

**Important U.S. Federal Income Tax Information for the
Texas Genco Holdings, Inc. Stock Distribution**

To CenterPoint Energy, Inc. Shareholders Receiving Texas Genco Holdings, Inc. Stock Distribution:

On January 6, 2003, CenterPoint Energy distributed approximately 19% of the outstanding shares of Texas Genco common stock to CenterPoint Energy shareholders in the ratio of one share of Texas Genco stock for every 20 shares of CenterPoint Energy stock held by the CenterPoint Energy shareholder. The stock distribution, as well as any cash payments to be made in lieu of fractional shares, will be taxable as a distribution. The following discussion summarizes the material United States federal income tax consequences of the distribution of Texas Genco stock to you. It is not meant as a substitute for the more detailed discussion in the Information Statement to CenterPoint Energy shareholders dated December 20, 2002.

Value of Texas Genco Shares Distributed

CenterPoint Energy determined the value of the Texas Genco shares distributed to you by averaging the high and low public trading prices for Texas Genco stock on January 6, 2003, the date of the distribution, resulting in a value of \$9.775 per share.

Tax Consequences of Your Receipt of Texas Genco Shares

The distribution of Texas Genco shares is taxable to you as a dividend for federal income tax purposes based on the fair market value of the Texas Genco shares (and cash in lieu of fractional shares) you received, but only to the extent of the earnings and profits of CenterPoint Energy, as described below. The amount of CenterPoint Energy's current and accumulated earnings and profits allocable to the distribution cannot be determined with certainty until after the end of 2003. However, we currently expect that the distribution will not exceed the earnings and profits of CenterPoint Energy.

Any amount of the distribution in excess of the earnings and profits of CenterPoint Energy will first reduce your tax basis in your CenterPoint Energy stock and then will be taxable to you as capital gain (assuming the CenterPoint Energy common stock is held as a capital asset).

Your initial tax basis in your Texas Genco shares is equal to their value on the date of the distribution, or \$9.775 per share. Your holding period for your Texas Genco shares began on January 6, 2003. The tax basis in your CenterPoint Energy shares does not change as a result of the Texas Genco distribution, unless, as described in the immediately preceding paragraph, the distribution exceeds the earnings and profits of CenterPoint Energy.

Tax Reporting and Backup Withholding

This distribution impacts your 2003 federal income tax liability and not your 2002 tax liability. In January 2004, CenterPoint Energy will report to the IRS on Form 1099-DIV the dividend amount received by you with respect to the distribution of the Texas Genco shares. You will receive a copy of the information reported at the same time. **If CenterPoint Energy has sufficient current or accumulated earnings and profits, the dividend amount will be \$9.775 per share of Texas Genco common stock received plus the amount of any cash received in lieu of fractional shares.**

CenterPoint Energy generally will be required to withhold 30% of the Texas Genco shares to be distributed to you with respect to CenterPoint Energy stock if you are subject to backup withholding. Any amounts withheld from you under these backup withholding rules or pursuant to any withholding instructions you have given to us will be allowed as a credit against your federal income tax liability or as a refund.

Consult Your Tax Advisor

This summary is not a substitute for an individual analysis of the tax consequences of the distribution to a particular CenterPoint Energy shareholder and does not constitute tax advice. Each CenterPoint Energy shareholder should consult a tax advisor as to the U.S. federal income tax consequences of the transaction, including any such consequences arising from the particular facts and circumstances of the CenterPoint Energy shareholder, and as to any estate, gift, state, local or foreign tax consequences of the transaction.