("performance units") earned based on performance against predetermined objectives over a defined period of more than one year, including long-term incentives with one-year performance periods and additional time-vesting requirements

Types of Metrics

Performance metric categories include, but are not limited to, the following:

- Total Shareholder Return: Stock Price Appreciation Plus Dividends
- Profit: EPS, Net Income, EBIT, EBITDA, Operating/Pretax Profit
- Capital Efficiency: Return on Equity, Return on Assets, Return on Capital
- Revenue: Sales, Organic Revenue
- Cash Flow: Cash Flow, Operating Cash Flow, Free Cash Flow
- Other: Safety, Quality Assurance, New Business, Individual Performance

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EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND PREVALENCE

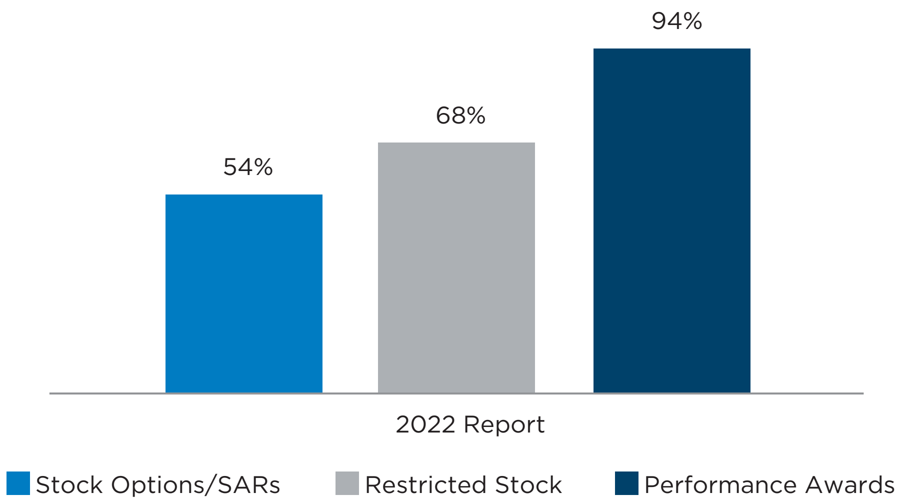
Which Long-term Incentive Vehicles Are Most Prevalent?

Most companies continue to employ a balanced portfolio approach of multiple LTI vehicles, with a focus on performance-based equity. Overall, 87% of companies use multiple grant types (an increase of 4% from last year, which saw a reduction due to companies employing temporary modifications in response to COVID-19).

The use of performance-based and time-vested full-value awards has remained relatively consistent, while stock option/SAR usage continues to decline:

- **Performance awards** continue to be used by 94% of companies.
- **Restricted stock** use has generally remained consistent over the past 5 years (68% of companies).
- **Stock options/SARs** are used by just over half of participants (54% of companies).

Executive Long-term Incentive Grant Type Usage



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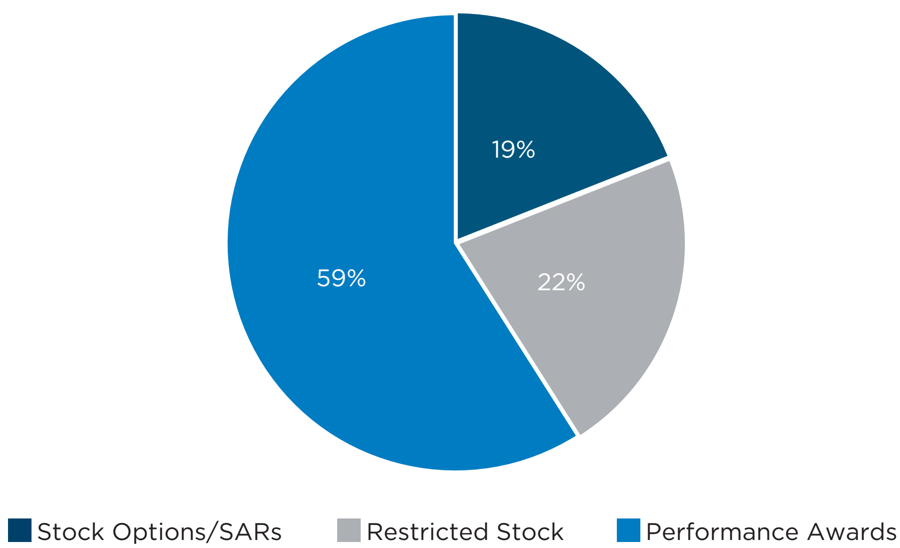
EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND PREVALENCE

CEO LTI Mix Remains Performance-Focused

Performance awards remain the largest component of CEO LTI mix. Investors' and proxy advisory firms' continued focus on pay-for-performance has influenced the prevalence of performance-based LTI.

- Stock option/SAR usage has declined in prevalence and weighting, in part due to proxy advisory firm policies that view stock options as time-based rather than performance-based awards (e.g., at minimum, stock options must have a 10% premium on their exercise price to be considered performance-based under ISS' guidelines). Additionally, the heightened risk profile, accounting inefficiencies, and higher potential dilution create additional complications for option use.
- Popularity of stock options/SARs is generally greater within the healthcare, industrials, and technology sectors, where high-growth companies are more prevalent.

Average Top 250 CEO LTI Mix



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EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND PREVALENCE

What Are the Predominate Performance-Based LTI Metrics?

Performance-based LTI design remains consistent with a focus on the following:

- Using one or two performance-metrics
- Measuring performance over a 3-year performance period
- Providing for a maximum payout opportunity of 200% of target

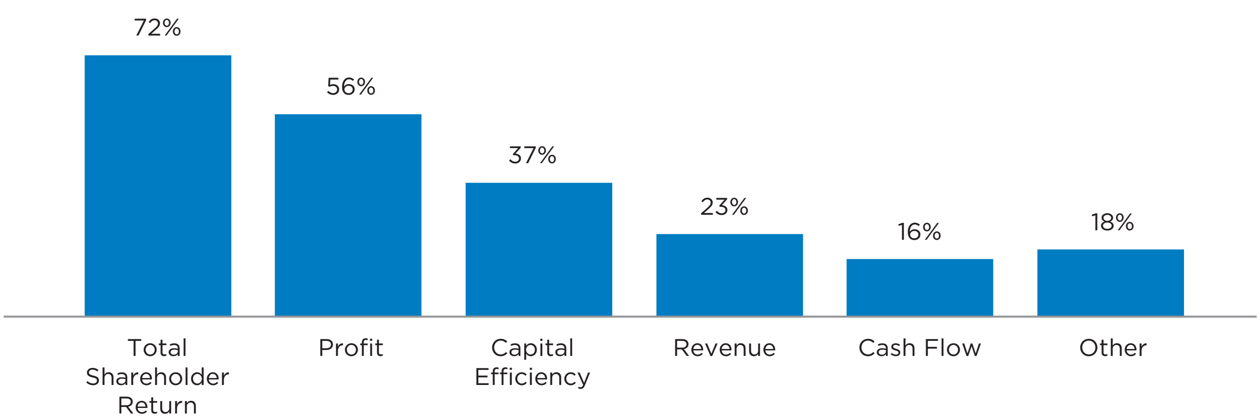
While utilization of broader financial metrics has remained relatively flat, TSR continues to grow in use and remains the most widely-used metric.

- TSR is most often used on a relative basis.
- 72% of companies that grant performance awards use TSR.
- TSR is more commonly used as a separately weighted metric, often paired with at least one financial or strategic metric (81% of companies use multiple metrics).

TSR's effectiveness in incentivizing core company performance remains a subject of debate. TSR provides simplicity, creates shareholder alignment, and is accepted and understood by proxy advisors and investors alike. However, it draws criticism for poor line of sight, as executives may not feel that they can influence performance outcomes. Additionally, some investors do not believe that it drives specific behavior on performance metrics. As a result, there has been an increase in companies using TSR as a performance modifier (35% of companies in 2022 compared to 33% in 2021 and 28% in 2020), rather than a stand-alone metric.

In terms of financial metrics, profit measures remain the most common, used by 56% of companies.

Performance Metrics Prevalence



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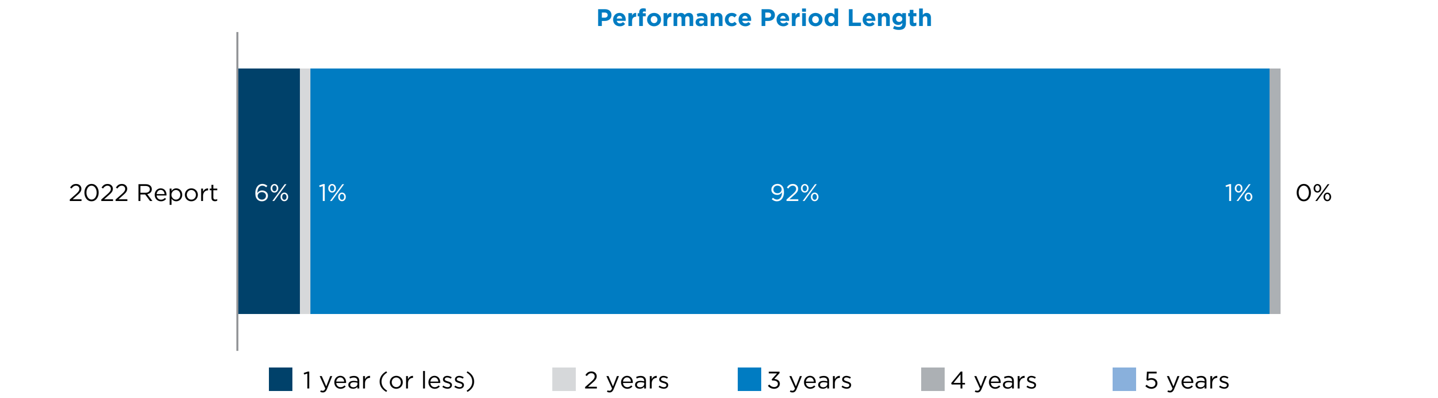
EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND PREVALENCE

How Is Performance Measured?

Performance Period Length

The majority of companies (92% in 2022) continue to measure performance-based LTI over three years, in tandem with the awards' vesting periods. The practice of measuring performance over sub-periods (e.g., averaging performance over three separate 1-year periods as opposed to measurement over a single 3-year period) continues to decline, with 11% of companies utilizing this approach in 2022 compared to 16% in 2021. This decrease is in part due to criticism from proxy advisors, who claim that the structure does not promote long-term value creation.

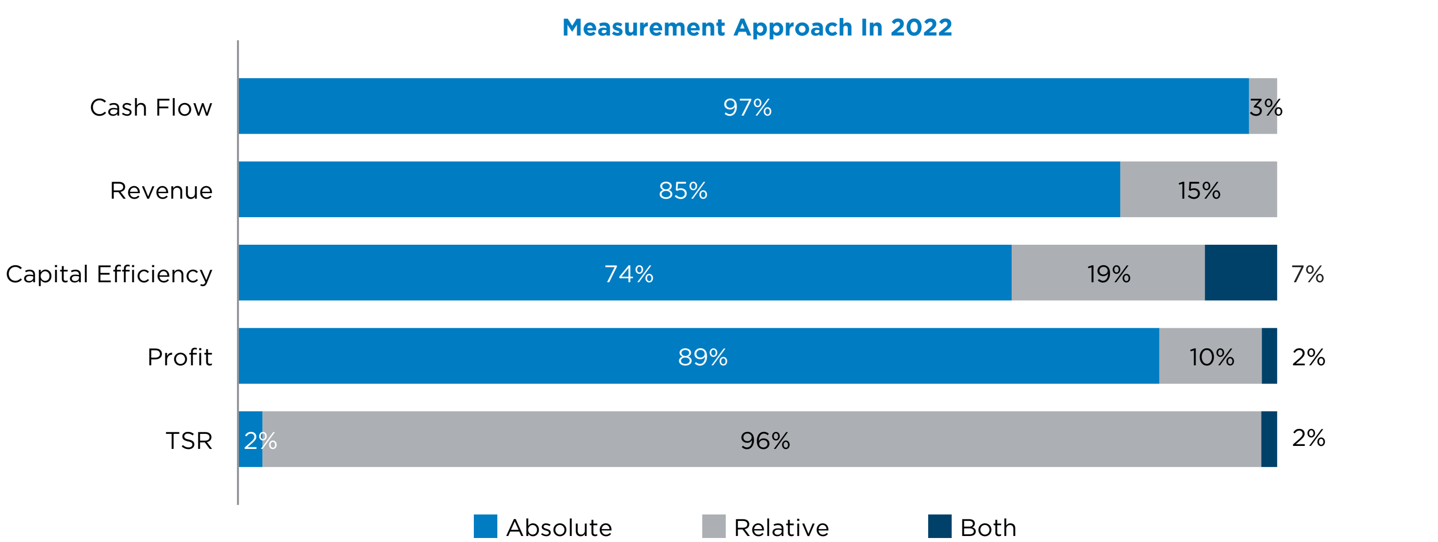


Measurement Approach

Measurement of performance on a relative basis continues to increase:

- 96% of performance plans using TSR use relative TSR
- Relative measurement of cash flow, revenues, and capital efficiency metrics increased (such metrics are measured on a relative basis between 5% and 15% of the time).

In the current environment of high market volatility and increased difficulty in setting longer-term goals, measuring performance on a relative basis has become increasingly popular. However, relative financial and operational metrics present some challenges due to limited disclosure around non-GAAP metric definitions among companies.



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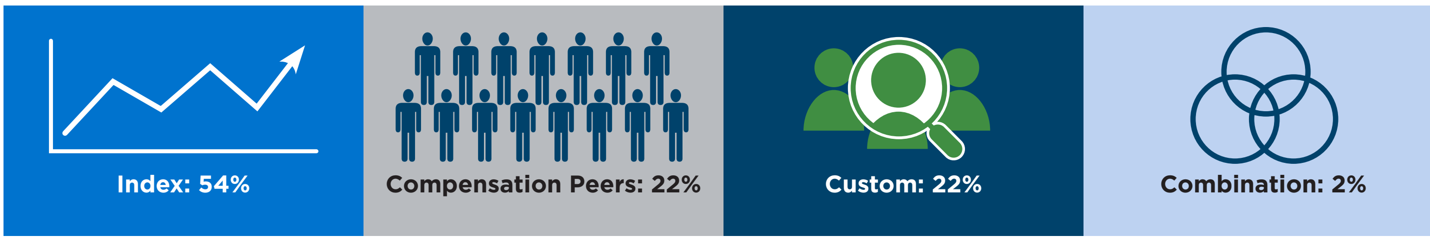
EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND PREVALENCE

When measuring performance on a relative basis, a company should select an appropriate comparator group against which its performance will be measured. Common comparator group approaches are listed below:

- **Index (most prevalent approach):** using broad indices like the S&P 500 or industry-focused indices such as the Dow Jones US Medical Equipment
- **Compensation peers:** using the group used for benchmarking compensation
- **Custom:** using companies often selected from executive compensation peers, companies from relevant sector indices, or companies with similar industry classifications
- **Combination:** using any combination of the above



Some key considerations for determining appropriate comparator groups:

- Larger comparator groups are often preferred, as tracking performance against a broader group may help withstand M&A activity.
- Inclusion of an index increases the incentive to exceed performance of direct competitors and the broader market. Index use in underperforming industries that are competing for investor capital against broader, higher-performing companies (as is the case within the energy industry) has been seen as a positive by investors.

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EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND PREVALENCE

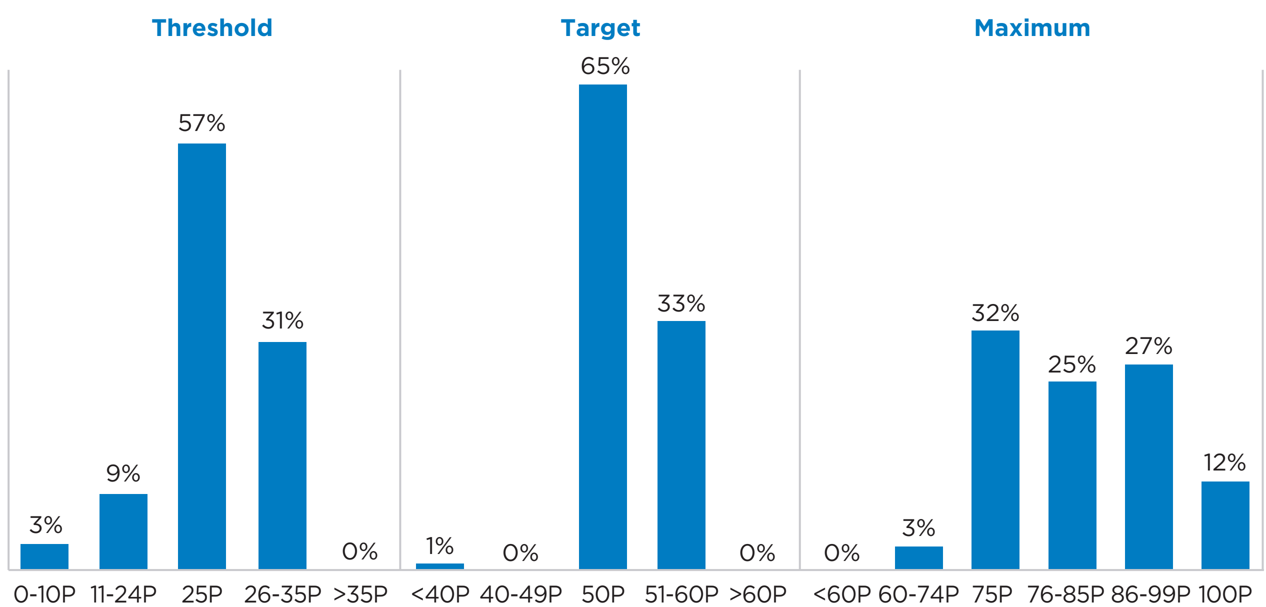
Goal Width Range

Although market practice is informative, goal setting is more commonly tailored to a number of internal and external factors, such as company budget and performance expectations, historical performance, investor expectations, pay philosophy, and macroeconomic climate.

Threshold defines the minimum acceptable performance that warrants any payout at all, while maximum defines what level of performance is exceptional. The performance range of relative measures is determined by calculating the threshold and maximum ranking as a percentage of target.

Overall, relative ranges between top-line metrics (e.g., revenues) and bottom-line metrics (e.g., EPS, EBITDA) continue to be similar. For companies measuring relative TSR performance, the most prevalent performance level combination continues to be the 25th percentile, 50th percentile (median), and 75th percentile of the comparator group to receive threshold, target, and maximum payouts, respectively. Above-median target setting is growing in prevalence as proxy advisors express concern over target payouts for performance achievement at the median (33% target the 51st to 60th percentile, up from 29% in 2021 and 23% in 2019).

Companies incorporating an absolute TSR cap (e.g., capping payout at 100% if absolute TSR is negative) rose to 30% in 2022 vs. 24% in 2021, creating stronger alignment with the shareholder experience.



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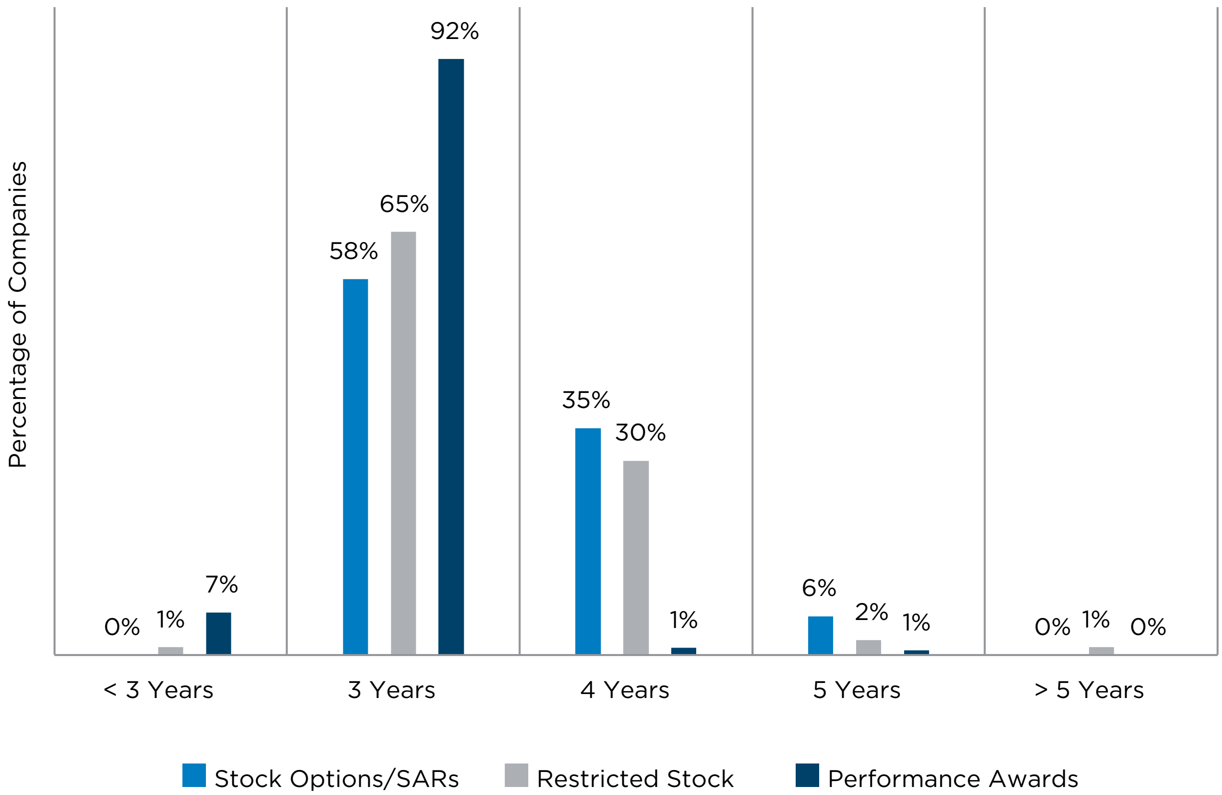
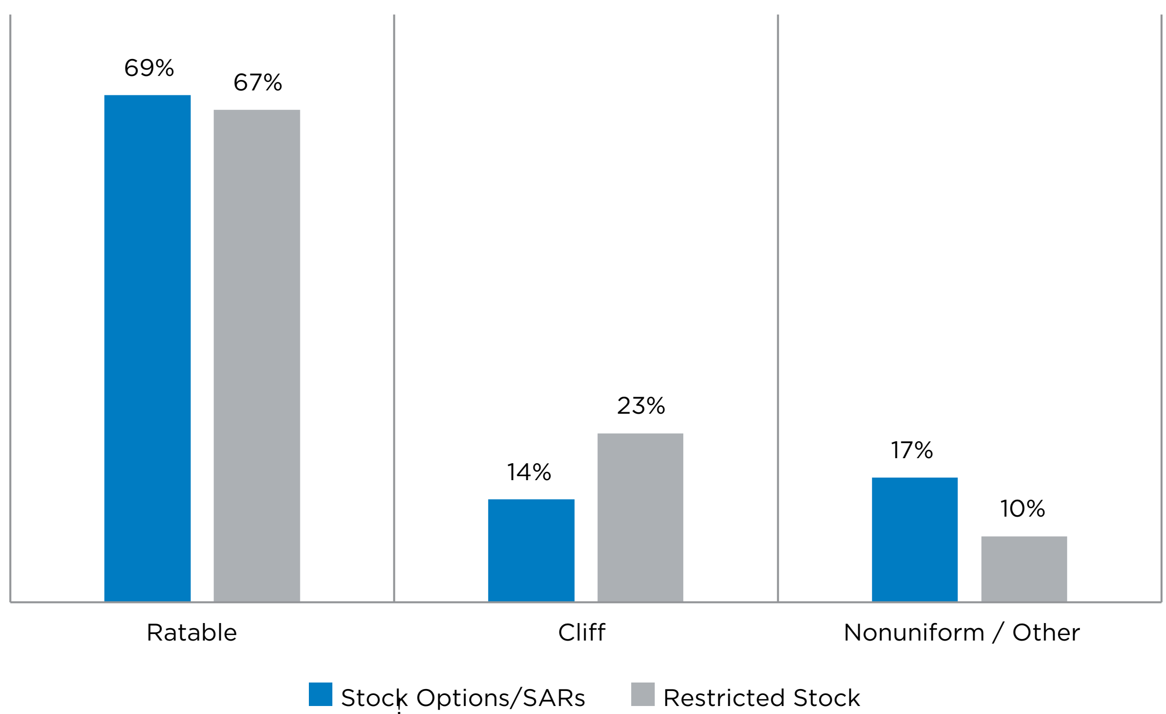
APPENDIX – SUPPLEMENTAL DETAIL

Vesting Period of Award Types



Time-Based LTI Vesting



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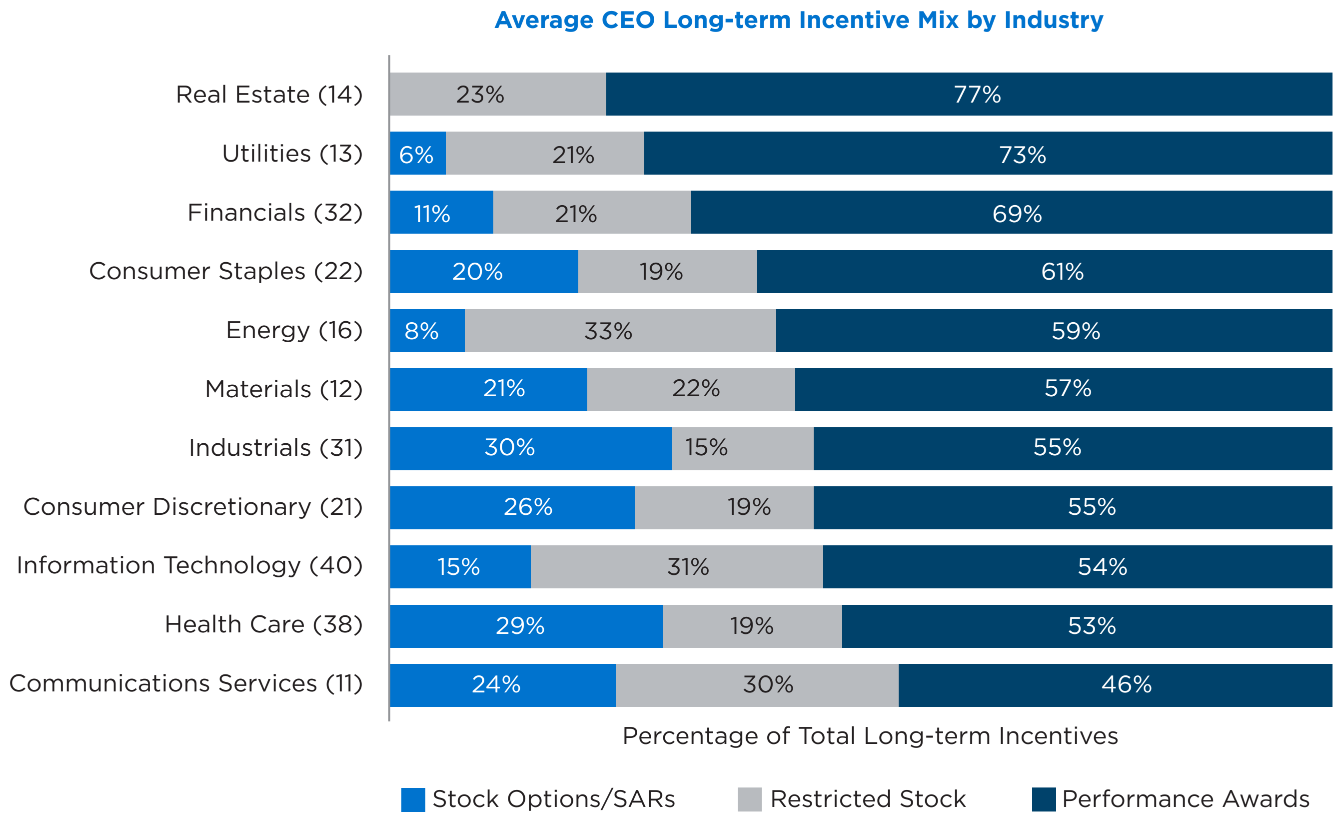
APPENDIX – SUPPLEMENTAL DETAIL

CEO Long-term Incentive Mix by Industry



Grant Types by Sector

Industry Sector (# of companies)	Grant Types by Sector 1 Type	2 Types	3 Types	4 Types
Information Technology (40)	13%	55%	33%	0%
Health Care (38)	8%	53%	39%	0%
Financials (32)	13%	72%	16%	0%
Industrials (31)	13%	39%	45%	3%
Consumer Staples (22)	5%	41%	55%	0%
Consumer Discretionary (21)	19%	57%	24%	0%
Energy (16)	19%	56%	25%	0%
Real Estate (14)	29%	71%	0%	0%
Utilities (13)	15%	77%	8%	0%
Materials (12)	0%	42%	58%	0%
Communication Services (11)	36%	55%	9%	0%

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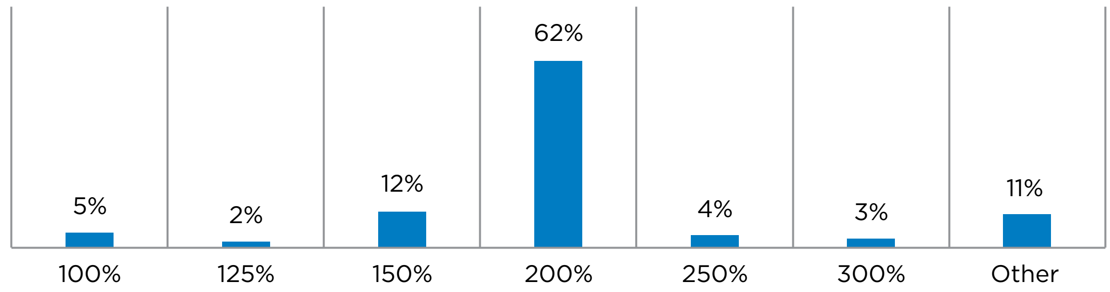
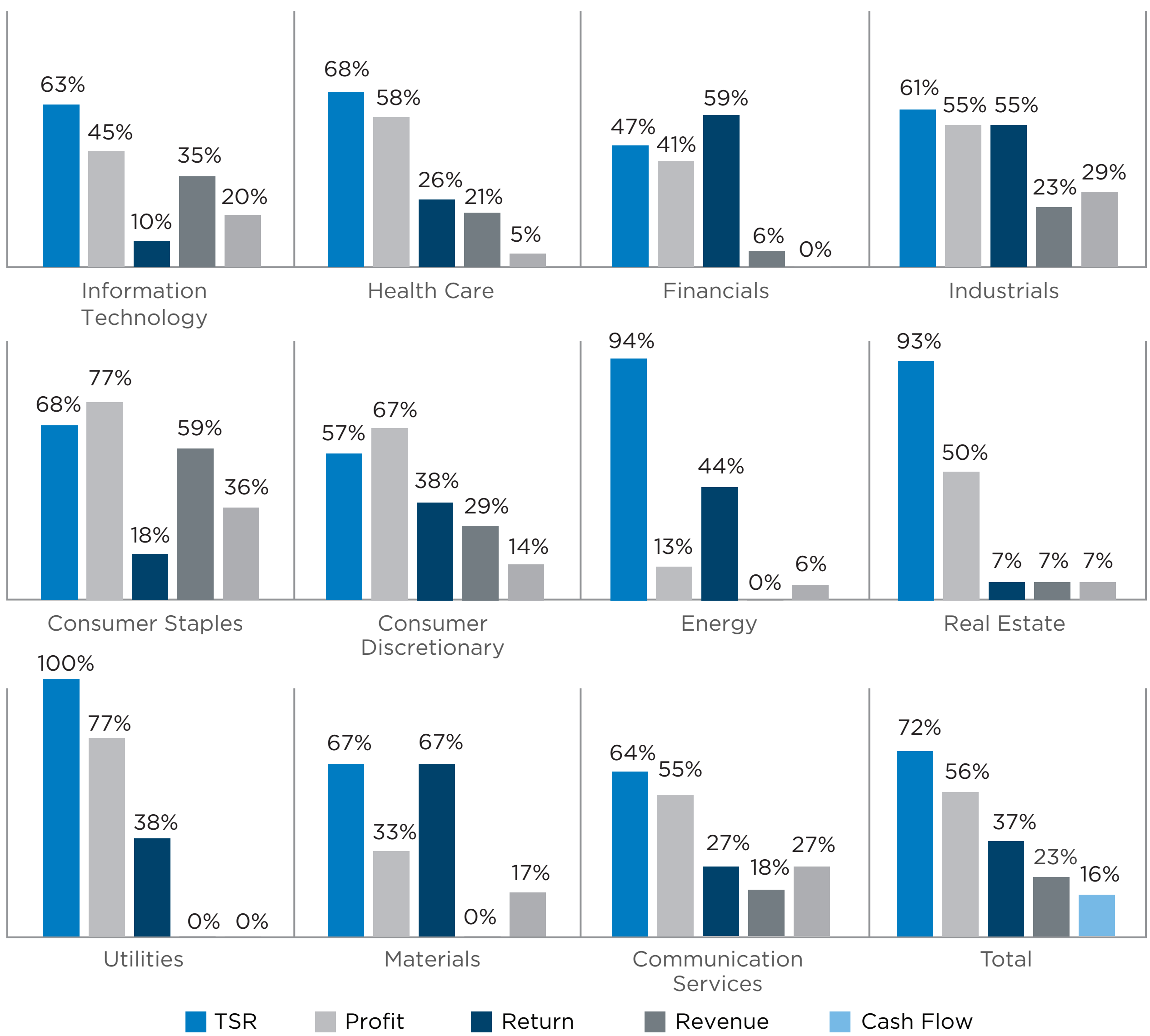
APPENDIX – SUPPLEMENTAL DETAIL

Performance Award Maximum



Performance Metric Prevalence by Industry



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APPENDIX – COMPANIES STUDIED

Communication Services (11 Companies)

AT&T Inc.
Charter Communications, Inc.
Comcast Corporation
Electronic Arts Inc.
Meta Platforms
Netflix, Inc.
The Walt Disney Company
T-Mobile US, Inc.
Twitter, Inc.
Verizon Communications Inc.
Warner Bros Discovery

Consumer Discretionary (21 Companies)

AutoZone, Inc.
Booking Holdings Inc.
Chipotle Mexican Grill, Inc.
Dollar General Corporation
Dollar Tree, Inc.
eBay Inc.
Expedia*
Ford Motor Company
General Motors Company
Hilton Worldwide Holdings Inc.
Lowe’s Companies, Inc.
Marriott International, Inc.
McDonald’s Corporation
NIKE, Inc.
O’Reilly Automotive, Inc.
Ross Stores, Inc.
Starbucks Corporation
Target Corporation
The Home Depot, Inc.
The TJX Companies, Inc.
Yum! Brands, Inc.

Consumer Staples (22 Companies)

Altria Group, Inc.
Archer-Daniels-Midland
Brown-Forman Corporation
Colgate-Palmolive Company
Constellation Brands, Inc.
Costco Wholesale Corporation
General Mills, Inc.
Hormel Foods
Kimberly-Clark Corporation
Mondelez International, Inc.
Monster Beverage Corporation
PepsiCo, Inc.
Philip Morris International Inc.
Sysco Corporation
The Coca-Cola Company
The Estée Lauder Cos.
The Hershey Company
The Kroger Co.
The Procter & Gamble Co.
Tyson Foods, Inc.
Walgreens Boots Alliance, Inc.
Walmart Inc.

Energy (16 Companies)

Baker Hughes Company*
Chevron Corporation
Devon Energy Corporation*
ConocoPhillips
EOG Resources, Inc.
Exxon Mobil Corporation
Halliburton Company*
Hess Corporation*
Marathon Petroleum Corporation
Occidental Petroleum*
ONEOK, Inc.*
Phillips 66
Pioneer Natural Resources
Schlumberger Limited
The Williams Companies, Inc.
Valero Energy Corporation

*(*Denotes new company in 2022 Top 250)*

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APPENDIX – COMPANIES STUDIED

Financials (32 Companies)

Aflac Incorporated
American Express Company
American International Group
Ameriprise Financial, Inc.
Arthur J. Gallagher & Co.*
Bank of America Corporation
BlackRock, Inc.
Capital One Financial
Citigroup Inc.
CME Group Inc.
Discover Financial Services
Intercontinental Exchange, Inc.
JPMorgan Chase & Co.
Marsh & McLennan Companies
MetLife, Inc.
Moody's Corporation
Morgan Stanley
MSCI Inc.
Prudential Financial, Inc.
S&P Global Inc.
SVB Financial Group
T. Rowe Price Group, Inc.
The Allstate Corporation
The Bank of New York Mellon
The Charles Schwab Corp.
The Goldman Sachs Group
The PNC Financial Services
The Progressive Corporation
The Travelers Companies
Truist Financial Corporation
U.S. Bancorp
Wells Fargo & Company

Health Care (38 Companies)

Abbott Laboratories
AbbVie Inc.
Agilent Technologies, Inc.
AmerisourceBergen*
Amgen Inc.
Baxter International Inc.
Becton, Dickinson and Company
Biogen Inc.
Boston Scientific Corporation
Bristol-Myers Squibb Company
Centene Corporation
Cigna Corporation
CVS Health Corporation
Danaher Corporation
DexCom, Inc.
Edwards Lifesciences Corporation
Elevance Health Inc.
Eli Lilly and Company
Gilead Sciences, Inc.
HCA Healthcare, Inc.
Humana Inc.
IDEXX Laboratories, Inc.
Illumina, Inc.
Intuitive Surgical, Inc.
IQVIA Holdings Inc.
Johnson & Johnson
McKesson Corporation
Merck & Co., Inc.
Mettler-Toledo International
Moderna*
Pfizer Inc.
Regeneron Pharmaceuticals, Inc.
ResMed Inc.
Stryker Corporation
Thermo Fisher Scientific Inc.
UnitedHealth Group Incorporated
Vertex Pharmaceuticals Inc.
Zoetis Inc.

Industrials (31 Companies)

3M Company
AMETEK, Inc.
Carrier Global Corporation
Caterpillar Inc.
Cintas Corporation
CSX Corporation
Deere & Company
Emerson Electric Co.
Fastenal Company
FedEx Corporation
General Dynamics Corporation
General Electric Company
Honeywell International Inc.
Illinois Tool Works Inc.
L3Harris Technologies, Inc.
Lockheed Martin Corporation
Norfolk Southern Corporation
Northrop Grumman Corporation
Old Dominion Freight Line, Inc.
Otis Worldwide Corporation
PACCAR Inc
Parker-Hannifin Corporation
Raytheon Technologies
Republic Services, Inc.
Rockwell Automation, Inc.
The Boeing Company
TransDigm Group Incorporated
Union Pacific Corporation
United Parcel Service, Inc.
Verisk Analytics, Inc.
Waste Management, Inc.

*(*Denotes new company in 2022 Top 250)*

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APPENDIX – COMPANIES STUDIED

Information Technology (40 Companies)

Adobe Inc.
Advanced Micro Devices, Inc.
Amphenol Corporation
Analog Devices, Inc.
Apple Inc.
Applied Materials, Inc.
Arista Networks*
Autodesk, Inc.
Automatic Data Processing, Inc.
Broadcom Inc.
Cadence Design Systems, Inc.
Cisco Systems, Inc.
Cognizant Technology Solutions
Corning Incorporated
Fidelity National Information Services, Inc.
Fiserv, Inc.
Fortinet, Inc.
Global Payments Inc.
HP Inc.
Intel Corporation
International Business Machines
Intuit Inc.
KLA Corporation
Lam Research Corporation
Mastercard Incorporated
Microchip Technology Incorporated
Micron Technology, Inc.
Microsoft Corporation
Motorola Solutions, Inc.
NVIDIA Corporation
Oracle Corporation
Paychex, Inc.
PayPal Holdings, Inc.
QUALCOMM Incorporated
Roper Technologies
salesforce.com, inc.
ServiceNow, Inc.
Synopsys, Inc.
Texas Instruments Incorporated
Visa Inc.

Materials (12 Companies)

Air Products and Chemicals, Inc.
Corteva, Inc.
Dow Inc.
DuPont de Nemours, Inc.
Ecolab Inc.
Freeport-McMoRan Inc.
International Flavors & Fragrances Inc.
LyondellBasell Industries N.V.
Newmont Corporation
Nucor Corporation*
PPG Industries, Inc.
The Sherwin-Williams Company

Real Estate (14 Companies)

Alexandria Real Estate Equities*
American Tower Corporation
AvalonBay Communities
Crown Castle International Corp.
Digital Realty Trust, Inc
Equity Residential
Equinix, Inc.
Prologis, Inc.
Public Storage
Realty Income Corp.*
SBA Communications Corporation
Simon Property Group, Inc.
Welltower Inc.
Weyerhaeuser Company

Utilities (13 Companies)

American Electric Power Company, Inc.
American Water Works Company, Inc.
Consolidated Edison*
Dominion Energy, Inc.
Duke Energy Corporation
Eversource Energy
Exelon Corporation
NextEra Energy, Inc.
Public Service Enterprise Group
Sempra
The Southern Company
WEC Energy Group, Inc.
Xcel Energy Inc.

*(*Denotes new company in 2022 Top 250)*

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Attachment DRW-5 (CONFIDENTIAL) Filed Confidentially

Market Comparison Survey Data Compared to CNP Base Salaries , Total Cash Compensation (TCC), and Total Direct Compensation (TDC)

Indiana Electric

Category	CNP Headcount	CNP Base Salary (Avg)	Market 50th Percentile Base Salary (Avg)	Base Salary Compa-Ratio	CNP TCC (Avg)	Market 50th Percentile TCC (Avg)	TCC Compa-Ratio	CNP TDC (Avg)	Market 50th Percentile TDC (Avg)	TDC Compa-Ratio (Avg)
A	**B**	**C**	**D**	**(C/D)**	**F**	**G**	**(F/G)**	**I**	**J**	**(I/J)**
Non-Union	2,155	$93,141	$95,988	97.0%	$105,963	$107,008	99.0%	$156,221	$156,838	99.6%

Notes: Non-Union employees only
Head Count and Base Salary compensation data as of 12/31/2022
Data excludes all part time, temporary, seasonal, union, and commission eligible employees
Market 50th Percentile data is based on 2022 market data
Total Cash Compensation (TCC) is equal to base salary + STI at Target
Total Direct Compensation (TDC) is equal to base salary + STI at target + LTI at Target
If TDC market data is not available or applicable, excluded from TDC compa-ratio calculation
Nonexempt employees are excluded from TDC compa-ratio calculation (only includes Professionals, Supervisors, Managers, Directors, & Officers)

Market Comparison Survey Data Compared to CNP Base Salaries , Total Cash Compensation (TCC), and Total Direct Compensation (TDC)

Indiana Electric

Job Level	CNP Head Count	CNP Total Base Salaries	Market 50th Percentile Total Base Salaries	Difference $	Difference %	CNP Total Cash (TCC) Compensation	Market 50th Percentile Total Cash Compensation (TCC)	Difference $	Difference %	CNP Total Direct Compensation (TDC)	Market 50th Percentile Total Direct Compensation (TDC)	Difference $	Difference %
A	B	C	D	(D-C)	(D-C)/C	E	F	(F-E)	(F-E)/E	G	H	(H-G)	(H-G)/G
Officer	38	$13,755,325	$13,488,552	-$266,773	-1.9%	$21,624,669	$20,685,260	-$939,409	-4.3%	$39,356,553	$37,426,014	-$1,930,539	-4.9%
Director	89	$17,228,294	$17,528,492	$300,198	1.7%	$21,556,506	$21,524,972	-$31,534	-0.1%	$26,060,200	$23,827,912	-$2,232,288	-8.6%
Manager	187	$26,592,826	$26,702,611	$109,785	0.4%	$30,629,617	$30,574,146	-$55,471	-0.2%	$30,629,617	$30,933,342	$303,725	1.0%
Supervisor	110	$10,717,655	$11,461,136	$743,481	6.9%	$11,789,420	$12,673,626	$884,206	7.5%	$11,789,420	$12,711,156	$921,736	7.8%
Professional	901	$90,956,800	$95,364,260	$4,407,460	4.8%	$99,157,499	$102,301,118	$3,143,619	3.2%	$99,157,499	$102,912,260	$3,754,761	3.8%
Non-Exempt	830	$41,466,980	$42,308,250	$841,270	2.0%	$43,593,491	$42,843,599	-$749,892	-1.7%				
Total	**2,155**	**$200,717,880**	**$206,853,301**	**$6,135,421**	**3.1%**	**$228,351,202**	**$230,602,721**	**$2,251,519**	**1.0%**	**$206,993,289**	**$207,810,684**	**$817,395**	**0.4%**

Notes: Non-Union employees only
Head Count and Base Salary compensation data as of 12/31/2022
Data excludes all part time, temporary, seasonal, union, and commission eligible employees
Market 50th Percentile data is based on 2022 market data
Total Cash Compensation (TCC) is equal to base salary + STI at Target
Total Direct Compensation (TDC) is equal to base salary + STI at target + LTI at Target
If TDC market data is not available or applicable, excluded from TDC compa-ratio calculation
Nonexempt employees are excluded from TDC compa-ratio calculation (only includes Professionals, Supervisors, Managers, Directors, & Officers)

CENTERPOINT ENERGY, INC.
SHORT TERM INCENTIVE PLAN

(As Amended and Restated Effective January 1, 2022)

RECITALS

Effective for Plan Years beginning on or after January 1, 2022, the Board of Directors of CenterPoint Energy, Inc. (the "Company") has adopted the CenterPoint Energy, Inc. Short Term Incentive Plan (As Amended and Restated Effective January 1, 2022) (the "Plan") on the terms and conditions hereinafter stated. The Plan, as set forth herein, amends and restates, in its entirety the CenterPoint Energy, Inc. Short Term Incentive Plan (As Amended and Restated Effective January 1, 2019) (the "Prior Plan").

There shall be no termination and no gap or lapse in time or effect between the Prior Plan and this Plan. The amendment, restatement and continuation of the Prior Plan in the form of this Plan shall not operate to exclude, diminish, limit or restrict the payments or continuation of payments of benefits to Participants under the terms of the Prior Plan as in effect prior to its amendment, restatement and continuation in the form of this Plan. Except to the extent otherwise required to reflect the fact that benefits accrued under the Prior Plan are continued under this Plan, the provisions of this Plan shall apply only to an employee eligible to participate under this Plan on or after January 1, 2022.

NOW, THEREFORE, effective for Plan Years beginning on or after January 1, 2022, the Company hereby amends and restates in its entirety and continues the Prior Plan as follows:

1. ***Purpose***: The purpose of the Plan is to encourage a high level of corporate performance through the establishment of predetermined corporate, Subsidiary or business unit and/or individual goals, the attainment of which will require a high degree of competence and diligence on the part of those Employees (including officers) of the Company or of its participating Subsidiaries selected to participate in the Plan, and which will be beneficial to the owners and customers of the Company.

2. ***Definitions***: Unless the context otherwise clearly requires, the following definitions are applicable to the Plan:

Award: An incentive compensation award generally payable in cash granted to a Participant with respect to a particular Plan Year pursuant to any applicable terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

Board of Directors or **Board**: The Board of Directors of the Company.

Code: The Internal Revenue Code of 1986, as amended from time to time.

Committee: The Compensation Committee of the Board of Directors.

Company: CenterPoint Energy, Inc. or any successor thereto.

Compensation: Compensation means the annualized base pay of the Participant as in effect on December 31 of the Plan Year with respect to which the Award is made (or, for purposes of Section 4(a) of the Plan, on the date of the Participant's Retirement, death, or disability, as applicable), as determined under any reasonable method established by the Company, including any adjustments required under applicable labor law (such as overtime). Notwithstanding the foregoing, any Participant covered by the terms of a collective bargaining agreement shall have his Compensation calculated in the manner consistent with the collective bargaining agreement, if applicable.

Eligible Earnings: Eligible Earnings during the year means the actual base salary paid to a salaried exempt Participant during the Plan Year, including vacation, holiday and sick time. Eligible Earnings exclude all special payments, bonuses, allowances., reimbursements, and payments in lieu of overtime. Eligible Earnings during the year means the actual gross wages paid to an hourly or salaried non-exempt Participant during the Plan Year, including vacation, holiday and sick time. Eligible Earnings exclude all special payments, bonuses, allowances, reimbursements, but include overtime pay in a manner consistent with the requirements of applicable labor law. Notwithstanding the foregoing, any Participant covered by the terms of a collective bargaining agreement shall have his Eligible Earnings calculated in the manner consistent with the collective bargaining agreement, if applicable.

Employee: An employee of the Company or any of its Subsidiaries who is a regular full or part-time employee and who regularly works at least 20 hours per week.

Employer: The Company and each Subsidiary which is designated by the Committee as an Employer under this Plan.

Participant: An Employee who is selected to participate in the Plan.

Payment Date: The date an Award shall be paid as provided in Section 8(b) of the Plan.

Performance Goals: The performance objectives of the Company, its Subsidiaries or its business units and/or individual Participants established for the purpose of determining the level of Awards, if any, earned during a Plan Year.

Plan: This CenterPoint Energy, Inc. Short Term Incentive Plan, as amended from time to time.

Plan Year: The calendar year.

Retirement Date: A Participant's date of termination of employment with his Employer (and all other Employers and affiliates of the Company) that is on or after the date on which he has (i) attained age 55 and (ii) completed five years of "Vesting Service" (as defined in the Retirement Plan).

Retirement Plan: CenterPoint Energy Retirement Plan, as amended and restated effective January 1, 2021, and as thereafter amended.

Subsidiary: A subsidiary corporation with respect to the Company as defined in Section 424(f) of the Code.

A pronoun or adjective in the masculine gender includes the feminine gender, and the singular includes the plural, unless the context clearly indicates otherwise.

3. ***Participation***: The Committee (or its appropriately designated delegate) shall select the Employees who will be Participants for each Plan Year. No Employee shall at any time have the right (a) to be selected as a Participant in the Plan for any Plan Year, (b) if so selected, to be entitled to an Award, or (c) if selected as a Participant in one Plan Year, to be selected as a Participant in any subsequent Plan Year. The terms and conditions under which a Participant may participate in the Plan shall be determined by the Committee (or its appropriately designated delegate) in its sole discretion.

4. ***Eligibility***: Except as provided below, only Participants who (x) are Employees on the last business day prior to October 1 of the Plan Year and (y) are continuously Employees from such date through the Payment Date are eligible for the payment of an Award under the Plan. Employees covered by a collective bargaining agreement providing for participation in this Plan are eligible for payments under this Plan only to the extent of the specific terms contained in the applicable collective bargaining agreement. Employees covered by a collective bargaining agreement that does not specifically provide for their participation in this Plan are not eligible for any payments under this Plan under any circumstances notwithstanding the following.

(a) *Retirement, Death or Disability During the Plan Year:*

(i) *Retirement*: If a Participant (A) was an Employee on January 2 of the Plan Year and (B) terminates during the Plan Year on his Retirement Date, then the Participant shall nonetheless receive payment of a prorated portion of his Award determined by multiplying (x) the Award the Participant would have received had the Performance Goals with respect to the Participant's Award been met at the target level, without regard to the Participant's individual performance, based on the Participant's Compensation on his Retirement Date by (y) a fraction, the numerator of which is the number of days that the Participant participated in the Plan during the Plan Year through the Participant's Retirement Date, and the denominator of which is the total number of days in the Plan Year. Notwithstanding the foregoing, for the 2022 Plan Year only, the amount of any payment under this clause (i) shall not be determined as described above and shall instead be equal to the Award the Participant would have received had the Performance Goals with respect to the Participant's Award been met at the target level, without regard to the Participant's individual performance, based on the Participant's Eligible Earnings earned prior to his Retirement Date. Any payment under this clause (i) shall be made as soon as practicable following the Participant's Retirement Date, but no later than 30 days after the Retirement Date.

(ii) *Death or Disability:* If, during the Plan Year, a Participant dies or terminates employment under circumstances establishing eligibility for disability benefits under the Company's long-term disability plan, then the Participant shall nonetheless receive payment of a prorated portion of his Award determined by multiplying (A) the Award the Participant would have received had the Performance Goals with respect to the Participant's Award been met at the target level, without regard to the Participant's individual performance, based on the Participant's Compensation as of the date of his death or disability by (B) a fraction, the numerator of which is the number of days that the Participant participated in the Plan during the Plan Year through the date of the Participant's death or disability, and the denominator of which is the total number of days in the Plan Year. Notwithstanding the foregoing, for the 2022 Plan Year only, the amount of any payment under this clause (ii) shall not be determined as described above and shall instead be equal to the Award the Participant would have received had the Performance Goals with respect to the Participant's Award been met at the target level, without regard to the Participant's individual performance, based on the Participant's Eligible Earnings earned prior to the his death or disability. Any payments under this clause (ii) shall be made as soon as practicable following the date of the Participant's death or disability, but no later than 30 days after the date of the Participant's death or disability.

(b) *Retirement, Death or Disability After Last Day of the Plan Year:*

(i) *Retirement*: If a Participant would be eligible for the payment of an Award under the prior provisions of this Section 4 except that, after the last day of the Plan Year and before the Payment Date, the Participant terminates employment on his Retirement Date, then the Participant shall nonetheless receive a payment of the Award (if any) based on the Committee's determination of actual achievement of the Performance Goals with respect to the Participant's Award, the Participant's individual performance during the Plan Year, and his Compensation for the Plan Year. Payments under this clause (i) shall be made as provided in Section 8(b).

(ii) *Death or Disability:* If a Participant would be eligible for the payment of an Award under the prior provisions of this Section 4 except that, after the last day of the Plan Year and before the Payment Date, the Participant dies or terminates employment under circumstances establishing eligibility for disability benefits under the Company's long-term disability plan, then the Participant shall nonetheless receive payment of the Award (if any) based on the Committee's determination of actual achievement of the Performance Goals with respect to the Participant's Award, without regard to the Participant's individual performance, and his Compensation for the Plan Year. Payments under this clause (ii) shall be made as provided in Section 8(b).

5. ***Plan Administration:*** The Plan shall be administered by the Committee. All decisions of the Committee shall be binding and conclusive on the Participants. The Committee, on behalf of the Participants, shall enforce this Plan in accordance with its terms and shall have all powers necessary for the accomplishment of that purpose, including, but not by way of limitation, the following powers:

(a) To select the Participants;

(b) To interpret, construe, approve and adjust all terms, provisions, conditions and limitations of this Plan;

(c) To decide any questions arising as to the interpretation or application of any provision of the Plan;

(d) To prescribe forms and procedures to be followed by Employees for participation in the Plan, or for other occurrences in the administration of the Plan;

(e) To establish the terms and conditions of any Agreement under which an Award may be earned and paid; and

(f) In addition to all other powers granted herein, the Committee shall make and enforce such rules and regulations for the administration of the Plan as are not inconsistent with the terms set forth herein.

No member of the Committee or officer of the Company to whom the Committee has delegated authority in accordance with the provisions of Section 5 of this Plan shall be liable for anything done or omitted to be done by him, by any member of the Committee or by any officer of the Company in connection with the performance of any duties under this Plan, except for his own willful misconduct or as expressly provided by statute.

6. ***Delegation of Authority***: The Committee may delegate to the Chief Executive Officer and to other senior officers of the Company its duties under this Plan (including, but not limited to, its authority to select Participants) pursuant to such conditions or limitations as the Committee may establish.

7. ***Awards***: The Committee shall determine the terms and conditions of Awards to be made under this Plan and shall designate from time to time the individuals who are to be the recipients of Awards. Awards may also be made in combination or in tandem with, in replacement of, or as alternative to, grants or rights under this Plan or any other employee plan of the Company or any of its Subsidiaries, including the plan of any acquired entity. An Award may provide for the grant or issuance of additional, replacement or alternative Awards upon the occurrence of specified events. All or part of an Award may be subject to conditions established by the Committee, which may include, but are not limited to, continuous service with the Company and its Subsidiaries and achievement of Performance Goals, such as specific individual and/or business objectives, increases in specified indices, attainment of specified growth rates and other comparable measurements of performance. Unless otherwise specified in the Plan or by the Committee, the amount payable pursuant to an Award shall be based on a percentage of the Participant's Compensation for the Plan Year, subject to proration for any Participant who does not work the full Plan Year (e.g., new hires or Participants on unpaid leave of absence).

8. ***Payment of Awards***: The Committee has sole and absolute authority and discretion to determine whether an Award shall be paid under this Plan and if so such payment will be made in accordance with the following:

(a) ***Form of Payment:*** Generally, payment of Awards shall be made in cash and may be subject to such restrictions as the Committee shall determine.

(b) ***Date of Payment:*** Except as provided in Section 4(a), payment of any Awards for a Plan Year ("Award Plan Year") shall be made as soon as practicable after the close of the Award Plan Year (as determined by the Committee), but in no event later than March 15th of the Plan Year immediately following the close of the Award Plan Year ("Payment Date").

9. ***Assignability***: Unless otherwise determined by the Committee and provided in the Agreement, no Award or any other benefit under this Plan shall be assignable or otherwise transferable, except by will or the laws of descent and distribution. Any attempted assignment of an Award or any other benefit under this Plan in violation of this Section 9 shall be null and void.

10. ***Tax Withholding***: The Company shall have the right to withhold applicable taxes from any Award payment and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes.

11. ***Finality of Determinations***: Any determination by the Committee in carrying out or administering this Plan shall be final and binding for all purposes and upon all interested persons and their heirs, successors, and personal representatives.

12. ***Employee Rights Under the Plan***: No Employee or other person shall have any claim or right to be granted an Award under this Plan. Neither the Plan nor any action taken

thereunder shall be construed as giving an Employee any right to be retained in the employ of the Company or an Employer. No Participant shall have any lien on any assets of the Company or an Employer by reason of any Award made under this Plan.

13. ***Amendment, Modification, Suspension or Termination***: The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the stockholders of the Company; however clause (ii) shall only apply if, and to the extent, such approval is required by applicable legal requirements.

14. ***Governing Law***: This Plan and all determinations made, and actions taken pursuant hereto, shall be governed by and construed in accordance with the laws of the State of Texas.

15. ***Exclusion from Section 409A***: This Plan is intended to provide "short-term deferrals" as described in Treasury Regulation § 1.409A-l(b)(4) under Section 409A of the Code (or successor guidance thereto), and not to be a "nonqualified deferred compensation plan" for purposes of Section 409A of the Code. The Plan shall be administrated and interpreted consistent with that intent.

[Remainder of page intentionally blank. Signature page follows.]

IN WITNESS WHEREOF, CenterPoint Energy, Inc. has executed these presents as evidenced by the signature of its duly authorized officer, which may be sufficiently evidenced by any such executed copy hereof, this 17th day of December, 2021, but effective as set forth above.

CENTERPOINT ENERGY, INC.

By:________________________________
David J. Lesar
President and Chief Executive Officer

ATTEST:

____
Vincent A. Mercaldi
Assistant Corporate Secretary

CENTERPOINT ENERGY, INC.
SHORT TERM INCENTIVE PLAN
(As Amended and Restated Effective January 1, 2022)

First Amendment

CenterPoint Energy, Inc., a Texas corporation (the "Company"), having reserved the right under Section 13 of the CenterPoint Energy, Inc. Short Term Incentive Plan, as amended and restated effective January 1, 2022, as amended thereafter (the "Plan"), to amend the Plan, does hereby amend the Plan, effective as of January 1, 2023, as follows:

1. A new Section 16 shall be added to the Plan to read as follows:

> "16. ***Clawback or Recoupment***: Notwithstanding any other provisions in this Plan, any Award shall be subject to clawback, recovery or recoupment by the Company under any clawback or recoupment policy adopted by the Company, whether before or after the date of grant or payment of the Award."

IN WITNESS WHEREOF, CenterPoint Energy, Inc. has caused these presents to be executed by its duly authorized officer in a number of copies, all of which shall constitute one and the same instrument, which may be sufficiently evidenced by any executed copy hereof, on this 15th day of December 2022, but effective as specified above.

CENTERPOINT ENERGY, INC.

By:______________________
David J. Lesar
President and Chief Executive Officer

ATTEST:

____
Vincent A. Mercaldi
Assistant Corporate Secretary

CenterPoint Energy

Short-Term Incentive (STI) Plan Performance Review

Performance Year: 2022

2022 Short-Term Incentive Plan Results

Business Unit/Function Group	Approved Achievement*
Executive Committee	165%
Electric Operations	165%
Natural Gas Operations	165%
Operations Support	165%
Customer Transformation & Business Services	165%
Corporate Services	165%

Note: The company achieved non-GAAP Utility Earnings Per Share (EPS) at or above $1.36 to fund the STI Plan.

Additional Considerations for Non-Executive Committee achievement:

- Mitigated supply chain constraints while executing largest capital plan to date
- Mitigated significant challenges in labor markets
- Record setting lowest average emergency response time across the gas operating footprint
- Above average tariff compliance for Houston Electric operations
- Began operating green hydrogen facility, first of its kind operated by a gas LDC in the US

Due to overall additional considerations noted above, the Compensation and Executive Committees exercised discretion to approve a payout for the 2022 STI at 165% achievement.

2022 Short-Term Incentive Plan Results
Executive Committee

CenterPoint Energy

Goals	Weight	Threshold 50%	Target 125%	Maximum 200%	Results #	Results Achv
Financial Performance	100%					200%
Non-GAAP Utility Earnings Per Share (EPS)	100%	$ 1.36	$1.37	$1.38	$1.38	200%
Diversity and Inclusion Composite (1)	100%					
Diversity of Applicants			>85%		92%	
Supplier Diversity			>9.6%		12.6%	

Approved Achievement*	**165%**

2022 Short-Term Incentive Plan Results
Electric Operations (1)

CenterPoint Energy

Goals	Weight	Threshold 75%	Target 125%	Maximum 200%	Results #	Results Achv
Business Unit/Function Composite	50%					78%
Efficient Work Execution (O&M)	30%	$461	$456	$447	$456	125%
Capital Delivery	20%	2,162	$2,184	$2,228	$2,553	200%
	Weight	Threshold 50%	Target 100%	Maximum 150%	Results #	Results Achv
Safety (2)	20%					21%
Days Away, Restricted or Transferred (DART)	4%	31	26	23	18	150%
Preventable Vehicle Collision Incident (PVC)	6%	60	57	51	48	150%
Leadership Safety Engagement Rate (LSER)	7%	67.7%	70.9%	74.2%	92.4%	150%
Phish success rate - link	1.5%	95%	97%	98%	99%	150%
Phish success rate - report	1.5%	25%	30%	35%	31%	110%
Other Performance	30%					8%
Blue Sky SAIDI	10%	67.70	64.61	61.53	72.33	0%
Equivalent Forced Outage Rate (EFOR)	10%	10.0%	6.0%	5.0%	29.5%	0%
Customer Service	10%	82%	86%	90%	84%	75%

Approved Achievement*	**165%**

2022 Short-Term Incentive Plan Results
Natural Gas Distribution (1)

Goals	Weight	Threshold 75%	Target 125%	Maximum 200%	Results #	Results Achv
Business Unit/Function Composite	50%					40%
Efficient Work Execution (O&M)	30%	$439	$435	$426	$465	0%
Capital Delivery	20%	1,519	1,534	1,565	1,696	200%
	Weight	Threshold 50%	Target 100%	Maximum 150%	Results #	Results Achv
Safety (2)	20%					18%
Days Away, Restricted or Transferred (DART)	4%	55	46	41	50	78%
Preventable Vehicle Collision Incident (PVC)	6%	73	69	62	74	0%
Leadership Safety Engagement Rate (LSER)	7%	74.7%	78.3%	81.8%	93.4%	150%
Phish success rate - link	1.5%	95%	97%	98%	99%	150%
Phish success rate - report	1.5%	25%	30%	35%	36%	150%
Other Performance	30%					40%
At Fault Rate	10%	0.26	0.25	0.23	0.25	100%
Emergency Response (HH:MM:SS)	10%	0:29:44	0:29:35	0:28:59	0:29:01	147%
SMS % Actions complete	10%	95%	99%	100%	100%	150%

Approved Achievement*	**165%**

2022 Short-Term Incentive Plan Results

Operations Support (1)

Goals	Weight	Achv
Blended Electric Operations and Natural Gas Distribution	100%	102%
Electric Operations	50%	106%
Natural Gas Distribution	50%	98%

Approved Achievement*		**165%**

2022 Short-Term Incentive Plan Goals
Customer Transformation & Business Services(1)

CenterPoint Energy

Goals	Weight	Threshold 75%	Target 125%	Maximum 200%	Results #	Results Achv
Business Unit/Function Composite	50%					100%
Efficient Work Execution (O&M)	30%	$259	$256	$251	$251	200%
Capital Delivery	20%	342	345	352	352	200%
	Weight	Threshold 50%	Target 100%	Maximum 150%	Results #	Results Achv
Safety (2)	10%					13%
Emergency Call Response	7%	35 seconds	30 seconds	25 seconds	22	150%
Phish success rate - link	1.5%	95%	97%	98%	98%	150%
Phish success rate - report	1.5%	44%	49%	54%	51%	120%
Other Performance	40%					42%
Call Center Satisfaction	15%	4.38	4.44	4.50	4.44	100%
Power Alert Service (PAS) Satisfaction	15%	4.39	4.45	4.51	4.48	125%
Home Service Plus (HSP) Earnings Before Interest and Taxes (EBIT)	10%	31.0	32.6	34.2	32.0	81%

Approved Achievement*	**165%**

2022 Short-Term Incentive Plan Goals
Corporate Services (1)

CenterPoint Energy

Goals	Weight	Threshold 75%	Target 125%	Maximum 200%	Results #	Results Achv
Business Unit/Function Composite	50%					100%
Efficient Work Execution (O&M)	50%	$145	$144	$141	$135	200%

	Weight	Threshold 50%	Target 100%	Maximum 150%	Results #	Results Achv
Safety	10%					11%
50% Gas & 50% Electric Safety performance	7%					98%
Phish success rate - link	1.5%	95%	96%	97%	98%	150%
Phish success rate - report	1.5%	51%	56%	61%	55%	90%
Blended Electric Operations, Natural Gas Distribution, and Customer Transformation & Business Services overall performance (excluding Safety)	40%					40%
Electric Operations	13.3%					84%
Natural Gas Distribution	13.3%					87%
Customer Transformation & Business Services	13.3%					130%

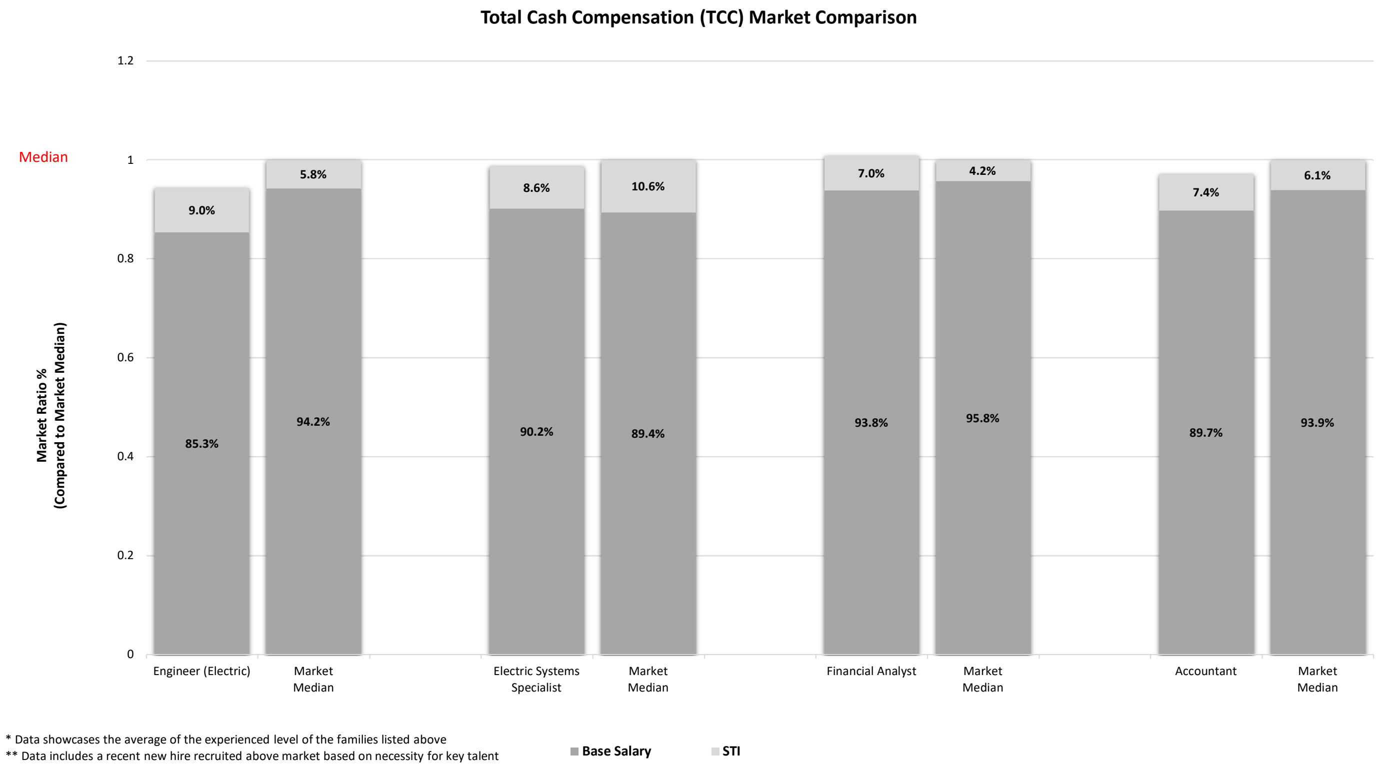
Approved Achievement*	**165%**

							CNP		Market	
Jobs	**CNP Base Salary (Avg)**	**Market Base Salary (Avg)**	**Compa-Ratio Base Salary**	**CNP TCC (Avg)**	**Market TCC (Avg)**	**Compa-Ratio TCC**	**STI Amount**	**STI % of Base Salary**	**STI Amount**	**STI % of Base Salary**
Engineer (Electric) Electric Systems Specialist Financial Analyst Accountant	$77,693	$80,961	96.0%	$83,864	$86,238	97.2%	$6,171	8%	$5,277	7%

Market Compa-Ratio Analysis

By Job Title

								CNP		Market	
Job	**Incumbents**	**CNP Base Salary (Avg)**	**Market Base Salary (Avg)**	**Compa-Ratio Base Salary**	**CNP TCC (Avg)**	**Market TCC (Avg)**	**Compa-Ratio TCC**	**STI Amount**	**STI % of Base Salary**	**STI Amount**	**STI % of Base Salary**
Engineer (Electric)	9	$84,169	$91,949	91.5%	$91,742	$97,241	94.3%	$7,573	9%	$5,292	6%
Electric Systems Specialist	6	$94,651	$94,067	100.6%	$102,766	$104,071	98.7%	$8,115	9%	$10,004	11%
Financial Analyst	6	$75,538	$76,888	98.2%	$80,825	$80,151	100.8%	$5,288	7%	$3,263	4%
Accountant	20	$70,338	$73,306	96.0%	$75,561	$77,762	97.2%	$5,223	7%	$4,456	6%



* Data showcases the average of the experienced level of the families listed above
** Data includes a recent new hire recruited above market based on necessity for key talent

Attachment DRW-10 (CONFIDENTIAL) Filed Confidentially

CENTERPOINT ENERGY, INC.
2022 LONG TERM INCENTIVE PLAN

1. **Plan**. This CenterPoint Energy, Inc. 2022 Long Term Incentive Plan (the "Plan") adopted by CenterPoint Energy, Inc. (the "Company").

2. **Objectives**. The purpose of this Plan is to further the interests of the Company, its Subsidiaries and its shareholders by providing incentives in the form of awards to officers and employees. Such awards will give Participants in the Plan an interest in the Company parallel to that of the shareholders, thus enhancing the proprietary and personal interest of such Participants in the Company's continued success and progress, and recognize outstanding performances and individual contributions. This Plan will also enable the Company and its Subsidiaries to attract and retain such officers and employees.

3. **Definitions**. As used herein, the terms set forth below shall have the following respective meanings:

"Authorized Officer" means the Chief Executive Officer of the Company (or any other senior officer of the Company to whom he or she shall delegate the authority to execute any Award Agreement, where applicable).

"Award" means any Option, SAR, Stock Award, Restricted Stock Unit Award, Cash Award or Performance Award granted, whether singly, in combination or in tandem, to an Employee pursuant to such applicable terms, conditions and limitations (including treatment as a Performance Award) as the Committee may establish in order to fulfill the objectives of the Plan.

"Award Agreement" means a written or electronic agreement setting forth the terms, conditions and limitations applicable to an Award.

"Board" means the Board of Directors of the Company.

"Cash Award" means an Award denominated in cash.

A **"Change in Control"** shall be deemed to have occurred upon the occurrence of any of the following events:

(a) ***30% Ownership Change***: Any Person makes an acquisition of Outstanding Voting Stock and is, immediately thereafter, the beneficial owner of 30% or more of the then Outstanding Voting Stock, unless such acquisition is made directly from the Company in a transaction approved by a majority of the Incumbent Directors; or any group is formed that is the beneficial owner of 30% or more of the Outstanding Voting Stock; or

(b) ***Board Majority Change***: Individuals who are Incumbent Directors cease for any reason to constitute a majority of the members of the Board; or

(c) ***Major Mergers and Acquisitions***: Consummation of a Business Combination unless, immediately following such Business Combination, (i) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 70% of the then Outstanding shares of Voting Stock of the parent corporation resulting from such Business Combination in substantially the same relative proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Voting Stock, (ii) if the Business Combination involves the issuance or payment by the Company of consideration to another entity or its shareholders, the total fair market value of such consideration plus the principal amount of the consolidated long-term debt of the entity or business being acquired (in each case, determined as of the date of consummation of such Business Combination by a majority of the Incumbent Directors) does not exceed 50% of the sum of the fair market value of the Outstanding Voting Stock plus the principal amount of the Company's consolidated long-term debt (in each case, determined immediately prior to such consummation by a majority of the Incumbent Directors), (iii) no Person (other than any entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of the then outstanding shares of voting stock of the parent corporation resulting from such Business Combination and (iv) a majority of the members of the board of directors of the parent corporation resulting from such Business Combination were Incumbent Directors of the Company immediately prior to consummation of such Business Combination; or

(d) ***Major Asset Dispositions***: Consummation of a Major Asset Disposition unless, immediately following such Major Asset Disposition, (i) individuals and entities that were beneficial owners of the Outstanding Voting Stock immediately prior to such Major Asset Disposition beneficially own, directly or indirectly, more than 70% of the then Outstanding Voting Stock of the Company (if it continues to exist) and more than 70% of the then outstanding shares of voting stock of the entity that acquires the largest portion of such assets (or the entity, if any, that owns a majority of the outstanding voting stock of such acquiring entity) and (ii) a majority of the members of the Board (if it continues to exist) and of the entity that acquires the largest portion of such assets (or the entity, if any, that owns a majority of the outstanding voting stock of such acquiring entity) were Incumbent Directors of the Company immediately prior to consummation of such Major Asset Disposition.

For purposes of the foregoing,

(1) the term “beneficial owner” is used as it is defined for purposes of Rule 13d-3 under the Exchange Act;

(2) the term “Business Combination” means (x) a merger or consolidation involving the Company or its stock or (y) an acquisition by the Company, directly or through one or more subsidiaries, of another entity or its stock or assets;

(3) the term “election contest” is used as it is defined for purposes of Rule 14a-11 under the Exchange Act;

(4) the term “group” is used as it is defined for purposes of Section 13(d)(3) of the Exchange Act;

(5) the term “Incumbent Director” means a director of the Company (x) who was a director of the Company on January 1, 2009 or (y) who becomes a director subsequent to such date and whose election, or nomination for election by the Company's shareholders, was approved by a vote of a majority of the Incumbent Directors at the time of such election or nomination, except that any such director shall not be deemed an Incumbent Director if his or her initial assumption of office occurs as a result of an actual or threatened election contest or other actual or threatened solicitation of proxies by or on behalf of a Person other than the Board;

(6) the term “Major Asset Disposition” means the sale or other disposition in one transaction or a series of related transactions of 70% or more of the assets of the Company and its Subsidiaries on a consolidated basis; and any specified percentage or portion of the assets of the Company shall be based on fair market value, as determined by a majority of the Incumbent Directors;

(7) the term “Outstanding Voting Stock” means outstanding voting securities of the Company entitled to vote generally in the election of directors; and any specified percentage or portion of the Outstanding Voting Stock (or of other voting stock) shall be determined based on the combined voting power of such securities;

(8) the term “parent corporation resulting from a Business Combination” means the Company if its stock is not acquired or converted in the Business Combination and otherwise means the entity which as a result of such Business Combination owns the Company or all or substantially all the Company's assets either directly or through one or more Subsidiaries; and

(9) the term “Person” means an individual, entity or group.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Committee” means the Compensation Committee of the Board or such other committee of the Board as is designated by the Board to administer the Plan; *provided, however*, that each member of the Committee shall be (i) a non-employee director under Rule 16b-3 of the Exchange Act, (ii) an outside director within the meaning of Section 162(m) of the Code, and (iii) an independent director under the applicable rules of the principal national securities exchange on which the Common Stock is listed.

“Common Stock” means the common stock, $0.01 par value, of the Company.

“Company” means CenterPoint Energy, Inc., a Texas corporation.

"Dividend Equivalents" means, with respect to Restricted Stock Units, an amount equal to all dividends and other distributions (or the economic equivalent thereof) that are payable to stockholders of record during the applicable period on a like number of shares of Common Stock granted in the Award.

"Effective Date" means April 22, 2022, the date the shareholders of the Company approved the Plan.

"Employee" means an employee of the Company or any of its Subsidiaries.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Fair Market Value" of a share of Common Stock means, as of a particular date, (i) if shares of Common Stock are listed on a national securities exchange, the closing sales price per share of Common Stock on the consolidated transaction reporting system for the principal national securities exchange on which shares of Common Stock are listed on that date, or, if there shall have been no such sale so reported on that date, on the date immediately preceding the date on which such a sale was so reported, (ii) if the Common Stock is not so listed, the average of the closing bid and asked price on that date, or, if there are no quotations available for such date, on the date immediately preceding the date on which such quotations shall be available, as reported by an inter-dealer quotation system, (iii) if shares of Common Stock are not publicly traded, the most recent value determined by an independent appraiser appointed by the Company for such purpose, or (iv) if none of the above are applicable, the fair market value of a share of Common Stock as determined in good faith by the Committee.

"Grant Date" means the date an Award is granted to a Participant pursuant to the Plan.

"Grant Price" means the price at which a Participant may exercise his or her right to receive cash or Common Stock, as applicable, under the terms of an Award.

"Incentive Stock Option" means an Option that is intended to comply with the requirements set forth in Section 422 of the Code.

"Nonqualified Stock Option" means an Option that is not an Incentive Stock Option.

"Option" means a right to purchase a specified number of shares of Common Stock at a specified Grant Price, which may be an Incentive Stock Option or a Nonqualified Stock Option.

"Participant" means an Employee to whom an Award has been granted under this Plan.

"Performance Award" means an Award made pursuant to this Plan to a Participant that is subject to the attainment of one or more Performance Goals.

"Performance Goal" means a standard established by the Committee to determine in whole or in part whether a Performance Award shall be earned.

"Prior Plan" means the CenterPoint Energy, Inc. 2009 Long Term Incentive Plan.

"Restricted Stock" means Common Stock that is restricted or subject to forfeiture provisions.

"Restricted Stock Unit" means a unit evidencing the right to receive in specified circumstances one share of Common Stock or equivalent value in cash that is restricted or subject to forfeiture provisions.

"Restricted Stock Unit Award" means an Award in the form of Restricted Stock Units.

"Restriction Period" means a period of time beginning as of the Grant Date of an Award and ending as of the date upon which the Common Stock subject to such Award is no longer restricted or subject to forfeiture provisions.

"Stock Appreciation Right" or "SAR" means a right to receive a payment, in cash or Common Stock, equal to the excess of the Fair Market Value or other specified valuation of a specified number of shares of Common Stock on the date the right is exercised over a specified Grant Price, in each case, as determined by the Committee.

"Stock Award" means an Award in the form of shares of Common Stock, including an award of Restricted Stock.

"Subsidiary" means (i) in the case of a corporation, any corporation of which the Company directly or indirectly owns shares representing 50% or more of the combined voting power of the shares of all classes or series of capital stock of such corporation which have the right to vote generally on matters submitted to a vote of the stockholders of such corporation and (ii) in the case of a partnership or other business entity not organized as a corporation, any such business entity of which the Company directly or indirectly owns 50% or more of the voting, capital or profits interests (whether in the form of partnership interests, membership interests or otherwise).

"Substituted Awards" has the meaning provided in paragraph 5(b).

4. **ELIGIBILITY.** All Employees are eligible for the grant of Awards under this Plan. The Committee shall determine the type or types of Awards to be made under this Plan and shall designate from time to time the Employees who are to be granted Awards under the Plan.

5. **COMMON STOCK AVAILABLE FOR AWARDS.**

(a) Subject to the provisions of paragraph 14 hereof, no Award shall be granted if it shall result in the aggregate number of shares of Common Stock issued under the Plan, plus the number of shares of Common Stock covered by or subject to Awards under the Plan then outstanding (after giving effect to the grant of the Award in question), to exceed the aggregate of (1) 15,785,000 shares of Common Stock and (2) the number of shares of Common Stock under the Prior Plan that are available for grants of awards under the Prior Plan (but have not been so granted) as of the Effective Date; *provided, however*, that no more than 1,000,000 shares of Common Stock shall be available for Incentive Stock Options. From and after the Effective Date, no further awards shall be made under the Prior Plan.

(b) The number of shares of Common Stock that are subject to Awards under this Plan or awards under the Prior Plan outstanding as of the Effective Date that (1) are forfeited, terminated or expire unexercised, (2) are settled in cash in lieu of shares of Common Stock, or (3) are not actually issued due to (i) net settlement of an Award or (ii) the Company's tax withholding obligations with respect to an Award, in each case, shall again immediately become available for Awards hereunder. Notwithstanding any provision hereof to the contrary, the number of shares of Common Stock reserved for issuance shall not be reduced by (x) any shares of Common Stock tendered in connection with the purchase of shares of Common Stock upon the exercise of an Option as described in paragraph 10 or (y) shares of Common Stock delivered under the Plan in settlement of an Award issued or made upon the assumption, substitution, conversion or replacement of outstanding awards under a plan or arrangement of an acquired entity ("Substituted Awards"). Shares of Common Stock subject to an Award issued or made as a post-transaction grant under such a plan or arrangement of an acquired entity shall not reduce or be counted against the maximum number of shares of Common Stock available for issuance or delivery under the Plan, to the extent that the exemption for transactions in connection with mergers and acquisitions from the shareholder approval requirements of the applicable securities exchange for equity compensation plans applies. The Board and the appropriate officers of the Company shall from time to time take whatever actions are necessary to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that shares of Common Stock are available for issuance pursuant to Awards.

6. ADMINISTRATION.

(a) This Plan shall be administered by the Committee except as otherwise provided herein.

(b) Subject to the provisions hereof, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. The Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of this Plan. Subject to paragraph 6(d) hereof, the Committee may, in its discretion, provide for the extension of the exercisability of an Award, accelerate the vesting or exercisability of an Award, eliminate or make less restrictive any restrictions applicable to an Award, waive any restriction or other provision of this Plan or an Award or otherwise amend or modify an Award in any manner that is either (i) not adverse to the Participant to whom such Award was granted or (ii) consented to by such Participant. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent the Committee deems necessary or desirable to further the Plan purposes. Any decision of the Committee in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned.

(c) No member of the Committee or officer of the Company to whom the Committee has delegated authority in accordance with the provisions of paragraph 7 of this Plan shall be liable for anything done or omitted to be done by him or her, by any member of the Committee or by any officer of the Company in connection with the performance of any duties under this Plan, except for his or her own willful misconduct or as expressly provided by statute.

(d) The terms of outstanding Awards may not be amended without the approval of the Company's shareholders to reduce the Grant Price of any outstanding Options or SARs or to cancel any outstanding Options or SARs in exchange for cash or other Awards, or Options or SARs with a Grant Price that is less than the Grant Price of the original Options or SARs.

7. **DELEGATION OF AUTHORITY.** The Committee may delegate to the Chief Executive Officer and other senior officers of the Company and to a subcommittee its duties under this Plan pursuant to such conditions or limitations as the Committee may establish with respect to Awards; *provided, however*, that, (i) such delegation is in compliance with the applicable rules of the principal national securities exchange on which the Common Stock is listed and (ii) the Committee may not delegate to any person the authority to grant Awards to, or take other action with respect to, Participants who are subject to Section 16 of the Exchange Act or Section 162(m) of the Code. The Committee may engage or authorize the engagement of a third-party administrator to carry out administrative functions under the Plan.

8. **AWARDS.**

(a) Each Award shall be evidenced in such communications as the Committee deems appropriate, including in an Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee, in its sole discretion, and, if required by the Committee, shall be signed by the Participant to whom the Award is granted and by an Authorized Officer for and on behalf of the Company. An Award Agreement or any other agreement between the Participant and the Company may provide that the Award shall be canceled if the Participant, without the consent of the Company, while employed by or providing services to the Company or any Subsidiary or after termination of such employment or service, violates a non-competition, non-solicitation or non-disclosure covenant or agreement or otherwise engages in activity that is in conflict with or adverse to the interest of the Company or any Subsidiary (including conduct contributing to any financial restatements or financial irregularities), as determined by the Committee in its sole discretion. The Committee may provide in an Award Agreement or in any other agreement between the Participant and the Company that, if within the time period specified in the Award Agreement or such other agreement, the Participant establishes a relationship with a competitor or engages in an activity referred to in the preceding sentence, the Participant will forfeit any gain realized on the vesting or exercise of the Award and must repay such gain to the Company.

(b) Awards may consist of those listed in this paragraph 8(b) and may be granted singly, in combination or in tandem. Awards may also be granted in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan or any other employee plan of the Company or any of its Subsidiaries, including the plan of any acquired entity. All or part of an Award shall be subject to conditions established by the Committee. Upon the death, disability or termination of employment by a Participant, any unexercised, unvested or unpaid Awards shall be treated as set forth in the applicable Award Agreement or in any other written agreement the Company has entered into with the Participant.

(i) ***Option***. An Award may be in the form of an Option, which may be an Incentive Stock Option or a Nonqualified Stock Option. Except with respect to Substituted Awards, the Grant Price of an Option shall be not less than the Fair Market Value of the Common Stock on the Grant Date. The term of the Option shall extend no more than 10 years after the Grant Date. Options may not include provisions that "reload" the Option upon exercise. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Options awarded pursuant to this Plan, including the Grant Price, the term of the Options and the date or dates upon which they become exercisable, shall be determined by the Committee.

(ii) ***Stock Appreciation Rights***. An Award may be in the form of an SAR. The Grant Price of an SAR shall be not less than the Fair Market Value of the Common Stock on the Grant Date; *provided, however*, that the Grant Price may be less than Fair Market Value (1) with respect to Substituted Awards and (2) with respect to a tandem SAR that is granted subsequent to the related Option if such Grant Price is equal to the Grant Price of the related Option. The exercise period for an SAR shall extend no more than 10 years after the Grant Date. SARs may not include provisions that "reload" the SAR upon exercise. The terms, conditions and limitations applicable to any SARs awarded pursuant to this Plan, including the term of any SARs and the date or dates upon which they become exercisable, shall be determined by the Committee.

(iii) ***Stock Award***. An Award may be in the form of a Stock Award, which may include Restricted Stock. The terms, conditions and limitations applicable to any Stock Awards granted pursuant to this Plan shall be determined by the Committee.

(iv) ***Restricted Stock Unit Award***. An Award may be in the form of a Restricted Stock Unit Award. The terms, conditions and limitations applicable to any Restricted Stock Unit Award, including, but not limited to, the Restriction Period and the right to Dividend Equivalents, shall be determined by the Committee.

(v) ***Cash Award***. An Award may be in the form of a Cash Award. The terms, conditions and limitations applicable to any Cash Awards granted pursuant to this Plan shall be determined by the Committee.

(vi) ***Performance Award***. Without limiting the type or number of Awards that may be made under the other provisions of this Plan, an Award may be in the form of a Performance Award. The terms, conditions and limitations applicable to an Award that is a Performance Award shall be determined by the Committee. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the value and/or amount of Performance Awards that will be paid out to the Participant and/or the portion that may be exercised.

(c) Notwithstanding anything to the contrary contained in this Plan, the following limitations shall apply to any Awards made hereunder:

(i) no Participant may be granted, during any one calendar year, Awards consisting of Options or SARs that are exercisable for more than 1,000,000 shares of Common Stock;

(ii) no Participant may be granted, during any one calendar year, Stock Awards or Restricted Stock Unit Awards covering or relating to more than 1,000,000 shares of Common Stock (the limitation set forth in this clause (ii), together with the limitation set forth in clause (i) above, being hereinafter collectively referred to as the "Stock Based Awards Limitations"); and

(iii) no Participant may be granted Awards consisting of cash or in any other form permitted under this Plan (other than Awards consisting of Awards identified in clauses (i) and/or (ii) above) in respect of any one calendar year having a value determined on the Grant Date in excess of $8,000,000.

9. **PAYMENT OF AWARDS.**

(a) ***General***. Payment made to a Participant pursuant to an Award may be made in the form of cash or Common Stock, or a combination thereof, and may include such restrictions as the Committee shall determine, including, in the case of Common Stock, restrictions on transfer and forfeiture provisions. If such payment is made in the form of Restricted Stock, such shares shall be registered in the name of the Participant as of the Grant Date (subject to any required payment by the Participant) and the applicable Award Agreement relating to such shares shall specify whether such shares are to be delivered (physically or in book-entry) to the Participant at the beginning or end of the Restriction Period. If the shares of Restricted Stock are to be delivered at the beginning of the Restriction Period, the certificates evidencing such shares (to the extent that such shares are so evidenced) shall contain appropriate legends and restrictions that describe the terms and conditions of the restrictions applicable thereto. With respect to Restricted Stock Unit

Awards, the right to receive such shares shall be evidenced by book entry registration or in such other manner as the Committee may determine.

(b) ***Dividends and Dividend Equivalents***. Rights to (a) dividends will be extended to and made part of any Stock Award and (b) Dividend Equivalents may be extended to and made part of any Restricted Stock Unit Award, subject in each case to such terms, conditions and restrictions as the Committee may establish.

10. **OPTION EXERCISE.** The Grant Price shall be paid in full at the time of exercise in cash or, if permitted by the Committee and elected by the optionee, the optionee may purchase such shares by means of the Company withholding shares of Common Stock otherwise deliverable on exercise of the Award or tendering Common Stock, including Restricted Stock, valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee shall determine acceptable methods for Participants to tender Common Stock or other Awards. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Award (including cashless exercise). Unless otherwise provided in the applicable Award Agreement, in the event shares of Restricted Stock are tendered as consideration for the exercise of an Option, a number of the shares issued upon the exercise of the Option, equal to the number of shares of Restricted Stock used as consideration therefor, shall be subject to the same restrictions as the Restricted Stock so submitted as well as any additional restrictions that may be imposed by the Committee. The Committee may adopt additional rules and procedures regarding the exercise of Options from time to time, provided that such rules and procedures are not inconsistent with the provisions of this paragraph 10.

11. **TAXES.** The Company or its designated third party administrator shall have the right to deduct applicable taxes from any Award payment or from other cash compensation payable to the Participant and withhold, at the time of delivery or vesting of cash or shares of Common Stock under this Plan, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of required withholding taxes or other amounts required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes. The Committee may also permit withholding to be satisfied by the transfer to the Company of shares of Common Stock theretofore owned by the holder of the Award with respect to which withholding is required. If shares of Common Stock are used to satisfy tax withholding, such shares shall be valued based on the Fair Market Value when the tax withholding is required to be made.

12. **AMENDMENT, MODIFICATION, SUSPENSION OR TERMINATION OF THE PLAN.** The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the stockholders of the Company to the extent such approval is required by applicable legal requirements or the requirements of the securities exchange on which the Company's stock is listed.

13. **ASSIGNABILITY.**

(a) Except as otherwise provided in this paragraph 13, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. The Committee may prescribe and include in applicable Award Agreements other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this paragraph 13 shall be null and void.

(b) Subject to approval by the Committee in its sole discretion, all or a portion of the Awards granted to a Participant under the Plan may be transferable by the Participant, to the extent and only to the extent specified in such approval, to (i) the spouse, parent, brother, sister, children or grandchildren (including adopted and stepchildren and grandchildren) of the Participant ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (iii) a partnership or partnerships in which such Immediate Family Members have at least 99% of the equity, profit and loss interests; provided that the Award Agreement pursuant to which such Awards are granted (or an amendment thereto) must expressly provide for transferability in a manner consistent with this paragraph. Subsequent transfers of transferred Awards shall be prohibited except by will or the laws of descent and distribution, unless such transfers are made to the original Participant or a person to whom the original Participant could have made a transfer in the manner described herein. No transfer shall be effective unless and until written notice of such transfer is provided to the Committee, in the form and manner prescribed by the Committee. Following transfer, any such Awards shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, and, except as otherwise provided herein, the term "Participant" shall be deemed to refer to the transferee. The consequences of termination of employment or service shall continue to be applied with respect to the original Participant, following which the Awards shall be exercisable by the transferee only to the extent and for the periods specified in this Plan and the Award Agreement.

(c) The foregoing paragraphs 13(a) and 13(b) notwithstanding, an Option granted under this Plan to an Employee shall become transferable by such Employee upon or after his or her termination of employment with the Company, to the extent the Option is vested and exercisable at the time of such transfer, if (i) the former Employee assumes an office or position with a federal, state or local government or agency or instrumentality thereof (whether by employment, appointment or election, and whether legislative, executive, judicial or administrative) and (ii) following written request to the Committee identifying the office or position and the basis for the requested determination, the Committee determines, in its sole discretion, that by reason of the former Employee's holding of such office or position, the holding of such Option, the exercise thereof or the acquisition, holding or voting of the Common Stock issuable upon exercise thereof is, or is likely to, (x) be prohibited or restricted by law, regulation or order, or (y) give rise to or result in an actual or potential conflict of interest, disqualification or similar impediment in or to the exercise of the duties and responsibilities or such office or position. In the event of any transfer of an Option, no value or consideration may be given to the Participant for such transfer.

14. **ADJUSTMENTS.**

(a) The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the existing Common Stock) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding shares of Common Stock, declaration of a dividend payable in shares of Common Stock or other stock split, then (i) the number of shares of Common Stock reserved under this Plan, (ii) the number of shares of Common Stock covered by outstanding Awards in the form of Common Stock or units denominated in Common Stock, (iii) the Grant Price or other price in respect of such Awards, (iv) the appropriate Fair Market Value and other price determinations for such Awards, and (v) the Stock Based Awards Limitations shall each be proportionately adjusted by the Board as appropriate to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, the adoption by the Company of any plan of exchange affecting the Common Stock or any distribution to holders of Common Stock of securities or property (other than normal cash dividends or dividends payable in Common Stock), the Board shall make appropriate adjustments to (i) the number of shares of Common Stock covered by Awards in the form of Common Stock or units denominated in Common Stock, (ii) the Grant Price or other price in respect of such Awards, (iii) the appropriate Fair Market Value and other price determinations for such Awards, and (iv) the Stock Based Awards Limitations to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the Awards and preserve, without increasing, the value of such Awards.

(c) In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board may make such adjustments to Awards or other provisions for the disposition of Awards as it deems equitable, and shall be authorized, in its discretion, (i) to provide for the substitution of a new Award or other arrangement (which, if applicable, may be exercisable for such property or stock as the Board determines) for an Award or the assumption of the Award, regardless of whether in a transaction to which Section 424(a) of the Code applies, (ii) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction, or (iii) to cancel any such Awards and to deliver to the Participants cash in an amount that the Board shall determine in its sole discretion is equal to the Fair Market Value of such Awards on the date of such event, which in the case of Options or SARs shall be the excess of the Fair Market Value of Common Stock on such date over the Grant Price of such Award.

(d) No adjustment or substitution pursuant to this paragraph 14 shall be made in a manner that results in noncompliance with the requirements of Section 409A of the Code, to the extent applicable.

15. **RESTRICTIONS.** No Common Stock or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities laws. Certificates evidencing shares of Common Stock delivered under this Plan (to the extent that such shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Common Stock is then listed or to which it is admitted for quotation and any applicable federal or state securities law. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

16. **UNFUNDED PLAN.** Insofar as it provides for Awards of cash, Common Stock or rights thereto, this Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants who are entitled to cash, Common Stock or rights thereto under this Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by cash, Common Stock or rights thereto, nor shall this Plan be construed as providing for such segregation, nor shall the Company, the Board or the Committee be deemed to be a trustee of any cash, Common Stock or rights thereto to be granted under this Plan. Any liability or obligation of the Company to any Participant with respect to an Award of cash, Common Stock or rights thereto under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.

17. **AWARDS TO FOREIGN NATIONALS AND EMPLOYEES OUTSIDE THE UNITED STATES.** To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practice and to further the purpose of the Plan, the Committee may, without amending the Plan, (a) establish special rules applicable to Awards granted to Participants who are foreign nationals, are employed outside the United States, or both, including rules that differ from those set forth in this Plan, and (b) grant Awards to such Participants in accordance with those rules.

18. **GOVERNING LAW.** This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Texas.

19. **RIGHT TO CONTINUED SERVICE OR EMPLOYMENT.** Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or any of its Subsidiaries to terminate any Participant's employment or other service relationship with the Company or its Subsidiaries at any time, nor confer upon any Participant any right to continue in the capacity in which he or she is employed or otherwise serves the Company or its Subsidiaries.

20. **SUCCESSORS.** All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

21. **SECTION 409A OF THE CODE.** It is intended that any Awards under the Plan that are subject to Section 409A of the Code satisfy the requirements of Section 409A of the Code and related regulations and Internal Revenue Service and Department of Treasury pronouncements to avoid imposition of applicable taxes thereunder. Thus, notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under the Plan would result in the imposition of an applicable tax under Section 409A of the Code and related regulations and Internal Revenue Service and Department of Treasury pronouncements, that Plan provision or Award will be reformed to the extent permissible under Section 409A of the Code with the intent to avoid imposition of the applicable tax and no action taken to comply with Section 409A of the Code shall be deemed to adversely affect the Participant's rights to an Award.

22. **CLAWBACK OR RECOUPMENT.** Notwithstanding any other provisions in this Plan, any Award shall be subject to clawback, recovery or recoupment by the Company under any clawback or recoupment policy adopted by the Company, whether before or after the date of grant of the Award.

23. **EFFECTIVENESS.** The Plan was approved by the Board on February 16, 2022, contingent upon approval by the shareholders of the Company, and by the shareholders of the Company at its annual meeting on April 22, 2022.

Attachment DRW-12 (CONFIDENTIAL) Filed Confidentially

Attachment DRW-13 (CONFIDENTIAL) Filed Confidentially

Attachment DRW-14 (CONFIDENTIAL) Filed Confidentially