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

FORM 10-K

(Mark One)
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-- [X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
OR [ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO_____

COMMISSION FILE NUMBER 1-31447

CENTERPOINT ENERGY, INC.
(Exact name of registrant as specified in its charter)

TEXAS	74-0694415
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 LOUISIANA HOUSTON, TEXAS 77002	(713) 207-1111
(Address and zip code of principal executive offices)	(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
- Common Stock, $0.01 par value and associated rights to	New York Stock Exchange

purchase preferred stock Chicago Stock Exchange HL&P Capital Trust II 8.257% Capital Securities, Series B New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

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

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

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

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

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

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ]

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

The aggregate market value of the voting stock held by non-affiliates of CenterPoint Energy, Inc. (Company) was $4,069,064,426 as of June 30, 2005, using the definition of beneficial ownership contained in Rule 13d-3 promulgated pursuant to the Securities Exchange Act of 1934 and excluding shares held by directors and executive officers. As of February 28, 2006, the Company had 310,849,323 shares of Common Stock outstanding. Excluded from the number of shares of Common Stock outstanding are 166 shares held by the Company as treasury stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the 2006 Annual Meeting of Shareholders of the Company, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2005, are incorporated by reference in Item 10, Item 11, Item 12, Item 13 and Item 14 of Part III of this Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

Some of the factors that could cause actual results to differ from those expressed or implied by our forward-looking statements are described under "Risk Factors" in Item 1A of this report.

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

PART I

ITEM 1. BUSINESS

OUR BUSINESS

OVERVIEW

We are a public utility holding company whose indirect wholly owned subsidiaries include:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which provides electric transmission and distribution services to retail electric providers serving approximately 1.9 million metered customers in a 5,000-square-mile area of the Texas Gulf Coast that has a population of approximately 4.8 million people and includes Houston; and

- CenterPoint Energy Resources Corp. (CERC Corp. and, together with its subsidiaries, CERC), which owns gas distribution systems serving approximately 3.1 million customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. Through wholly owned subsidiaries, CERC also owns two interstate natural gas pipelines and gas gathering systems, provides various ancillary services, and offers variable and fixed-price physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities.

Our reportable business segments are Electric Transmission & Distribution, Natural Gas Distribution, Competitive Natural Gas Sales and Services, Pipelines and Field Services (formerly Pipelines and Gathering), and Other Operations. The operations of Texas Genco Holdings, Inc. (Texas Genco), formerly our majority owned generating subsidiary, the sale of which was completed in April 2005, are presented as discontinued operations.

We were a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended (the 1935 Act). The 1935 Act and related rules and regulations imposed a number of restrictions on our activities and those of our subsidiaries. The Energy Policy Act of 2005 (Energy Act) repealed the 1935 Act effective February 8, 2006, and since that date we and our subsidiaries have no longer been subject to restrictions imposed under the 1935 Act. The Energy Act includes a new Public Utility Holding Company Act of 2005 (PUHCA 2005), which grants to the Federal Energy Regulatory Commission (FERC) authority to require holding companies and their subsidiaries to maintain certain books and records and make them available for review by the FERC and state regulatory authorities in certain circumstances. On December 8, 2005, the FERC issued rules implementing PUHCA 2005 that will require us to notify the FERC of our status as a holding company and to maintain certain books and records and make these available to the FERC. The FERC continues to consider motions for rehearing or clarification of these rules.

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

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

- our Code of Ethics for our Chief Executive Officer and Senior Financial Officers;

- our Ethics and Compliance Code;

- our Corporate Governance Guidelines; and

- the charters of our audit, compensation, finance and governance committees.

Any shareholder who so requests may obtain a printed copy of any of these documents from us. Changes in or waivers of our Code of Ethics for our Chief Executive Officer and Senior Financial Officers and waivers of our Ethics and Compliance Code for directors or executive officers will be posted on our Internet website

within five business days and maintained for at least 12 months or reported on Item 5.05 of our Forms 8-K. Our website address is www.centerpointenergy.com. Except to the extent explicitly stated herein, documents and information on our website are not incorporated by reference herein.

ELECTRIC TRANSMISSION & DISTRIBUTION

Electric Transmission

On behalf of retail electric providers, CenterPoint Houston delivers electricity from power plants to substations and from one substation to another and to retail electric customers taking power above 69 kilovolts (kV) in locations throughout the control area managed by the Electric Reliability Council of Texas, Inc. (ERCOT). CenterPoint Houston provides transmission services under tariffs approved by the Public Utility Commission of Texas (Texas Utility Commission).

Electric Distribution

In ERCOT, end users purchase their electricity directly from certificated "retail electric providers." CenterPoint Houston delivers electricity for retail electric providers in its certificated service area by carrying lower-voltage power from the substation to the retail electric customer. Its distribution network receives electricity from the transmission grid through power distribution substations and delivers electricity to end users through distribution feeders. CenterPoint Houston's operations include construction and maintenance of electric transmission and distribution facilities, metering services, outage response services and call center operations. CenterPoint Houston provides distribution services under tariffs approved by the Texas Utility Commission. Texas Utility Commission rules and market protocols govern the commercial operations of distribution companies and other market participants.

ERCOT Market Framework

CenterPoint Houston is a member of ERCOT. ERCOT serves as the regional reliability coordinating council for member electric power systems in Texas. ERCOT membership is open to consumer groups, investor and municipally owned electric utilities, rural electric cooperatives, independent generators, power marketers and retail electric providers. The ERCOT market includes much of the State of Texas, other than a portion of the panhandle, a portion of the eastern part of the state bordering Louisiana and the area in and around El Paso. The ERCOT market represents approximately 85% of the demand for power in Texas and is one of the nation's largest power markets. The ERCOT market includes an aggregate net generating capacity of approximately 77,000 megawatts. There are only limited direct current interconnections between the ERCOT market and other power markets in the United States.

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

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

necessary to increase bulk power transfer capability and to remove existing constraints on the ERCOT transmission grid.

True-Up and Securitization

The Texas Electric Choice Plan (Texas electric restructuring law), which became effective in September 1999, substantially amended the regulatory structure governing electric utilities in order to allow retail competition for electric customers beginning in January 2002. The Texas electric restructuring law requires the Texas Utility Commission to conduct a "true-up" proceeding to determine CenterPoint Houston's stranded costs and certain other costs resulting from the transition to a competitive retail electric market and to provide for its recovery of those costs. In March 2004, CenterPoint Houston filed its true-up application with the Texas Utility Commission, requesting recovery of $3.7 billion, excluding interest. In December 2004, the Texas Utility Commission issued its final order (True-Up Order) allowing CenterPoint Houston to recover a true-up balance of approximately $2.3 billion, which included interest through August 31, 2004, and providing for adjustment of the amount to be recovered to include interest on the balance until recovery, the principal portion of additional excess mitigation credits returned to customers after August 31, 2004 and certain other matters. CenterPoint Houston and other parties filed appeals of the True-Up Order to a district court in Travis County, Texas. In August 2005, the court issued its final judgment on the various appeals. In its judgment, the court affirmed most aspects of the True-Up Order, but reversed two of the Texas Utility Commission's rulings. The judgment would have the effect of restoring approximately $650 million, plus interest, of the $1.7 billion the Texas Utility Commission had disallowed from CenterPoint Houston's initial request. First, the court reversed the Texas Utility Commission's decision to prohibit CenterPoint Houston from recovering $180 million in credits through August 2004 that CenterPoint Houston was ordered to provide to retail electric providers as a result of an inaccurate stranded cost estimate made by the Texas Utility Commission in 2000. Additional credits of approximately $30 million were paid after August 2004. Second, the court reversed the Texas Utility Commission's disallowance of $440 million in transition costs which are recoverable under the Texas Utility Commission's regulations. CenterPoint Houston and other parties appealed the district court decisions. Briefs have been filed with the 3rd Court of Appeals in Austin but oral argument has not yet been scheduled.

Among the issues raised in our appeal of the True-Up Order is the Texas Utility Commission's reduction of our stranded cost recovery by approximately $146 million for the present value of certain deferred tax benefits associated with our former Texas Genco assets. Such reduction was considered in our recording of an after-tax extraordinary loss of $977 million in the last half of 2004. We believe that the Texas Utility Commission based its order on proposed regulations issued by the Internal Revenue Service (IRS) in March 2003 related to those tax benefits. Those proposed regulations would have allowed utilities which were deregulated before March 4, 2003 to make a retroactive election to pass the benefits of Accumulated Deferred Investment Tax Credits (ADITC) and Excess Deferred Federal Income Taxes (EDFIT) back to customers. However, in December 2005, the IRS withdrew those proposed normalization regulations and issued new proposed regulations that do not include the provision allowing a retroactive election to pass the tax benefits back to customers. If the December 2005 proposed regulations become effective and if the Texas Utility Commission's order on this issue is not reversed on appeal or the amount of the tax benefits is not otherwise restored by the Texas Utility Commission, the IRS is likely to consider that a "normalization violation" has occurred. If so, the IRS could require us to pay an amount equal to CenterPoint Houston's unamortized ADITC balance as of the date that the normalization violation was deemed to have occurred. In addition, if a normalization violation is deemed to have occurred, the IRS could also deny CenterPoint Houston the ability to elect accelerated depreciation benefits. The Texas Utility Commission has not previously required a company subject to its jurisdiction to take action that would result in a normalization violation.

There are two ways for CenterPoint Houston to recover the true-up balance: by issuing transition bonds to securitize the amounts due and/or by implementing a competition transition charge (CTC). Pursuant to a financing order issued by the Texas Utility Commission in March 2005 and affirmed in all respects in August 2005 by the same Travis County District Court considering the appeal of the True-Up Order, in December 2005 a subsidiary of CenterPoint Houston issued $1.85 billion in transition bonds with interest rates ranging

from 4.84 percent to 5.30 percent and final maturity dates ranging from February 2011 to August 2020. Through issuance of the transition bonds, CenterPoint Houston recovered approximately $1.7 billion of the true-up balance determined in the True-Up Order plus interest through the date on which the bonds were issued.

In July 2005, CenterPoint Houston received an order from the Texas Utility Commission allowing it to implement a CTC which will collect approximately $596 million over 14 years plus interest at an annual rate of 11.075 percent (CTC Order). The CTC Order authorizes CenterPoint Houston to impose a charge on retail electric providers to recover the portion of the true-up balance not covered by the financing order. The CTC Order also allows CenterPoint Houston to collect approximately $24 million of rate case expenses over three years through a separate tariff rider (Rider RCE). CenterPoint Houston implemented the CTC and Rider RCE effective September 13, 2005 and began recovering approximately $620 million. Certain parties appealed the CTC Order to the Travis County Court in September 2005.

Under the True-Up Order, CenterPoint Houston is allowed to recover carrying charges at 11.075 percent until the true-up balance is recovered. In January 2006, the Texas Utility Commission staff (Staff) proposed that the Texas Utility Commission adopt new rules governing the carrying charges on unrecovered true-up balances. If the Texas Utility Commission adopts the rule as the Staff proposed it and the rule is deemed to apply to CenterPoint Houston, the rule would reduce carrying costs on the unrecovered CTC balance prospectively from 11.075 percent to the utility's cost of debt.

CenterPoint Houston Rate Case

The Texas Utility Commission requires each electric utility to file an annual Earnings Report providing certain information to enable the Texas Utility Commission to monitor the electric utilities' earnings and financial condition within the state. In May 2005, CenterPoint Houston filed its Earnings Report for the calendar year ended December 31, 2004. CenterPoint Houston's Earnings Report shows that it earned less than its authorized rate of return on equity in 2004.

In October 2005, the Staff filed a memorandum summarizing its review of the Earnings Reports filed by electric utilities. Based on its review, the Staff concluded that continuation of CenterPoint Houston's rates could result in excess retail transmission and distribution revenues of as much as $105 million and excess wholesale transmission revenues of as much as $31 million annually and recommended that the Texas Utility Commission initiate a review of the reasonableness of existing rates. The Staff's analysis was based on a 9.60 percent cost of equity, which is 165 basis points lower than the approved return on equity from CenterPoint Houston's last rate proceeding, the elimination of interest on debt that matured in November 2005 and certain other adjustments to CenterPoint Houston's reported information. Additionally, a hypothetical capital structure of 60 percent debt and 40 percent equity was used which varies materially from the actual capital structure of CenterPoint Houston as of December 31, 2005 of approximately 50 percent debt and 50 percent equity.

In December 2005, the Texas Utility Commission considered the Staff report and agreed to initiate a rate proceeding concerning the reasonableness of CenterPoint Houston's existing rates for transmission and distribution service and to require CenterPoint Houston to make a filing by April 15, 2006 to justify or change those rates.

These and other significant matters currently affecting our financial condition are further discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Executive Summary -- Significant Events in 2005" in Item 7 of this report.

Customers

CenterPoint Houston serves nearly all of the Houston/Galveston metropolitan area. CenterPoint Houston's customers consist of 66 retail electric providers, which sell electricity in its certificated service area, and municipalities, electric cooperatives and other distribution companies located outside CenterPoint Houston's certificated service area. Each retail electric provider is licensed by, and must meet creditworthiness

criteria established by, the Texas Utility Commission. Two of the retail electric providers in our service area are subsidiaries of Reliant Energy, Inc (RRI). Sales to subsidiaries of RRI represented approximately 78%, 71% and 62% of CenterPoint Houston's transmission and distribution revenues in 2003, 2004 and 2005, respectively. CenterPoint Houston's billed receivables balance from retail electric providers as of December 31, 2005 was $127 million. Approximately 56% of this amount was owed by subsidiaries of RRI. CenterPoint Houston does not have long-term contracts with any of its customers. It operates on a continuous billing cycle, with meter readings being conducted and invoices being distributed to retail electric providers each business day.

Distribution Automation

CenterPoint Houston, with assistance from IBM, has developed an Electric Distribution Grid Automation Strategy that involves the implementation of an "Intelligent Grid". An Intelligent Grid has the potential to provide us with on demand data and information that should enable a significant improvement in grid planning, operations and maintenance. This, in turn, should contribute to fewer and shorter outages, better customer service, improved operations costs, improved security and more effective use of the workforce. A limited system deployment, with an expected capital cost of $11 million in 2006, has been initiated and allows for a disciplined approach to proving the technology and validating potential benefits prior to a full-scale implementation. The outcome of this limited deployment will be a major factor in any decision to expand the deployment in 2007 and beyond.

Competition

There are no other electric transmission and distribution utilities in CenterPoint Houston's service area. In order for another provider of transmission and distribution services to provide such services in CenterPoint Houston's territory, it would be required to obtain a certificate of convenience and necessity from the Texas Utility Commission and, depending on the location of the facilities, may also be required to obtain franchises from one or more municipalities. We know of no other party intending to enter this business in CenterPoint Houston's service area at this time.

Seasonality

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

Properties

All of CenterPoint Houston's properties are located in Texas. CenterPoint Houston's transmission system carries electricity from power plants to substations and from one substation to another. These substations serve to connect power plants, the high voltage transmission lines and the lower voltage distribution lines. Unlike the transmission system, which carries high voltage electricity over long distances, distribution lines carry lower voltage power from the substation to the retail electric customers. The distribution system consists primarily of distribution lines, transformers, secondary distribution lines and service wires and meters. Most of CenterPoint Houston's transmission and distribution lines have been constructed over lands of others pursuant to easements or along public highways and streets as permitted by law.

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

- the lien of a Mortgage and Deed of Trust (the Mortgage) dated November 1, 1944, as supplemented; and

- the lien of a General Mortgage (the General Mortgage) dated October 10, 2002, as supplemented, which is junior to the lien of the Mortgage.

As of December 31, 2005, CenterPoint Houston had outstanding $2.0 billion aggregate principal amount of general mortgage bonds under the General Mortgage, including approximately $527 million held in trust to secure pollution control bonds for which CenterPoint Energy is obligated and approximately $229 million held in trust to secure pollution control bonds for which CenterPoint Houston is obligated. Additionally, CenterPoint Houston had outstanding approximately $253 million aggregate principal amount of first mortgage bonds under the Mortgage, including approximately $151 million held in trust to secure certain pollution control bonds for which CenterPoint Energy is obligated. CenterPoint Houston may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee. Approximately $2.0 billion of additional first mortgage bonds and general mortgage bonds could be issued on the basis of retired bonds and 70% of property additions as of December 31, 2005. However, CenterPoint Houston is contractually prohibited, subject to certain exceptions, from issuing additional first mortgage bonds.

Electric Lines -- Overhead. As of December 31, 2005, CenterPoint Houston owned 27,026 pole miles of overhead distribution lines and 3,621 circuit miles of overhead transmission lines, including 451 circuit miles operated at 69,000 volts, 2,093 circuit miles operated at 138,000 volts and 1,077 circuit miles operated at 345,000 volts.

Electric Lines -- Underground. As of December 31, 2005, CenterPoint Houston owned 16,662 circuit miles of underground distribution lines and 18.8 circuit miles of underground transmission lines, including 4.5 circuit miles operated at 69,000 volts and 14.3 circuit miles operated at 138,000 volts.

Substations. As of December 31, 2005, CenterPoint Houston owned 225 major substation sites having total installed rated transformer capacity of 47,864 megavolt amperes.

Service Centers. CenterPoint Houston operates 16 regional service centers located on a total of 311 acres of land. These service centers consist of office buildings, warehouses and repair facilities that are used in the business of transmitting and distributing electricity.

Franchises

CenterPoint Houston holds non-exclusive franchises from the incorporated municipalities in its service territory. In exchange for payment of fees, these franchises give CenterPoint Houston the right to use the streets and public rights-of way of these municipalities to construct, operate and maintain its transmission and distribution system and to use that system to conduct its electric delivery business and for other purposes that the franchises permit. The terms of the franchises, with various expiration dates, typically range from 5 to 50 years.

In June 2005, CenterPoint Houston accepted an ordinance granting it a new 30-year franchise to use the public rights-of-way to conduct its business in the City of Houston (New Franchise Ordinance). The New Franchise Ordinance took effect on July 1, 2005, and replaced the prior electricity franchise ordinance, which had been in effect since 1957. The New Franchise Ordinance clarifies certain operational obligations of CenterPoint Houston and the City of Houston and provides for streamlined payment and audit procedures and a two-year statute of limitations on claims for underpayment or overpayment under the ordinance. Under the prior electricity franchise ordinance, CenterPoint Houston paid annual franchise fees of $76.6 million to the City of Houston for the year ended December 31, 2004. For the twelve-month period beginning July 1, 2005, the annual franchise fee (Annual Franchise Fee) under the New Franchise Ordinance will include a base amount of $88.1 million (Base Amount) and an additional payment of $8.5 million (Additional Amount). The Base Amount and the Additional Amount will be adjusted annually based on the increase, if any, in kWh delivered by CenterPoint Houston within the City of Houston.

CenterPoint Houston began paying the new annual franchise fees on July 1, 2005. Pursuant to the New Franchise Ordinance, the Annual Franchise Fee will be reduced prospectively to reflect any portion of the Annual Franchise Fee that is not included in CenterPoint Houston's base rates in any subsequent rate case.

NATURAL GAS DISTRIBUTION

CERC's natural gas distribution business engages in regulated intrastate natural gas sales to, and natural gas transportation for, residential, commercial and industrial customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas through two unincorporated divisions: Minnesota Gas and Southern Gas Operations.

Minnesota Gas provides natural gas distribution services to approximately 780,000 customers in over 240 communities. The largest metropolitan area served by Minnesota Gas is Minneapolis. In 2005, approximately 44% of Minnesota Gas' total throughput was attributable to residential customers and approximately 56% was attributable to commercial and industrial customers. Minnesota Gas also provides unregulated services consisting of heating, ventilating and air conditioning (HVAC) equipment and appliance repair, sales of HVAC, water heating and hearth equipment and home security monitoring.

Southern Gas Operations provides natural gas distribution services to approximately 2.3 million customers in Arkansas, Louisiana, Mississippi, Oklahoma and Texas. The largest metropolitan areas served by Southern Gas Operations are Houston, Texas; Little Rock, Arkansas; Shreveport, Louisiana; Biloxi, Mississippi; and Lawton, Oklahoma. In 2005, approximately 42% of Southern Gas Operations' total throughput was attributable to residential customers and approximately 58% was attributable to commercial and industrial customers.

The demand for intrastate natural gas sales to, and natural gas transportation for, residential, commercial and industrial customers is seasonal. In 2005, approximately 70% of the total throughput of CERC's local distribution companies' business occurred in the first and fourth quarters. These patterns reflect the higher demand for natural gas for heating purposes during those periods.

Supply and Transportation. In 2005, Minnesota Gas purchased virtually all of its natural gas supply pursuant to contracts with remaining terms varying from a few months to four years. Minnesota Gas' major suppliers in 2005 included BP Canada Energy Marketing Corp. (54% of supply volumes), Tenaska Marketing Ventures (11%), ONEOK Energy Services Company, LP (7%) and ConocoPhillips Company (5%). Numerous other suppliers provided the remaining 23% of Minnesota Gas' natural gas supply requirements. Minnesota Gas transports its natural gas supplies through various interstate pipelines under contracts with remaining terms, including extensions, varying from one to sixteen years. We anticipate that these gas supply and transportation contracts will be renewed prior to their expiration.

In 2005, Southern Gas Operations purchased virtually all of its natural gas supply pursuant to contracts with remaining terms varying from a few months to five years. Southern Gas Operations' major suppliers in 2005 included Energy Transfer Company (24% of supply volumes), Kinder Morgan Texas Pipeline Corporation (18%), BP Energy Company (12%), Merrill Lynch Commodities (9%), ONEOK Energy Services Company, LP (7%), and Coral Energy LLC (5%). Numerous other suppliers provided the remaining 25% of Southern Gas Operations' natural gas supply requirements. Southern Gas Operations transports its natural gas supplies through various intrastate and interstate pipelines including CenterPoint Energy's pipeline subsidiaries.

Generally, the regulations of the states in which CERC's natural gas distribution business operates allow it to pass through changes in the costs of natural gas to its customers under purchased gas adjustment provisions in its tariffs. Depending upon the jurisdiction, the purchased gas adjustment factors are updated periodically, ranging from monthly to semi-annually, using estimated gas costs. The changes in the cost of gas billed to customers are subject to review by the applicable regulatory bodies.

Minnesota Gas and Southern Gas Operations use various leased or owned natural gas storage facilities to meet peak-day requirements and to manage the daily changes in demand due to changes in weather. Minnesota Gas also supplements contracted supplies and storage from time to time with stored liquefied natural gas and propane-air plant production.

Minnesota Gas owns and operates an underground storage facility with a capacity of 7.0 billion cubic feet (Bcf). It has a working capacity of 2.1 Bcf available for use during a normal heating season and a maximum

daily withdrawal rate of 50 million cubic feet (MMcf). It also owns nine propane-air plants with a total capacity of 204 MMcf per day and on-site storage facilities for 12 million gallons of propane (1.0 Bcf gas equivalent). Minnesota Gas owns liquefied natural gas plant facilities with a 12 million-gallon liquefied natural gas storage tank (1.0 Bcf gas equivalent) and a send-out capability of 72 MMcf per day.

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

Assets

As of December 31, 2005, CERC owned approximately 66,000 linear miles of gas distribution mains, varying in size from one-half inch to 24 inches in diameter. Generally, in each of the cities, towns and rural areas served by CERC, we own the underground gas mains and service lines, metering and regulating equipment located on customers' premises and the district regulating equipment necessary for pressure maintenance. With a few exceptions, the measuring stations at which CERC receives gas are owned, operated and maintained by others, and its distribution facilities begin at the outlet of the measuring equipment. These facilities, including odorizing equipment, are usually located on the land owned by suppliers.

Competition

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

COMPETITIVE NATURAL GAS SALES AND SERVICES

CERC offers variable and fixed-priced physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities through a number of subsidiaries, primarily CenterPoint Energy Services, Inc. (CES). We have reorganized the oversight of our Natural Gas Distribution business segment and, as a result, beginning in the fourth quarter of 2005, we have established a new reportable business segment, Competitive Natural Gas Sales and Services. These operations were previously reported as part of the Natural Gas Distribution business segment.

In 2005, CES marketed approximately 538 Bcf (including 27 Bcf to affiliates) of natural gas, transportation and related energy services to nearly 7,000 customers which vary in size from small commercial to large utility companies in the central and eastern regions of the United States. The business has three operational functions: wholesale, retail and intrastate pipelines further described below.

Wholesale Operations. CES offers a portfolio of physical delivery services and financial products designed to meet wholesale customers' supply and price risk management needs. These customers are served directly through interconnects with various inter- and intra-state pipeline companies, and include gas utilities, large industrial and electric generation customers.

Retail Operations. CES also offers a variety of natural gas management services to smaller commercial and industrial customers, whose facilities are located downstream of natural gas distribution utility city gate stations, including load forecasting, supply acquisition, daily swing volume management, invoice consolidation, storage asset management, firm and interruptible transportation administration and forward price management. CES manages transportation contracts and energy supply for retail customers in ten states.

Intrastate Pipeline Operations. Another wholly owned subsidiary of CERC owns and operates approximately 210 miles of intrastate pipeline in Louisiana and Texas. This subsidiary provides bundled and unbundled merchant and transportation services to shippers and end-users.

CES currently transports natural gas on over 30 pipelines throughout the central and eastern United States. CES maintains a portfolio of natural gas supply contracts and firm transportation agreements to meet the natural gas requirements of its customers. CES aggregates supply from various producing regions and offers contracts to buy natural gas with terms ranging from one month to over five years. In addition, CES actively participates in the spot natural gas markets in an effort to balance daily and monthly purchases and sales obligations. Natural gas supply and transportation capabilities are leveraged through contracts for ancillary services including physical storage and other balancing arrangements.

As described above, CES offers its customers a variety of load following services. In providing these services, CES uses its customers' purchase commitments to forecast and arrange its own supply purchases and transportation services to serve customers' natural gas requirements. As a result of the variance between this forecast activity and the actual monthly activity, CES will either have too much supply or too little supply relative to its customers' purchase commitments. These supply imbalances arise each month as customers' natural gas requirements are scheduled and corresponding natural gas supplies are nominated by CES for delivery to those customers. CES' processes and risk control environment are designed to measure and value all supply imbalances on a real-time basis to ensure that CES' exposure to commodity price and volume risk is kept to a minimum. The value assigned to these volumetric imbalances is calculated daily and is known as the aggregate Value at Risk (VaR). In 2005, CES' VaR averaged $0.5 million with a high of $3 million.

The CenterPoint Energy Risk Control policy, governed by the Risk Oversight Committee, defines authorized and prohibited trading instruments and volumetric trading limits. CES is a physical marketer of natural gas and uses a variety of tools, including pipeline and storage capacity, financial instruments and physical commodity purchase contracts to support its sales. The CES business optimizes its use of these various tools to minimize its supply costs and does not engage in proprietary or speculative commodity trading. The VaR limits within which CES operates are consistent with its operational objective of matching its aggregate sales obligations (including the swing associated with load following services) with its supply portfolio in a manner that minimizes its total cost of supply.

Competition

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

PIPELINES AND FIELD SERVICES

CERC's pipelines and field services business operates two interstate natural gas pipelines, as well as gas gathering and processing facilities and also provides operating and technical services and remote data monitoring and communication services. The rates charged by interstate pipelines for interstate transportation and storage services are regulated by the FERC.

CERC owns and operates gas transmission lines primarily located in Arkansas, Illinois, Louisiana, Missouri, Oklahoma and Texas. CERC's pipeline operations are primarily conducted by two wholly owned interstate pipeline subsidiaries which provide gas transportation and storage services primarily to industrial customers and local distribution companies:

- CenterPoint Energy Gas Transmission Company (CEGT) is an interstate pipeline that provides natural gas transportation, natural gas storage and pipeline services to customers principally in Arkansas, Louisiana, Oklahoma and Texas; and

- CenterPoint Energy-Mississippi River Transmission Corporation (MRT) is an interstate pipeline that provides natural gas transportation, natural gas storage and pipeline services to customers principally in Arkansas and Missouri.

CERC's pipeline project management and facility operation services are provided to affiliates and third parties through a wholly owned pipeline services subsidiary, CenterPoint Energy Pipeline Services, Inc.

CERC's field services operations are conducted by a wholly owned subsidiary, CenterPoint Energy Field Services, Inc. (CEFS). CEFS provides natural gas gathering and processing services for certain natural gas fields in the Midcontinent basin of the United States that interconnect with CEGT's and MRT's pipelines, as well as other interstate and intrastate pipelines. CEFS operates gathering pipelines, which collect natural gas from approximately 200 separate systems located in major producing fields in Arkansas, Louisiana, Oklahoma and Texas. CEFS, either directly, or through its 50% interest in the Waskom Joint Venture, processes in excess of 240 MMcf per day of natural gas along its gathering system. CEFS, through its ServiceStar operating division, provides remote data monitoring and communications services to affiliates and third parties. The ServiceStar operating division currently provides monitoring activities at 9,100 locations across Alabama, Arkansas, Colorado, Illinois, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, Texas and Wyoming.

In 2005, approximately 20% of our total operating revenue from pipelines and field services was attributable to services provided to Southern Gas Operations and approximately 7% was attributable to services provided to Laclede Gas Company (Laclede), an unaffiliated distribution company that provides natural gas utility service to the greater St. Louis metropolitan area in Illinois and Missouri. Services to Southern Gas Operations and Laclede are provided under several long-term firm storage and transportation agreements. The agreement to provide services to Laclede expires in 2007. We expect that this agreement will be renewed prior to its expiration. Agreements for firm transportation, "no notice" transportation service and storage service in Southern Gas Operations' major service areas (Arkansas, Louisiana and Oklahoma) expire in 2012.

In October 2005, CEGT signed a firm transportation agreement with XTO Energy to transport 600 MMcf per day of natural gas from Carthage, Texas to CEGT's Perryville hub in Northeast Louisiana. To accommodate this transaction, CEGT is in the process of filing applications for certificates with the FERC to build a 172 mile, 42-inch diameter pipeline, and related compression facilities at an estimated cost of $400 million. The final capacity of the pipeline will be between 960 MMcf per day and 1.24 Bcf per day. CEGT expects to have firm contracts for the full capacity of the pipeline prior to its expected in service date in early 2007. During the four year period subsequent to the in service date of the pipeline, XTO can request, and subject to mutual negotiations that meet specific financial parameters, CEGT would construct a 67 mile extension from CEGT's Perryville hub to an interconnect with Texas Eastern Gas Transmission at Union Church, Mississippi.

Our pipelines and field services business operations may be affected by changes in the demand for natural gas, the available supply and relative price of natural gas in the Midcontinent and Gulf Coast natural gas supply regions and general economic conditions.

Assets

We own and operate approximately 8,200 miles of gas transmission lines primarily located in Missouri, Illinois, Arkansas, Louisiana, Oklahoma and Texas. We also own and operate six natural gas storage fields with a combined daily deliverability of approximately 1.2 Bcf per day and a combined working gas capacity of approximately 59.0 Bcf. We also own a 10% interest in Gulf South Pipeline Company, LP's Bistineau storage facility. This facility has a total working gas capacity of 85.7 Bcf and approximately 1.1 Bcf per day of deliverability. Storage capacity in the Bistineau facility is 8 Bcf of working gas with 100 MMcf per day of deliverability. Most storage operations are in north Louisiana and Oklahoma. We also own and operate approximately 4,000 miles of gathering pipelines that collect, treat and process natural gas from approximately 200 separate systems located in major producing fields in Arkansas, Louisiana, Oklahoma and Texas.

Competition

Our pipelines and field services business competes with other interstate and intrastate pipelines and gathering companies in the transportation and storage of natural gas. The principal elements of competition among pipelines are rates, terms of service, and flexibility and reliability of service. Our pipelines and field services business competes indirectly with other forms of energy available to our customers, including

electricity, coal and fuel oils. The primary competitive factor is price. Changes in the availability of energy and pipeline capacity, the level of business activity, conservation and governmental regulations, the capability to convert to alternative fuels, and other factors, including weather, affect the demand for natural gas in areas we serve and the level of competition for transportation and storage services. In addition, competition for our gathering operations is impacted by commodity pricing levels because of their influence on the level of drilling activity. Both pipeline services and ServiceStar compete with other similar service companies based on market pricing. The principal elements of competition are rates, terms of service and reliability of services.

OTHER OPERATIONS

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

DISCONTINUED OPERATIONS

In July 2004, we announced our agreement to sell our majority owned subsidiary, Texas Genco, to Texas Genco LLC. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco, whose principal remaining asset was its ownership interest in a nuclear generating facility, distributed $2.231 billion in cash to us. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to us of $700 million, was completed on April 13, 2005.

We recorded an after-tax gain (loss) of $91 million, $(133) million and $(3) million for the years ended December 31, 2003, 2004 and 2005, respectively, related to the operations of Texas Genco. The consolidated financial statements report these operations for all periods presented as discontinued operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

FINANCIAL INFORMATION ABOUT SEGMENTS

For financial information about our segments, see Note 14 to our consolidated financial statements, which note is incorporated herein by reference.

REGULATION

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

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

As a registered public utility holding company under the 1935 Act, we and our subsidiaries were subject to a comprehensive regulatory scheme imposed by the SEC. Although the SEC did not regulate rates and charges under the 1935 Act, it did regulate the structure, financing, lines of business and internal transactions of public utility holding companies and their system companies.

The Energy Act repealed the 1935 Act effective February 8, 2006, and since that date, we and our subsidiaries have no longer been subject to restrictions imposed under the 1935 Act. The Energy Act includes PUHCA 2005, which grants to the FERC authority to require holding companies and their subsidiaries to maintain certain books and records and make them available for review by the FERC and state regulatory authorities in certain circumstances. On December 8, 2005, the FERC issued rules implementing PUHCA 2005 that will require us to notify the FERC of our status as a holding company and to maintain certain books and records and make these available to the FERC. The FERC continues to consider motions for rehearing or clarification of these rules.

FEDERAL ENERGY REGULATORY COMMISSION

The FERC has jurisdiction under the Natural Gas Act and the Natural Gas Policy Act of 1978, as amended, to regulate the transportation of natural gas in interstate commerce and natural gas sales for resale in intrastate commerce that are not first sales. The FERC regulates, among other things, the construction of pipeline and related facilities used in the transportation and storage of natural gas in interstate commerce, including the extension, expansion or abandonment of these facilities. The rates charged by interstate pipelines for interstate transportation and storage services are also regulated by the FERC. The Energy Act expanded the FERC's authority to prohibit market manipulation in connection with FERC-regulated transactions and gave the FERC additional authority to impose civil penalties for statutory violations and violations of the FERC's rules or orders and also expanded criminal penalties for such violations.

Our natural gas pipeline subsidiaries may periodically file applications with the FERC for changes in their generally available maximum rates and charges designed to allow them to recover their costs of providing service to customers (to the extent allowed by prevailing market conditions), including a reasonable rate of return. These rates are normally allowed to become effective after a suspension period and, in some cases, are subject to refund under applicable law until such time as the FERC issues an order on the allowable level of rates.

CenterPoint Houston is not a "public utility" under the Federal Power Act and therefore is not generally regulated by the FERC, although certain of its transactions are subject to limited FERC jurisdiction. The Energy Act provides the FERC the authority to establish mandatory and enforceable service reliability standards for the electric industry. CenterPoint Energy is subject to these standards.

STATE AND LOCAL REGULATION

Electric Transmission & Distribution. CenterPoint Houston conducts its operations pursuant to a certificate of convenience and necessity issued by the Texas Utility Commission that covers its present service area and facilities. In addition, CenterPoint Houston holds non-exclusive franchises from the incorporated municipalities in its service territory. In exchange for payment of fees, these franchises give CenterPoint Houston the right to use the streets and public rights-of-way of these municipalities to construct, operate and maintain its transmission and distribution system and to use that system to conduct its electric delivery business and for other purposes that the franchises permit. The terms of the franchises, with various expiration dates, typically range from 5 to 50 years. As discussed above under "Our Business -- Electric Transmission & Distribution -- Franchises," a new franchise ordinance for the City of Houston franchise was granted in June 2005 with a term of 30 years. There are a total of 37 cities whose franchises will expire in 2007 and 2008. CenterPoint Houston expects to be able to renew these expiring franchises.

All retail electric providers in CenterPoint Houston's service area pay the same rates and other charges for the same transmission and distribution services.

CenterPoint Houston's distribution rates charged to retail electric providers for residential customers are based on amounts of energy delivered, whereas distribution rates for a majority of commercial and industrial customers are based on peak demand. Transmission rates charged to other distribution companies are based on amounts of energy transmitted under "postage stamp" rates that do not vary with the distance the energy is being transmitted. All distribution companies in ERCOT pay CenterPoint Houston the same rates and other charges for transmission services. The transmission and distribution rates for CenterPoint Houston have been in effect since electric competition began. This regulated delivery charge includes the transmission and distribution rate (which includes municipal franchise fees), a system benefit fund fee imposed by the Texas electric restructuring law, a nuclear decommissioning charge associated with decommissioning the South Texas nuclear generating facility (South Texas Project), transition charges associated with securitization of regulatory assets and securitization of stranded costs, a competition transition charge for collection of the true-up balance not securitized and a rate case expense charge.

As discussed above under "Electric Transmission & Distribution -- CenterPoint Houston Rate Case," in December 2005, the Texas Utility Commission agreed to initiate a rate proceeding concerning the reasonable-

ness of CenterPoint Houston's existing rates for transmission and distribution service and to require CenterPoint Houston to make a filing by April 15, 2006 to justify or change those rates.

Natural Gas Distribution. In almost all communities in which CERC provides natural gas distribution services, it operates under franchises, certificates or licenses obtained from state and local authorities. The original terms of the franchises, with various expiration dates, typically range from 10 to 30 years, though franchises in Arkansas are perpetual. None of CERC's material franchises expire in the near term. CERC expects to be able to renew expiring franchises. In most cases, franchises to provide natural gas utility services are not exclusive.

Substantially all of CERC's retail natural gas sales by its local distribution divisions are subject to traditional cost-of-service regulation at rates regulated by the relevant state public utility commissions and, in Texas, by the Railroad Commission of Texas (Railroad Commission) and certain municipalities CERC serves.

SOUTHERN GAS OPERATIONS

In November 2004, Southern Gas Operations filed an application for a $34 million base rate increase, which was subsequently adjusted downward to $28 million, with the Arkansas Public Service Commission (APSC). In September 2005, an $11 million rate reduction (which included a $10 million reduction relating to depreciation rates) ordered by the APSC went into effect. The reduced depreciation rates were implemented effective October 2005. This base rate reduction and corresponding reduction in depreciation expense represent an annualized operating income reduction of $1 million.

In April 2005, the Railroad Commission established new gas tariffs that increased Southern Gas Operations' base rate and service revenues by a combined $2 million in the unincorporated environs of its Beaumont/East Texas and South Texas Divisions. In June and August 2005, Southern Gas Operations filed requests to implement these same rates within 169 incorporated cities located in the two divisions. The proposed rates were approved or became effective by operation of law in 164 of these cities. Five municipalities denied the rate change requests within their respective jurisdictions. Southern Gas Operations has appealed the actions of these five cities to the Railroad Commission. In February 2006, Southern Gas Operations notified the Railroad Commission that it had reached a settlement with four of the five cities. If approved, the settlement will affect rates in a total of 60 cities in the South Texas Division. In addition, 19 cities where rates have already gone into effect have challenged the jurisdictional and statutory basis for implementation of the new rates within their respective jurisdictions. Southern Gas Operations has petitioned the Railroad Commission for an order declaring that the new rates have been properly established within these 19 cities. If the settlement is approved and assuming all other rate change proposals become effective, revenues from Southern Gas Operations' base rates and miscellaneous service charges would increase by an additional $17 million annually. Currently, approximately $15 million of this expected annual increase is in effect in the incorporated areas of Southern Gas Operations' Beaumont/East Texas and South Texas Divisions.

In October 2005, Southern Gas Operations filed requests with the Louisiana Public Service Commission (LPSC) for approximately $2 million in base rate increases for its South Louisiana service territory and approximately $2 million in base rate reductions for its North Louisiana service territory in accordance with the Rate Stabilization Plans in its tariffs. These base rate changes became effective on January 2, 2006 in accordance with the tariffs and are subject to review and possible adjustment by the staff of the LPSC. Southern Gas Operations is unable to predict when the LPSC staff may conclude its review or what adjustments, if any, the staff may recommend.

In December 2005, Southern Gas Operations filed a request with the Mississippi Public Service Commission (MPSC) for approximately $1 million in miscellaneous service charges (e.g., charges to connect service, charges for returned checks, etc.) in its Mississippi service territory. This request was approved in the first quarter of 2006.

In addition, in January and February 2006, Southern Gas Operations filed requests with the MPSC for approximately $3 million in base rate increases in its Mississippi service territory in accordance with the Automatic Rate Adjustment Mechanism provisions in its tariffs and an additional $2 million in surcharges to recover system restoration expenses incurred following hurricane Katrina. Both requests are being reviewed by the MPSC staff with a decision expected in the first quarter of 2006.

MINNESOTA GAS

In June 2005, the Minnesota Public Utilities Commission (MPUC) approved a settlement which increased Minnesota Gas' base rates by approximately $9 million annually. An interim rate increase of approximately $17 million had been implemented in October 2004. Substantially all of the excess amounts collected in interim rates over those approved in the final settlement were refunded to customers in the third quarter of 2005.

In November 2005, Minnesota Gas filed a request with the MPUC to increase annual rates by approximately $41 million. In December 2005, the MPUC approved an interim rate increase of approximately $35 million that was implemented January 1, 2006. Any excess of amounts collected under the interim rates over the amounts approved in final rates is subject to refund to customers. A decision by the MPUC is expected in the third quarter of 2006.

In December 2004, the MPUC opened an investigation to determine whether Minnesota Gas' practices regarding restoring natural gas service during the period between October 15 and April 15 (Cold Weather Period) are in compliance with the MPUC's Cold Weather Rule (CWR), which governs disconnection and reconnection of customers during the Cold Weather Period. The Minnesota Office of the Attorney General (OAG) issued its report alleging Minnesota Gas has violated the CWR and recommended a $5 million penalty. Minnesota Gas and the OAG have reached an agreement on procedures to be followed for the current Cold Weather Period which began on October 15, 2005. In addition, in June 2005, CERC was named in a suit filed in the United States District Court, District of Minnesota on behalf of a purported class of customers who allege that Minnesota Gas' conduct under the CWR was in violation of the law. Minnesota Gas is in settlement discussions regarding both the OAG's action and the action on behalf of the purported class.

DEPARTMENT OF TRANSPORTATION

In December 2002, Congress enacted the Pipeline Safety Improvement Act of 2002 (the Act). This legislation applies to our interstate pipelines as well as our intrastate pipelines and local distribution companies. The legislation imposes several requirements related to ensuring pipeline safety and integrity. It requires pipeline and distribution companies to assess the integrity of their pipeline transmission facilities in areas of high population concentration or High Consequence Areas (HCA). The legislation further requires companies to perform remediation activities, in accordance with the requirements of the legislation, over a 10-year period.

Final regulations implementing the Act became effective on February 14, 2004 and provided guidance on, among other things, the areas that should be classified as HCA.

Our interstate and intrastate pipelines and our natural gas distribution companies anticipate that compliance with these regulations will require increases in both capital and operating cost. The level of expenditures required to comply with these regulations will be dependent on several factors, including the age of the facility, the pressures at which the facility operates and the number of facilities deemed to be located in areas designated as HCA. Based on our interpretation of the rules and preliminary technical reviews, we believe compliance will require average annual expenditures of approximately $15 to $20 million during the initial 10-year period.

ENVIRONMENTAL MATTERS

Our operations are subject to stringent and complex laws and regulations pertaining to health, safety and the environment. As an owner or operator of natural gas pipelines, gas gathering and processing systems, and

electric transmission and distribution systems we must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact our business activities in many ways, such as:

- restricting the way we can handle or dispose of our wastes;

- limiting or prohibiting construction activities in sensitive areas such as wetlands, coastal regions, or areas inhabited by endangered species;

- requiring remedial action to mitigate pollution conditions caused by our operations, or attributable to former operations; and

- enjoining the operations of facilities deemed in non-compliance with permits issued pursuant to such environmental laws and regulations.

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

- construct or acquire new equipment;

- acquire permits for facility operations;

- modify or replace existing and proposed equipment; and

- clean up or decommission waste disposal areas, fuel storage and management facilities and other locations and facilities.

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

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

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

AIR EMISSIONS

Our operations are subject to the federal Clean Air Act and comparable state laws and regulations. These laws and regulations regulate emissions of air pollutants from various industrial sources, including our processing plants and compressor stations, and also impose various monitoring and reporting requirements. Such laws and regulations may require that we obtain pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions or result in the increase of existing air emissions,

obtain and strictly comply with air permits containing various emissions and operational limitations, or utilize specific emission control technologies to limit emissions. Our failure to comply with these requirements could subject us to monetary penalties, injunctions, conditions or restrictions on operations, and potentially criminal enforcement actions. We may be required to incur certain capital expenditures in the future for air pollution control equipment in connection with obtaining and maintaining operating permits and approvals for air emissions. We believe, however, that our operations will not be materially adversely affected by such requirements, and the requirements are not expected to be any more burdensome to us than to any other similarly situated companies.

WATER DISCHARGES

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

HAZARDOUS WASTE

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

LIABILITY FOR REMEDIATION

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), also known as "Superfund," and comparable state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances into the environment. Such classes of persons include the current and past owners or operators of sites where a hazardous substance was released, and companies that disposed or arranged for disposal of hazardous substances at offsite locations such as landfills. Although petroleum, as well as natural gas, is excluded from CERCLA's definition of a "hazardous substance," in the course of our ordinary operations we generate wastes that may fall within the definition of a "hazardous substance." CERCLA authorizes the United States Environmental Protection Agency (EPA) and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. Under CERCLA, we could be subject to joint and several liability for the costs of cleaning up and restoring sites where hazardous substances have been released, for damages to natural resources, and for the costs of certain health studies.

LIABILITY FOR PREEXISTING CONDITIONS

Hydrocarbon Contamination. CERC Corp. and certain of its subsidiaries are among the defendants in lawsuits filed beginning in August 2001 in Caddo Parish and Bossier Parish, Louisiana. The suits allege that, at some unspecified date prior to 1985, the defendants allowed or caused hydrocarbon or chemical

contamination of the Wilcox Aquifer, which lies beneath property owned or leased by certain of the defendants and which is the sole or primary drinking water aquifer in the area. The primary source of the contamination is alleged by the plaintiffs to be a gas processing facility in Haughton, Bossier Parish, Louisiana known as the "Sligo Facility," which was formerly operated by a predecessor in interest of CERC Corp. This facility was purportedly used for gathering natural gas from surrounding wells, separating liquid hydrocarbons from the natural gas for marketing, and transmission of natural gas for distribution.

Beginning about 1985, the predecessors of certain CERC Corp. defendants engaged in a voluntary remediation of any subsurface contamination of the groundwater below the property they owned or leased. This work has been done in conjunction with and under the direction of the Louisiana Department of Environmental Quality. In the pending litigation, the plaintiffs seek monetary damages for alleged damage to the aquifer underlying their property, unspecified alleged personal injuries, alleged fear of cancer, alleged property damage or diminution of value of their property, and, in addition, seek damages for trespass, punitive, and exemplary damages. We do not expect the ultimate cost associated with resolving this matter to have a material impact on our financial condition, results of operations or cash flows or that of CERC.

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

At December 31, 2005, CERC had accrued $14 million for remediation of these Minnesota sites. At December 31, 2005, the estimated range of possible remediation costs for these sites was $4 million to $35 million based on remediation continuing for 30 to 50 years. The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites to be remediated, the participation of other potentially responsible parties (PRP), if any, and the remediation methods used. CERC has utilized an environmental expense tracker mechanism in its rates in Minnesota to recover estimated costs in excess of insurance recovery. As of December 31, 2005, CERC has collected $13 million from insurance companies and ratepayers to be used for future environmental remediation.

In addition to the Minnesota sites, the EPA and other regulators have investigated MGP sites that were owned or operated by CERC or may have been owned or operated by one of its former affiliates. CERC has been named as a defendant in two lawsuits under which contribution is sought by private parties for the cost to remediate former MGP sites based on the previous ownership of such sites by former affiliates of CERC or its divisions. CERC has also been identified as a PRP by the State of Maine for a site that is the subject of one of the lawsuits. In March 2005, the court considering the other suit for contribution granted CERC's motion to dismiss on the grounds that CERC was not an "operator" of the site as had been alleged. The plaintiff in that case has filed an appeal of the court's dismissal of CERC. We are investigating details regarding these sites and the range of environmental expenditures for potential remediation. However, CERC believes it is not liable as a former owner or operator of those sites under CERCLA and applicable state statutes, and is vigorously contesting those suits and its designation as a PRP.

Mercury Contamination. Our pipeline and natural gas distribution operations have in the past employed elemental mercury in measuring and regulating equipment. It is possible that small amounts of mercury may have been spilled in the course of normal maintenance and replacement operations and that these spills may have contaminated the immediate area with elemental mercury. We have found this type of contamination at some sites in the past, and we have conducted remediation at these sites. It is possible that other contaminated sites may exist and that remediation costs may be incurred for these sites. Although the total amount of these costs cannot be known at this time, based on our experience and that of others in the natural gas industry to date and on the current regulations regarding remediation of these sites, we believe that the costs of any remediation of these sites will not be material to our financial condition, results of operations or cash flows.

Other Environmental. From time to time, we have received notices from regulatory authorities or others regarding our status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. Although their ultimate outcome cannot be predicted at this time, we do not

believe, based on our experience to date, that these matters, either individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

Asbestos. Some of our facilities contain or have contained asbestos insulation and other asbestos-containing materials. We or our subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a large number of individuals who claim injury due to exposure to asbestos. Most claimants in such litigation have been workers who participated in construction of various industrial facilities, including power plants. Some of the claimants have worked at locations we own, but most existing claims relate to facilities previously owned by our subsidiaries but currently owned by Texas Genco LLC. We anticipate that additional claims like those received may be asserted in the future. Under the terms of the separation agreement between us and Texas Genco, ultimate financial responsibility for uninsured losses from these claims relating to facilities transferred to Texas Genco has been assumed by Texas Genco, but under the terms of our agreement to sell Texas Genco to Texas Genco LLC, we have agreed to continue to defend such claims to the extent they are covered by insurance we maintain, subject to reimbursement of the costs of such defense from Texas Genco LLC. Although their ultimate outcome cannot be predicted at this time, we intend to continue vigorously contesting claims that we do not consider to have merit and do not expect, based on our experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on our financial condition, results of operations or cash flows.

REGULATORY MATTERS RELATING TO DISCONTINUED OPERATIONS

Texas Genco and the other owners of the South Texas Project are required by NRC regulations to estimate from time to time the amounts required to decommission that nuclear generating facility and are required to maintain funds to satisfy that obligation when the plant ultimately is decommissioned. Although CenterPoint Houston no longer owns an interest in the South Texas Project, CenterPoint Houston currently collects through a separate nuclear decommissioning charge amounts calculated to provide sufficient funds at the time of decommissioning to discharge these obligations. Funds collected are deposited into nuclear decommissioning trusts. The beneficial ownership of the nuclear decommissioning trusts is held by a subsidiary of Texas Genco LLC as a licensee of the facility. While current funding levels exceed NRC minimum requirements, no assurance can be given that the amounts held in trust will be adequate to cover the actual decommissioning costs of the South Texas Project. Such costs may vary because of changes in the assumed date of decommissioning and changes in regulatory requirements, technology and costs of labor, materials and waste burial. In the event that funds from the trust are inadequate to decommission the facilities, CenterPoint Houston will be required by the transaction agreement with Texas Genco LLC to collect through rates or other authorized charges all additional amounts required to fund Texas Genco LLC's obligations relating to the decommissioning of the South Texas Project.

EMPLOYEES

As of December 31, 2005, we had 9,001 full-time employees. The following table sets forth the number of our employees by business segment:

BUSINESS SEGMENT	NUMBER	NUMBER REPRESENTED BY UNIONS OR OTHER COLLECTIVE BARGAINING GROUPS
Electric Transmission & Distribution	2,931	1,225
Natural Gas Distribution	4,387	1,493
Competitive Natural Gas Sales and Services	98	--
Pipelines and Field Services	717	--
Other Operations	868	--
Total	9,001	2,718

As of December 31, 2005, approximately 30% of the Company's employees are subject to collective bargaining agreements. Two of these agreements, covering approximately 19% of the Company's employees will expire in 2006. Minnesota Gas has 466 bargaining unit employees who are covered by a collective bargaining unit agreement with the United Association of Journeymen and Apprentices of Plumbing and Pipe Fitting Industry of the United States and Canada Local 340 that expires in April 2006. CenterPoint Houston has 1,225 bargaining unit employees who are covered by a collective bargaining unit agreement with the International Brotherhood of Electrical Workers Local 66, that expires in May 2006. We have a good relationship with these bargaining units and expect to renegotiate new agreements in 2006.

EXECUTIVE OFFICERS
(AS OF FEBRUARY 28, 2006)

NAME AGE TITLE - ---- --- -----
David M. McClanahan..... 56 President and Chief Executive Officer and Director Scott E. Rozzell..... 56 Executive Vice President, General Counsel and Corporate Secretary Gary L. Whitlock..... 56 Executive Vice President and Chief Financial Officer James S. Brian..... 58 Senior Vice President and Chief Accounting Officer Byron R. Kelley..... 58 Senior Vice President and Group President -- CenterPoint Energy Pipelines and Field Services Thomas R. Standish..... 56 Senior Vice President and Group President -- Regulated Operations

DAVID M. MCCLANAHAN has been President and Chief Executive Officer and a director of CenterPoint Energy since September 2002. He served as Vice Chairman of Reliant Energy, Incorporated (Reliant Energy) from October 2000 to September 2002 and as President and Chief Operating Office of Reliant Energy's Delivery Group from April 1999 to September 2002. He has served in various executive capacities with CenterPoint Energy since 1986. He previously served as Chairman of the Board of Directors of ERCOT and Chairman of the Board of the University of St. Thomas in Houston. He currently serves on the boards of the Edison Electric Institute and the American Gas Association.

SCOTT E. ROZZELL has served as Executive Vice President, General Counsel and Corporate Secretary of CenterPoint Energy since September 2002. He served as Executive Vice President and General Counsel of the Delivery Group of Reliant Energy from March 2001 to September 2002. Before joining CenterPoint Energy in 2001, Mr. Rozzell was a senior partner in the law firm of Baker Botts L.L.P. He currently serves as Chair of the Association of Electric Companies of Texas.

GARY L. WHITLOCK has served as Executive Vice President and Chief Financial Officer of CenterPoint Energy since September 2002. He served as Executive Vice President and Chief Financial Officer of the Delivery Group of Reliant Energy from July 2001 to September 2002. Mr. Whitlock served as the Vice President, Finance and Chief Financial Officer of Dow AgroSciences, a subsidiary of The Dow Chemical Company, from 1998 to 2001.

JAMES S. BRIAN has served as Senior Vice President and Chief Accounting Officer of CenterPoint Energy since August 2002. He served as Senior Vice President, Finance and Administration of the Delivery Group of Reliant Energy from 1999 to August 2002. Mr. Brian has served in various executive capacities with CenterPoint Energy since 1983.

BYRON R. KELLEY has served as Senior Vice President and Group President -- CenterPoint Energy Pipelines and Field Services since June 2004, having previously served as President and Chief Operating Officer of CenterPoint Energy Pipelines and Field Services from May 2003 to June 2004. Prior to joining CenterPoint Energy he served as President of El Paso International, a subsidiary of El Paso Corporation, from January 2001 to August 2002. He currently serves on the Board of Directors of the Interstate Natural Gas Association of America.

THOMAS R. STANDISH has served as Senior Vice President and Group President-Regulated Operations of CenterPoint Energy since August 2005, having previously served as Senior Vice President and Group President and Chief Operating Officer of CenterPoint Houston from June 2004 to August 2005 and as President and Chief Operating Officer of CenterPoint Houston from August 2002 to June 2004. He served as President and Chief Operating Officer for both electricity and natural gas for Reliant Energy's Houston area from 1999 to August 2002. Mr. Standish has served in various executive capacities with CenterPoint Energy since 1993. He currently serves on the Board of Directors of ERCOT.

ITEM 1A. RISK FACTORS

We are a holding company that conducts all of our business operations through subsidiaries, primarily CenterPoint Houston and CERC. The following summarizes the principal risk factors associated with the businesses conducted by each of these subsidiaries:

RISK FACTORS AFFECTING OUR ELECTRIC TRANSMISSION & DISTRIBUTION BUSINESS

CENTERPOINT HOUSTON MAY NOT BE SUCCESSFUL IN ULTIMATELY RECOVERING THE FULL VALUE OF ITS TRUE-UP COMPONENTS, WHICH COULD RESULT IN THE ELIMINATION OF CERTAIN TAX BENEFITS AND COULD HAVE AN ADVERSE IMPACT ON CENTERPOINT HOUSTON'S RESULTS OF OPERATIONS, FINANCIAL CONDITION AND CASH FLOWS.

In March 2004, CenterPoint Houston filed its true-up application with the Texas Utility Commission, requesting recovery of $3.7 billion, excluding interest. In December 2004, the Texas Utility Commission issued its final order (True-Up Order) allowing CenterPoint Houston to recover a true-up balance of approximately $2.3 billion, which included interest through August 31, 2004, and providing for adjustment of the amount to be recovered to include interest on the balance until recovery, the principal portion of additional excess mitigation credits returned to customers after August 31, 2004 and certain other matters. CenterPoint Houston and other parties filed appeals of the True-Up Order to a district court in Travis County, Texas. In August 2005, the court issued its final judgment on the various appeals. In its judgment, the court affirmed most aspects of the True-Up Order, but reversed two of the Texas Utility Commission's rulings. The judgment would have the effect of restoring approximately $650 million, plus interest, of the $1.7 billion the Texas Utility Commission had disallowed from CenterPoint Houston's initial request. First, the court reversed the Texas Utility Commission's decision to prohibit CenterPoint Houston from recovering $180 million in credits through August 2004 that CenterPoint Houston was ordered to provide to retail electric providers as a result of an inaccurate stranded cost estimate made by the Texas Utility Commission in 2000. Additional credits of approximately $30 million were paid after August 2004. Second, the court reversed the Texas Utility Commission's disallowance of $440 million in transition costs which are recoverable under the Texas Utility Commission's regulations. CenterPoint Houston and other parties appealed the district court decisions. Briefs have been filed with the 3rd Court of Appeals in Austin but oral argument has not yet been scheduled. No prediction can be made as to the ultimate outcome or timing of such appeals. Additionally, if the amount of the true-up balance is reduced on appeal to below the amount recovered through the issuance of transition bonds and under the CTC, while the amount of transition bonds outstanding would not be reduced, CenterPoint Houston would be required to refund the over recovery to its customers.

Among the issues raised in our appeal of the True-Up Order is the Texas Utility Commission's reduction of our stranded cost recovery by approximately $146 million for the present value of certain deferred tax benefits associated with our former Texas Genco assets. Such reduction was considered in our recording of an after-tax extraordinary loss of $977 million in the last half of 2004. We believe that the Texas Utility Commission based its order on proposed regulations issued by the IRS in March 2003 related to those tax benefits. Those proposed regulations would have allowed utilities which were deregulated before March 4, 2003 to make a retroactive election to pass the benefits of ADITC and EDFIT back to customers. However, in December 2005, the IRS withdrew those proposed normalization regulations and issued new proposed regulations that do not include the provision allowing a retroactive election to pass the tax benefits back to customers. If the December 2005 proposed regulations become effective and if the Texas Utility Commission's order on this issue is not reversed on appeal or the amount of the tax benefits is not otherwise restored by the Texas Utility Commission, the IRS is likely to consider that a "normalization violation" has occurred. If so, the IRS could require us to pay an amount equal to CenterPoint Houston's unamortized ADITC balance as of the date that the normalization violation was deemed to have occurred. In addition, if a normalization violation is deemed to have occurred, the IRS could also deny CenterPoint Houston the ability to elect accelerated depreciation benefits. If a normalization violation should ultimately be found to exist, it could have an adverse impact on our results of operations, financial condition and cash flows. The Texas Utility Commission has not previously required a company subject to its jurisdiction to take action that would result in a normalization violation.

CENTERPOINT HOUSTON'S RECEIVABLES ARE CONCENTRATED IN A SMALL NUMBER OF RETAIL ELECTRIC PROVIDERS, AND ANY DELAY OR DEFAULT IN PAYMENT COULD ADVERSELY AFFECT CENTERPOINT HOUSTON'S CASH FLOWS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

CenterPoint Houston's receivables from the distribution of electricity are collected from retail electric providers that supply the electricity CenterPoint Houston distributes to their customers. Currently, CenterPoint Houston does business with 66 retail electric providers. Adverse economic conditions, structural problems in the market served by the Electric Reliability Council of Texas, Inc. (ERCOT) or financial difficulties of one or more retail electric providers could impair the ability of these retail providers to pay for CenterPoint Houston's services or could cause them to delay such payments. CenterPoint Houston depends on these retail electric providers to remit payments on a timely basis. Applicable regulatory provisions require that customers be shifted to a provider of last resort if a retail electric provider cannot make timely payments. RRI, through its subsidiaries, is CenterPoint Houston's largest customer. Approximately 56% of CenterPoint Houston's $127 million in billed receivables from retail electric providers at December 31, 2005 was owed by subsidiaries of RRI. Any delay or default in payment could adversely affect CenterPoint Houston's cash flows, financial condition and results of operations.

RATE REGULATION OF CENTERPOINT HOUSTON'S BUSINESS MAY DELAY OR DENY CENTERPOINT HOUSTON'S ABILITY TO EARN A REASONABLE RETURN AND FULLY RECOVER ITS COSTS.

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

DISRUPTIONS AT POWER GENERATION FACILITIES OWNED BY THIRD PARTIES COULD INTERRUPT CENTERPOINT HOUSTON'S SALES OF TRANSMISSION AND DISTRIBUTION SERVICES.

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

CENTERPOINT HOUSTON'S REVENUES AND RESULTS OF OPERATIONS ARE SEASONAL.

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

RISK FACTORS AFFECTING OUR NATURAL GAS DISTRIBUTION, COMPETITIVE NATURAL GAS SALES AND SERVICES AND PIPELINES AND FIELD SERVICES BUSINESSES

RATE REGULATION OF CERC'S BUSINESS MAY DELAY OR DENY CERC'S ABILITY TO EARN A REASONABLE RETURN AND FULLY RECOVER ITS COSTS.

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

CERC'S BUSINESSES MUST COMPETE WITH ALTERNATIVE ENERGY SOURCES, WHICH COULD LEAD TO LESS NATURAL GAS BEING MARKETED, AND ITS PIPELINES AND FIELD SERVICES BUSINESSES MUST COMPETE DIRECTLY WITH OTHERS IN THE TRANSPORTATION, STORAGE, GATHERING, TREATING AND PROCESSING OF NATURAL GAS, WHICH COULD LEAD TO LOWER PRICES, EITHER OF WHICH COULD HAVE AN ADVERSE IMPACT ON CERC'S RESULTS OF OPERATIONS, FINANCIAL CONDITION AND CASH FLOWS.

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

CERC's two interstate pipelines and its gathering systems compete with other interstate and intrastate pipelines and gathering systems in the transportation and storage of natural gas. The principal elements of competition are rates, terms of service, and flexibility and reliability of service. They also compete indirectly with other forms of energy, including electricity, coal and fuel oils. The primary competitive factor is price. The actions of CERC's competitors could lead to lower prices, which may have an adverse impact on CERC's results of operations, financial condition and cash flows.

CERC'S NATURAL GAS DISTRIBUTION AND COMPETITIVE NATURAL GAS SALES AND SERVICES BUSINESSES ARE SUBJECT TO FLUCTUATIONS IN NATURAL GAS PRICING LEVELS, WHICH COULD AFFECT THE ABILITY OF CERC'S SUPPLIERS AND CUSTOMERS TO MEET THEIR OBLIGATIONS OR OTHERWISE ADVERSELY AFFECT CERC'S LIQUIDITY.

CERC is subject to risk associated with increases in the price of natural gas, which has been the trend in recent years. Increases in natural gas prices might affect CERC's ability to collect balances due from its customers and, on the regulated side, could create the potential for uncollectible accounts expense to exceed the recoverable levels built into CERC's tariff rates. In addition, a sustained period of high natural gas prices could apply downward demand pressure on natural gas consumption in the areas in which CERC operates and increase the risk that CERC's suppliers or customers fail or are unable to meet their obligations. Additionally, increasing gas prices could create the need for CERC to provide collateral in order to purchase gas.

IF CERC WERE TO FAIL TO EXTEND A CONTRACT WITH ONE OF ITS SIGNIFICANT PIPELINE CUSTOMERS, THERE COULD BE AN ADVERSE IMPACT ON ITS OPERATIONS.

CERC's contract with Laclede Gas Company, one of its pipeline's customers, is currently scheduled to expire in 2007. To the extent the pipeline is unable to extend this contract or the contract is renegotiated at rates substantially less than the rates provided in the current contract, there could be an adverse effect on CERC's results of operations, financial condition and cash flows.

A DECLINE IN CERC'S CREDIT RATING COULD RESULT IN CERC'S HAVING TO PROVIDE COLLATERAL IN ORDER TO PURCHASE GAS.

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

CERC'S PIPELINES' AND FIELD SERVICES' BUSINESS REVENUES AND RESULTS OF OPERATIONS ARE SUBJECT TO FLUCTUATIONS IN THE SUPPLY OF GAS.

CERC's pipelines and field services business largely relies on gas sourced in the various supply basins located in the Midcontinent region of the United States. To the extent the availability of this supply is

substantially reduced, it could have an adverse effect on CERC's results of operations, financial condition and cash flows.

CERC'S REVENUES AND RESULTS OF OPERATIONS ARE SEASONAL.

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

RISK FACTORS ASSOCIATED WITH OUR CONSOLIDATED FINANCIAL CONDITION

IF WE ARE UNABLE TO ARRANGE FUTURE FINANCINGS ON ACCEPTABLE TERMS, OUR ABILITY TO REFINANCE EXISTING INDEBTEDNESS COULD BE LIMITED.

As of December 31, 2005, we had $8.9 billion of outstanding indebtedness on a consolidated basis, which includes $2.5 billion of non-recourse transition bonds. As of December 31, 2005, approximately $665 million principal amount of this debt must be paid through 2008. This amount excludes principal repayments of approximately $379 million on transition bonds, for which a dedicated revenue stream exists. In addition, we have $830 million of outstanding convertible notes on which holders could exercise their "put" rights during this period. Our future financing activities may depend, at least in part, on:

- the timing and amount of our recovery of the true-up components, including, in particular, the results of appeals to the courts of determinations on rulings obtained to date;

- general economic and capital market conditions;

- credit availability from financial institutions and other lenders;

- investor confidence in us and the market in which we operate;

- maintenance of acceptable credit ratings;

- market expectations regarding our future earnings and probable cash flows;

- market perceptions of our ability to access capital markets on reasonable terms;

- our exposure to RRI in connection with its indemnification obligations arising in connection with its separation from us; and

- provisions of relevant tax and securities laws.

As of December 31, 2005, CenterPoint Houston had outstanding $2.0 billion aggregate principal amount of general mortgage bonds under the General Mortgage, including approximately $527 million held in trust to secure pollution control bonds for which CenterPoint Energy is obligated and approximately $229 million held in trust to secure pollution control bonds for which CenterPoint Houston is obligated. Additionally, CenterPoint Houston had outstanding approximately $253 million aggregate principal amount of first mortgage bonds under the Mortgage, including approximately $151 million held in trust to secure certain pollution control bonds for which CenterPoint Energy is obligated. CenterPoint Houston may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee. Approximately $2.0 billion of additional first mortgage bonds and general mortgage bonds could be issued on the basis of retired bonds and 70% of property additions as of December 31, 2005. However, CenterPoint Houston is contractually prohibited, subject to certain exceptions, from issuing additional first mortgage bonds.

Our current credit ratings are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Future Sources and Uses of Cash -- Impact on Liquidity of a Downgrade in Credit Ratings" in Item 7 of this report. These credit ratings may not remain in effect for any given period of time and one or more of these ratings may be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to buy, sell or hold our securities. Each rating should be evaluated independently of any other rating. Any future reduction

or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to access capital on acceptable terms.

AS A HOLDING COMPANY WITH NO OPERATIONS OF OUR OWN, WE WILL DEPEND ON DISTRIBUTIONS FROM OUR SUBSIDIARIES TO MEET OUR PAYMENT OBLIGATIONS, AND PROVISIONS OF APPLICABLE LAW OR CONTRACTUAL RESTRICTIONS COULD LIMIT THE AMOUNT OF THOSE DISTRIBUTIONS.

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

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

THE USE OF DERIVATIVE CONTRACTS BY US AND OUR SUBSIDIARIES IN THE NORMAL COURSE OF BUSINESS COULD RESULT IN FINANCIAL LOSSES THAT NEGATIVELY IMPACT OUR RESULTS OF OPERATIONS AND THOSE OF OUR SUBSIDIARIES.

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

RISKS COMMON TO OUR BUSINESSES AND OTHER RISKS

WE ARE SUBJECT TO OPERATIONAL AND FINANCIAL RISKS AND LIABILITIES ARISING FROM ENVIRONMENTAL LAWS AND REGULATIONS.

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

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

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

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

- modify or replace existing and proposed equipment; and

- clean up or decommission waste disposal areas, fuel storage and management facilities and other locations and facilities.

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

OUR INSURANCE COVERAGE MAY NOT BE SUFFICIENT. INSUFFICIENT INSURANCE COVERAGE AND INCREASED INSURANCE COSTS COULD ADVERSELY IMPACT OUR RESULTS OF OPERATIONS, FINANCIAL CONDITION AND CASH FLOWS.

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

In common with other companies in its line of business that serve coastal regions, CenterPoint Houston does not have insurance covering its transmission and distribution system because CenterPoint Houston believes it to be cost prohibitive. If CenterPoint Houston were to sustain any loss of, or damage to, its transmission and distribution properties, it may not be able to recover such loss or damage through a change in its regulated rates, and any such recovery may not be timely granted. Therefore, CenterPoint Houston may not be able to restore any loss of, or damage to, any of its transmission and distribution properties without negative impact on its results of operations, financial condition and cash flows.

WE, CENTERPOINT HOUSTON AND CERC COULD INCUR LIABILITIES ASSOCIATED WITH BUSINESSES AND ASSETS THAT WE HAVE TRANSFERRED TO OTHERS.

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

- those transferred to RRI or its subsidiaries in connection with the organization and capitalization of RRI prior to its initial public offering in 2001; and

- those transferred to Texas Genco in connection with its organization and capitalization.

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

Prior to CenterPoint Energy's distribution of its ownership in RRI to its shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. Under the terms of the separation agreement between the companies, RRI agreed to extinguish all such guarantee obligations prior to separation, but when separation occurred in September 2002, RRI had been unable to extinguish all

obligations. To secure CenterPoint Energy and CERC against obligations under the remaining guarantees, RRI agreed to provide cash or letters of credit for the benefit of CERC and CenterPoint Energy, and undertook to use commercially reasonable efforts to extinguish the remaining guarantees. Our current exposure under the remaining guarantees relates to CERC's guarantee of the payment by RRI of demand charges related to transportation contracts with one counterparty. The demand charges are approximately $53 million per year in 2006 through 2015, $49 million in 2016, $38 million in 2017 and $13 million in 2018. As a result of changes in market conditions, CenterPoint Energy's potential exposure under that guarantee currently exceeds the security provided by RRI. CenterPoint Energy has requested RRI to increase the amount of its existing letters of credit or, in the alternative, to obtain a release of CERC's obligations under the guarantee, and CenterPoint Energy and RRI are pursuing alternatives. RRI continues to meet its obligations under the transportation contracts.

RRI's unsecured debt ratings are currently below investment grade. If RRI were unable to meet its obligations, it would need to consider, among various options, restructuring under the bankruptcy laws, in which event RRI might not honor its indemnification obligations and claims by RRI's creditors might be made against us as its former owner.

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

In connection with the organization and capitalization of Texas Genco, Texas Genco assumed liabilities associated with the electric generation assets Reliant Energy transferred to it. Texas Genco also agreed to indemnify, and cause the applicable transferee subsidiaries to indemnify, us and our subsidiaries, including CenterPoint Houston, with respect to liabilities associated with the transferred assets and businesses. In many cases the liabilities assumed were obligations of CenterPoint Houston and CenterPoint Houston was not released by third parties from these liabilities. The indemnity provisions were intended generally to place sole financial responsibility on Texas Genco and its subsidiaries for all liabilities associated with the current and historical businesses and operations of Texas Genco, regardless of the time those liabilities arose. In connection with the sale of Texas Genco's fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC, the separation agreement we entered into with Texas Genco in connection with the organization and capitalization of Texas Genco was amended to provide that all of Texas Genco's rights and obligations under the separation agreement relating to its fossil generation assets, including Texas Genco's obligation to indemnify us with respect to liabilities associated with the fossil generation assets and related business, were assigned to and assumed by Texas Genco LLC. In addition, under the amended separation agreement, Texas Genco is no longer liable for, and CenterPoint Energy has assumed and agreed to indemnify Texas Genco LLC against, liabilities that Texas Genco originally assumed in connection with its organization to the extent, and only to the extent, that such liabilities are covered by certain insurance policies or other similar agreements held by CenterPoint Energy. If Texas Genco or Texas Genco LLC were unable to satisfy a liability that had been so assumed or indemnified against, and provided Reliant Energy had not been released from the liability in connection with the transfer, CenterPoint Houston could be responsible for satisfying the liability.

We or our subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a large number of individuals who claim injury due to exposure to asbestos. Most claimants in such litigation have been workers who participated in construction of various industrial facilities, including power plants. Some of the claimants have worked at locations we own, but most existing claims relate to facilities previously owned by our subsidiaries but currently owned by Texas Genco LLC. We anticipate that additional claims like those received may be asserted in the future. Under the terms of the separation agreement between us and Texas Genco, ultimate financial responsibility for uninsured losses from claims relating to facilities transferred

to Texas Genco has been assumed by Texas Genco, but under the terms of our agreement to sell Texas Genco to Texas Genco LLC, we have agreed to continue to defend such claims to the extent they are covered by insurance we maintain, subject to reimbursement of the costs of such defense from Texas Genco LLC.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

CHARACTER OF OWNERSHIP

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

ELECTRIC TRANSMISSION & DISTRIBUTION

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

NATURAL GAS DISTRIBUTION

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

PIPELINES AND FIELD SERVICES

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

OTHER OPERATIONS

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

ITEM 3. LEGAL PROCEEDINGS

For a discussion of material legal and regulatory proceedings affecting us, please read "Regulation" and "Environmental Matters" in Item 1 of this report and Notes 4 and 10(d) to our consolidated financial statements, which information is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to the vote of our security holders during the fourth quarter of 2005.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

As of February 28, 2006, our common stock was held of record by approximately 54,679 shareholders. Our common stock is listed on the New York and Chicago Stock Exchanges and is traded under the symbol "CNP."

The following table sets forth the high and low closing prices of the common stock of CenterPoint Energy on the New York Stock Exchange composite tape during the periods indicated, as reported by Bloomberg, and the cash dividends declared in these periods. Cash dividends paid aggregated $0.40 per share in both 2004 and 2005.

	MARKET PRICE		DIVIDEND
	HIGH	LOW	DECLARED PER SHARE
2004			
First Quarter	$ 9.72	$ 9.72	$0.10
January 2			
March 31			
Second Quarter	$11.43	$11.43	$0.10
April 2			
May 11			
Third Quarter	$12.21	$10.25	$0.10
July 20			
September 24			
Fourth Quarter	$10.41	$10.02	$0.10
October 25			
December 15			
2005(1)			
First Quarter	$11.34	$10.65	$0.20
January 11			
March 8			
Second Quarter	$13.21	$11.68	$0.07
April 20			
June 30			
Third Quarter	$15.13	$13.04	$0.07
August 8			
September 16			
Fourth Quarter	$14.82	$12.65	$0.06
October 3			
October 21			

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(1) During 2005, we paid irregular quarterly dividends based on earnings in each specific quarter in order to comply with requirements under the Public Utility Holding Company Act of 1935, as amended (1935 Act). The 1935 Act, with its requirements associated with dividends, has been repealed effective as of February 8, 2006.

The closing market price of our common stock on December 31, 2005 was $12.85 per share.

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

On January 26, 2006, we announced a regular quarterly cash dividend of $0.15 per share, payable on March 10, 2006 to shareholders of record on February 16, 2006.

Repurchases of Equity Securities

During the quarter ended December 31, 2005, none of our equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 were purchased by or on behalf of us or any of our "affiliated purchasers," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934.

ITEM 6. SELECTED FINANCIAL DATA

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

YEAR ENDED DECEMBER 31,					
	2001(1)	2002	2003(2)	2004(3)	2005(4)
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)				
Revenues	$ 7,148	$ 6,438	$ 7,790	$ 7,999	$ 9,722
Income from continuing operations before extraordinary item and cumulative effect of accounting change	357	482	409	205	225
Discontinued operations, net of tax	565	(4,402)	75	(133)	(3)
Extraordinary item, net of tax	--	--	--	(977)	30
Cumulative effect of accounting change, net of tax	58	--	--	--	--
Net income (loss)	$ 980	$(3,920)	$ 484	$ (905)	$ 252
Basic earnings (loss) per common share:					
Income from continuing operations before extraordinary item and cumulative effect of accounting change	$ 1.23	$ 1.62	$ 1.35	$ 0.67	$ 0.72
Discontinued operations, net of tax	1.95	(14.78)	0.24	(0.43)	(0.01)
Extraordinary item, net of tax	--	--	--	(3.18)	0.10
Cumulative effect of accounting change, net of tax	0.20	--	--	--	--
Basic earnings (loss) per common share	$ 3.38	$(13.16)	$ 1.59	$ (2.94)	$ 0.81
Diluted earnings (loss) per common share:					
Income from continuing operations before extraordinary item and cumulative effect of accounting change	$ 1.22	$ 1.61	$ 1.24	$ 0.61	$ 0.67
Discontinued operations, net of tax	1.93	(14.69)	0.22	(0.37)	(0.01)
Extraordinary item, net of tax	--	--	--	(2.72)	0.09
Cumulative effect of accounting change, net of tax	0.20	--	--	--	--
Diluted earnings (loss) per common share	$ 3.35	$(13.08)	$ 1.46	$ (2.48)	$ 0.75

YEAR ENDED DECEMBER 31,	2001(1)	2002	2003(2)	2004(3)	2005(4)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)					
Cash dividends paid per common share	$ 1.50	$ 1.07	$ 0.40	$ 0.40	$ 0.40
Dividend payout ratio from continuing operations	122%	66%	30%	60%	56%
Return from continuing operations on average common equity	5.8%	11.8%	25.7%	14.4%	18.7%
Ratio of earnings from continuing operations to fixed charges	1.99	2.03	1.81	1.43	1.51
At year-end:					
Book value per common share	$ 22.77	$ 4.74	$ 5.77	$ 3.59	$ 4.18
Market price per common share	26.52	8.01	9.69	11.30	12.85
Market price as a percent of book value	116%	169%	168%	315%	307%
Assets of discontinued operations	$16,840	$ 4,594	$ 4,244	$ 1,565	$ --
Total assets	32,020	20,635	21,461	18,096	17,116
Short-term borrowings	3,469	347	63	--	--
Transition bonds, including current portion	749	736	717	676	2,480
Other long-term debt, including current portion	3,963	9,260	10,222	8,353	6,427
Trust preferred securities(5)	706	706	--	--	--
Capitalization:					
Common stock equity	55%	12%	14%	11%	13%
Trust preferred securities	6%	6%	--	--	--
Long-term debt, including current portion	39%	82%	86%	89%	87%
Capital expenditures, excluding discontinued operations	$ 802	$ 566	$ 497	$ 530	$ 719

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(1) 2001 net income includes the cumulative effect of an accounting change resulting from the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ($58 million after-tax gain, or $0.20 earnings per basic and diluted share).

(2) 2003 net income includes the cumulative effect of an accounting change resulting from the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations" ($80 million after-tax gain, or $0.26 and $0.24 earnings per basic and diluted share, respectively), which is included in discontinued operations related to Texas Genco.

(3) 2004 net income includes an after-tax extraordinary loss of $977 million ($3.18 and $2.72 loss per basic and diluted share, respectively) based on our analysis of the Texas Utility Commission's order in the 2004 True-Up Proceeding. Additionally, we recorded a net after-tax loss of approximately $133 million ($0.43 and $0.37 loss per basic and diluted share, respectively) in 2004 related to our interest in Texas Genco.

(4) 2005 net income includes an after-tax extraordinary gain of $30 million ($0.10 and $0.09 per basic and diluted share, respectively) recorded in the first quarter reflecting an adjustment to the extraordinary loss recorded in the last half of 2004 to write down generation-related regulatory assets as a result of the final orders issued by the Texas Utility Commission.

(5) The subsidiary trusts that issued trust preferred securities have been deconsolidated as a result of the adoption of FIN 46 "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" (FIN 46) and the subordinated debentures issued to those trusts were reported as long-term debt effective December 31, 2003.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

OVERVIEW

BACKGROUND

We are a public utility holding company whose indirect wholly owned subsidiaries include:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which provides electric transmission and distribution services to retail electric providers serving approximately 1.9 million metered customers in a 5,000-square-mile area of the Texas Gulf Coast that has a population of approximately 4.8 million people and includes Houston; and

- CenterPoint Energy Resources Corp. (CERC Corp. and, together with its subsidiaries, CERC), which owns gas distribution systems serving approximately 3.1 million customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. Through wholly owned subsidiaries, CERC also owns two interstate natural gas pipelines and gas gathering systems, provides various ancillary services, and offers variable and fixed-price physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities.

We were a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended (the 1935 Act). The 1935 Act and related rules and regulations imposed a number of restrictions on our activities and those of our subsidiaries. The Energy Policy Act of 2005 (Energy Act) repealed the 1935 Act effective February 8, 2006, and since that date we and our subsidiaries have no longer been subject to restrictions imposed under the 1935 Act. The Energy Act includes a new Public Utility Holding Company Act of 2005 (PUHCA 2005), which grants to the Federal Energy Regulatory Commission (FERC) authority to require holding companies and their subsidiaries to maintain certain books and records and make them available for review by the FERC and state regulatory authorities in certain circumstances. On December 8, 2005, the FERC issued rules implementing PUHCA 2005 that will require us to notify the FERC of our status as a holding company and to maintain certain books and records and make these available to the FERC. The FERC continues to consider motions for rehearing or clarification of these rules.

BUSINESS SEGMENTS

In this section, we discuss our results from continuing operations on a consolidated basis and individually for each of our business segments. We also discuss our liquidity, capital resources and critical accounting policies. CenterPoint Energy is first and foremost an energy delivery company and it is our intention to remain focused on this segment of the energy business. The results of our business operations are significantly impacted by weather, customer growth, cost management, rate proceedings before regulatory agencies and other actions of the various regulatory agencies to which we are subject. Our transmission and distribution services are subject to rate regulation and are reported in the Electric Transmission & Distribution business segment, as are impacts of generation-related stranded costs and other true-up balances recoverable by the regulated electric utility. Our natural gas distribution services are also subject to rate regulation and are reported in the Natural Gas Distribution business segment. Our reportable business segments include:

Electric Transmission & Distribution

Our electric transmission and distribution operations provide electric transmission and distribution services to retail electric providers serving approximately 1.9 million metered customers in a 5,000-square-mile area of the Texas Gulf coast that has a population of approximately 4.8 million people and includes Houston.

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

Operations include construction and maintenance of electric transmission and distribution facilities, metering services, outage response services and other call center operations. Distribution services are provided under tariffs approved by the Texas Utility Commission.

Natural Gas Distribution

CERC owns and operates our regulated natural gas distribution business, which engages in intrastate natural gas sales to, and natural gas transportation for, approximately 3.1 million residential, commercial and industrial customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas.

Competitive Natural Gas Sales and Services

CERC's operations also include non-rate regulated natural gas sales and services provided primarily to commercial and industrial customers and electric and gas utilities throughout the central and eastern United States. We have reorganized the oversight of our Natural Gas Distribution business segment and, as a result, beginning in the fourth quarter of 2005, we have established a new reportable business segment, Competitive Natural Gas Sales and Services. These operations were previously reported as part of the Natural Gas Distribution business segment. We have reclassified all prior period segment information to conform to this new presentation.

Pipelines and Field Services

CERC's pipelines and field services business owns and operates approximately 8,200 miles of gas transmission lines primarily located in Arkansas, Illinois, Louisiana, Missouri, Oklahoma and Texas. CERC's pipelines and field services business also owns and operates six natural gas storage fields with a combined daily deliverability of approximately 1.2 Bcf per day and a combined working gas capacity of approximately 59.0 Bcf. Most storage operations are in north Louisiana and Oklahoma. CERC's pipelines and field services business also owns and operates approximately 4,000 miles of gathering pipelines that collect, treat and process natural gas from approximately 200 separate systems located in major producing fields in Arkansas, Louisiana, Oklahoma and Texas.

Other Operations

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

SIGNIFICANT EVENTS IN 2005

RECOVERY OF TRUE-UP BALANCE/SECURITIZATION FINANCING

The Texas Electric Choice Plan (Texas electric restructuring law), which became effective in September 1999, substantially amended the regulatory structure governing electric utilities in order to allow retail competition for electric customers beginning in January 2002. The Texas electric restructuring law requires the Texas Utility Commission to conduct a "true-up" proceeding to determine CenterPoint Houston's stranded costs and certain other costs resulting from the transition to a competitive retail electric market and to provide for its recovery of those costs. In March 2004, CenterPoint Houston filed its true-up application with the Texas Utility Commission, requesting recovery of $3.7 billion, excluding interest. In December 2004, the Texas Utility Commission issued its final order (True-Up Order) allowing CenterPoint Houston to recover a true-up balance of approximately $2.3 billion, which included interest through August 31, 2004, and providing for adjustment of the amount to be recovered to include interest on the balance until recovery, the principal portion of additional excess mitigation credits returned to customers after August 31, 2004 and certain other matters. CenterPoint Houston and other parties filed appeals of the True-Up Order to a district court in Travis County, Texas. In August 2005, the court issued its final judgment on the various appeals. In its judgment, the court affirmed most aspects of the True-Up Order, but reversed two of the Texas Utility Commission's rulings. The judgment would have the effect of restoring approximately $650 million, plus interest, of the $1.7 billion the Texas Utility Commission had disallowed from CenterPoint Houston's initial request. First, the court reversed the Texas Utility Commission's decision to prohibit CenterPoint Houston from recovering $180 million in credits through August 2004 that CenterPoint Houston was ordered to provide to retail electric providers as a result of an inaccurate stranded cost estimate made by the Texas Utility Commission in 2000. Additional credits of approximately $30 million were paid after August 2004. Second, the court reversed the Texas Utility Commission's disallowance of $440 million in transition costs which are recoverable under the Texas Utility Commission's regulations. CenterPoint Houston and other parties appealed the district court decisions. Briefs have been filed with the 3rd Court of Appeals in Austin but oral argument has not yet been scheduled.

There are two ways for CenterPoint Houston to recover the true-up balance: by issuing transition bonds to securitize the amounts due and/or by implementing a competition transition charge (CTC). Pursuant to a financing order issued by the Texas Utility Commission in March 2005 and affirmed in all respects in August 2005 by the same Travis County District Court considering the appeal of the True-Up Order, in December 2005 a subsidiary of CenterPoint Houston issued $1.85 billion in transition bonds with interest rates ranging from 4.84 percent to 5.30 percent and final maturity dates ranging from February 2011 to August 2020. Through issuance of the transition bonds, CenterPoint Houston recovered approximately $1.7 billion of the true-up balance determined in the True-Up Order plus interest through the date on which the bonds were issued.

In July 2005, CenterPoint Houston received an order from the Texas Utility Commission allowing it to implement a CTC which will collect approximately $596 million over 14 years plus interest at an annual rate of 11.075 percent (CTC Order). The CTC Order authorizes CenterPoint Houston to impose a charge on retail electric providers to recover the portion of the true-up balance not covered by the financing order. The CTC Order also allows CenterPoint Houston to collect approximately $24 million of rate case expenses over three years through a separate tariff rider (Rider RCE). CenterPoint Houston implemented the CTC and Rider RCE effective September 13, 2005 and began recovering approximately $620 million. During the period from September 13, 2005, the date of implementation of the CTC Order, through December 31, 2005, CenterPoint Houston recognized approximately $21 million in CTC operating income. Certain parties appealed the CTC Order to the Travis County Court in September 2005.

Under the True-Up Order, CenterPoint Houston is allowed to recover carrying charges at 11.075 percent until the true-up balance is recovered. In January 2006, the Texas Utility Commission staff (Staff) proposed that the Texas Utility Commission adopt new rules governing the carrying charges on unrecovered true-up

balances. If the Texas Utility Commission adopts the rule as the Staff proposed it and the rule is deemed to apply to CenterPoint Houston, the rule would reduce carrying costs on the unrecovered CTC balance prospectively from 11.075 percent to the utility's cost of debt.

CENTERPOINT HOUSTON RATE CASE

The Texas Utility Commission requires each electric utility to file an annual Earnings Report providing certain information to enable the Texas Utility Commission to monitor the electric utilities' earnings and financial condition within the state. In May 2005, CenterPoint Houston filed its Earnings Report for the calendar year ended December 31, 2004. CenterPoint Houston's Earnings Report shows that it earned less than its authorized rate of return on equity in 2004.

In October 2005, the Staff filed a memorandum summarizing its review of the Earnings Reports filed by electric utilities. Based on its review, the Staff concluded that continuation of CenterPoint Houston's rates could result in excess retail transmission and distribution revenues of as much as $105 million and excess wholesale transmission revenues of as much as $31 million annually and recommended that the Texas Utility Commission initiate a review of the reasonableness of existing rates. The Staff's analysis was based on a 9.60 percent cost of equity, which is 165 basis points lower than the approved return on equity from CenterPoint Houston's last rate proceeding, the elimination of interest on debt that matured in November 2005 and certain other adjustments to CenterPoint Houston's reported information. Additionally, a hypothetical capital structure of 60 percent debt and 40 percent equity was used which varies materially from the actual capital structure of CenterPoint Houston as of December 31, 2005 of approximately 50 percent debt and 50 percent equity.

In December 2005, the Texas Utility Commission considered the Staff report and agreed to initiate a rate proceeding concerning the reasonableness of CenterPoint Houston's existing rates for transmission and distribution service and to require CenterPoint Houston to make a filing by April 15, 2006 to justify or change those rates.

CITY OF HOUSTON FRANCHISE

In June 2005, CenterPoint Houston accepted an ordinance granting it a new 30-year franchise to use the public rights-of-way to conduct its business in the City of Houston (New Franchise Ordinance). The New Franchise Ordinance took effect on July 1, 2005, and replaced the prior electricity franchise ordinance, which had been in effect since 1957. The New Franchise Ordinance clarifies certain operational obligations of CenterPoint Houston and the City of Houston and provides for streamlined payment and audit procedures and a two-year statute of limitations on claims for underpayment or overpayment under the ordinance. Under the prior electricity franchise ordinance, CenterPoint Houston paid annual franchise fees of $76.6 million to the City of Houston for the year ended December 31, 2004. For the twelve-month period beginning July 1, 2005, the annual franchise fee (Annual Franchise Fee) under the New Franchise Ordinance will include a base amount of $88.1 million (Base Amount) and an additional payment of $8.5 million (Additional Amount). The Base Amount and the Additional Amount will be adjusted annually based on the increase, if any, in kWh delivered by CenterPoint Houston within the City of Houston.

CenterPoint Houston began paying the new annual franchise fees on July 1, 2005. Pursuant to the New Franchise Ordinance, the Annual Franchise Fee will be reduced prospectively to reflect any portion of the Annual Franchise Fee that is not included in CenterPoint Houston's base rates in any subsequent rate case.

DEBT FINANCING TRANSACTIONS

During the fourth quarter of 2005, CenterPoint Houston retired at maturity its $1.31 billion term loan, which bore interest at the London inter-bank offer rate (LIBOR) plus 975 basis points, subject to a minimum LIBOR rate of 3 percent. CenterPoint Houston used its $1.31 billion credit facility bearing interest at LIBOR plus 75 basis points to retire the term loan. Borrowings under the credit facility were subsequently repaid with a portion of the proceeds of the $1.85 billion transition bonds referred to above.

In August 2005, we accepted for exchange approximately $572 million aggregate principal amount of our 3.75% convertible senior notes due 2023 (Old Notes) for an equal amount of our new 3.75% convertible senior notes due 2023 (New Notes). Old Notes of approximately $3 million remain outstanding. We commenced the exchange offer in response to the guidance set forth in Emerging Issues Task Force (EITF) Issue No. 04-8, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings Per Share" (EITF 04-8). Under that guidance, because settlement of the principal portion of the New Notes will be made in cash rather than stock, the exchange of New Notes for Old Notes will allow us to exclude the portion of the conversion value of the New Notes attributable to their principal amount from our computation of diluted earnings per share from continuing operations.

SALE OF TEXAS GENCO

In July 2004, we announced our agreement to sell our majority-owned generating subsidiary, Texas Genco Holdings, Inc. (Texas Genco), to Texas Genco LLC. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco, whose principal remaining asset was its ownership interest in a nuclear generating facility, distributed $2.231 billion in cash to us. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to us of $700 million, was completed on April 13, 2005. The operations of Texas Genco, formerly presented as our Electric Generation business segment, are presented as discontinued operations.

2005 HIGHLIGHTS

Our operating performance for 2005 compared to 2004 was affected by:

- increased operating income of $55 million in our Pipelines and Field Services business segment primarily from increased demand for transportation resulting from basis differentials across the system and higher demand for ancillary services and increased throughput and demand for services related to our core gas gathering operations;

- increased operating income of $16 million in our Competitive Natural Gas Sales and Services business segment primarily from higher sales to utilities and favorable basis differentials over the pipeline capacity that we control;

- a decreased operating loss of $14 million in our Other Operations business segment primarily from increased overhead allocated in 2005;

- continued customer growth, with the addition of 105,000 metered electric and gas customers;

- a decrease in interest expense of $67 million; and

- a decrease in the return on the true-up balance of $105 million in 2005, partially offset by an increase in operating income of $21 million related to the return on the true-up balance being recovered through the CTC. This decrease is primarily due to the recording of the return on the true-up balance for 2002 through 2004 in the fourth quarter of 2004.

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

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

- the timing and amount of our recovery of the true-up components, including, in particular, the results of appeals to the courts of determinations on rulings obtained to date;

- state and federal legislative and regulatory actions or developments, including deregulation, re-regulation, changes in or application of laws or regulations applicable to other aspects of our business and actions with respect to:

  - allowed rates of return;

  - rate structures;

  - recovery of investments; and

  - operation and construction of facilities;

- timely and appropriate rate actions and increases, allowing recovery of costs and a reasonable return on investment;

- industrial, commercial and residential growth in our service territory and changes in market demand and demographic patterns;

- the timing and extent of changes in commodity prices, particularly natural gas;

- changes in interest rates or rates of inflation;

- weather variations and other natural phenomena;

- the timing and extent of changes in the supply of natural gas;

- commercial bank and financial market conditions, our access to capital, the cost of such capital, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;

- actions by rating agencies;

- effectiveness of our risk management activities;

- inability of various counterparties to meet their obligations to us;

- non-payment for our services due to financial distress of our customers, including Reliant Energy, Inc. (RRI);

- the ability of RRI to satisfy its obligations to us, including indemnity obligations;

- our ability to control costs;

- the investment performance of our employee benefit plans;

- our potential business strategies, including acquisitions or dispositions of assets or businesses, which we cannot assure will provide the anticipated benefits to us; and

- other factors we discuss under "Risk Factors" in Item 1A of this report.

CONSOLIDATED RESULTS OF OPERATIONS

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

YEAR ENDED DECEMBER 31,	2003	2004	2005
Revenues	$7,790	$7,999	$9,722
Expenses	6,435	7,135	8,783
Operating Income	1,355	864	939
Gain (Loss) on Time Warner Investment	106	31	(44)
Gain (Loss) on Indexed Debt Securities	(96)	(20)	49
Interest and Other Finance Charges	(741)	(777)	(710)
Return on True-Up Balance	--	226	121
Other Income (Expense), net	(10)	20	23
Income From Continuing Operations Before Income Taxes and Extraordinary Item	614	344	378
Income Tax Expense	205	139	153
Income From Continuing Operations Before Extraordinary Item	409	205	225
Discontinued Operations, net of tax	75	(133)	(3)
Income Before Extraordinary Item	484	72	222
Extraordinary Item, net of tax	--	(977)	30
Net Income (Loss)	$ 484	$ (905)	$ 252
Basic Earnings (Loss) Per Share:			
Income From Continuing Operations Before Extraordinary Item	$ 1.35	$ 0.67	$ 0.72
Discontinued Operations, net of tax	0.24	(0.43)	(0.01)
Extraordinary Item, net of tax	--	(3.18)	0.10
Net Income (Loss)	$ 1.59	$(2.94)	$ 0.81
Diluted Earnings (Loss) Per Share:			
Income From Continuing Operations Before Extraordinary Item	$ 1.24	$ 0.61	$ 0.67
Discontinued Operations, net of tax	0.22	(0.37)	(0.01)
Extraordinary Item, net of tax	--	(2.72)	0.09
Net Income (Loss)	$ 1.46	$(2.48)	$ 0.75

2005 COMPARED TO 2004

Income from Continuing Operations. We reported income from continuing operations before extraordinary item of $225 million ($0.67 per diluted share) for 2005 as compared to $205 million ($0.61 per diluted share) for 2004. The increase in income from continuing operations of $20 million was primarily due to increased operating income of $55 million in our Pipelines and Field Services business segment resulting from increased demand for transportation resulting from basis differentials across the system and higher demand for ancillary services as well as increased throughput and demand for services related to our core gas gathering operations, increased operating income of $16 million in our Competitive Natural Gas Sales and Services business segment primarily due to higher sales to utilities and favorable basis differentials over the pipeline capacity that we control, a decrease in the operating loss of $14 million in our Other Operations business segment resulting from increased overhead allocated in 2005 and a $67 million decrease in interest expense due to lower borrowing levels and lower borrowing costs reflecting the replacement of certain of our credit facilities. The above increases were partially offset by a decrease of $105 million in the return on the true-up

balance of our Electric Transmission & Distribution business segment as a result of the True-Up Order, partially offset by an increase in operating income of $21 million related to the return on the true-up balance being recovered through the CTC, and decreased operating income of $29 million in our Electric Transmission & Distribution business segment, excluding the CTC operating income discussed above, primarily from increased franchise fees paid to the City of Houston, increased depreciation expense and higher operation and maintenance expenses, including higher transmission costs, the absence of a $15 million partial reversal of a reserve related to the final fuel reconciliation recorded in the second quarter of 2004 and the absence of an $11 million gain from a land sale recorded in 2004, partially offset by increased usage mainly due to weather, continued customer growth and higher transmission cost recovery. Additionally, income tax expense increased $14 million in 2005 as compared to 2004.

Net income for 2005 included an after-tax extraordinary gain of $30 million ($0.09 per diluted share) recorded in the second quarter reflecting an adjustment to the after-tax extraordinary loss of $977 million recorded in the last half of 2004 to write down generation-related regulatory assets as a result of the final orders issued by the Texas Utility Commission.

Income Tax Expense. In 2005, our effective tax rate was 40.6%. The most significant items affecting our effective tax rate in 2005 were an addition to the tax reserve of approximately $42 million relating to the contention of the Internal Revenue Service (IRS) that the current deductions for original issue discount (OID) on our 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) be capitalized, potentially converting what would be ordinary deductions into capital losses at the time the ZENS are settled, partially offset by favorable tax audit adjustments of $10 million. Future changes to the reserve will depend upon a number of variables, including the market price of TW Common, the amount of ZENS OID, which increases quarterly, our assessment of available capital gains and the ultimate outcome of the dispute with the IRS.

2004 COMPARED TO 2003

Income from Continuing Operations. We reported income from continuing operations before extraordinary loss of $205 million ($0.61 per diluted share) for 2004 as compared to $409 million ($1.24 per diluted share) for 2003. The decrease in income from continuing operations of $204 million was primarily due to the termination of revenues in our Electric Transmission & Distribution business segment related to ECOM as of January 1, 2004, which had contributed $430 million of income in 2003, higher net transmission costs of $6 million related to our Electric Transmission & Distribution business segment and increased interest expense of $36 million related to continuing operations as discussed below. These items were partially offset by the absence of an $87 million reserve recorded in 2003 by our Electric Transmission & Distribution business segment related to the final fuel reconciliation, a $15 million reversal of this reserve in 2004 and $226 million of the return on the true-up balance of our Electric Transmission & Distribution business segment. These items were a result of the Texas Utility Commission's final orders in the final fuel reconciliation and the 2004 True-Up Proceeding. Additionally, income from continuing operations was favorably impacted by increased operating income of $31 million related to customer growth in our Electric Transmission & Distribution business segment, increased operating income of $21 million in our Natural Gas Distribution business segment primarily due to rate increases, increased operating income of $22 million in our Pipelines and Field Services business segment primarily from increased throughput, favorable commodity prices and increased ancillary services, and a gain of $11 million on the sale of land by our Electric Transmission & Distribution business segment.

Net loss for 2004 included an after-tax extraordinary loss of $977 million ($2.72 per diluted share) from a write-down of regulatory assets based on our analysis of the Texas Utility Commission's final order in the 2004 True-Up Proceeding. Additionally, net loss for 2004 included a net after-tax loss from discontinued operations of Texas Genco of $133 million ($0.37 per diluted share).

Net income for 2003 included the cumulative effect of an accounting change resulting from the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations" ($80 million after-tax gain, or $0.24 earnings per diluted share), which is included in discontinued operations related to Texas Genco.

INTEREST EXPENSE AND OTHER FINANCE CHARGES

In 2003, our $3.85 billion credit facility consisted of a revolver and a term loan. This facility was amended in October 2003 to a $2.35 billion credit facility, consisting of a revolver and a term loan. According to the terms of the $3.85 billion credit facility, any net cash proceeds received from the sale of Texas Genco were required to be applied to repay borrowings under the credit facility. According to the terms of the $2.35 billion credit facility, until such time as the facility had been reduced to $750 million, 100% of any net cash proceeds received from the sale of Texas Genco were required to be applied to repay borrowings under the credit facility and reduce the amount available under the credit facility. In the fourth quarter of 2004, we reduced borrowings under our credit facility by $1.574 billion and retired $375 million of trust preferred securities. We expensed $15 million of unamortized loan costs in the fourth quarter of 2004 that were associated with the credit facility. In accordance with EITF Issue No. 87-24 "Allocation of Interest to Discontinued Operations", we have reclassified interest to discontinued operations of Texas Genco based on net proceeds received from the sale of Texas Genco of $2.5 billion, and have applied the proceeds to the amount of debt assumed to be paid down in each respective period according to the terms of the respective credit facilities in effect for those periods. In periods where only the term loan was assumed to be repaid, the actual interest paid on the term loan was reclassified. In periods where a portion of the revolver was assumed to be repaid, the percentage of that portion of the revolver to the total outstanding balance was calculated, and that percentage was applied to the actual interest paid in those periods to compute the amount of interest reclassified.

Total interest expense incurred was $942 million, $849 million and $711 million in 2003, 2004 and 2005, respectively. We have reclassified $201 million, $72 million and $1 million of interest expense in 2003, 2004 and 2005, respectively, based upon actual interest expense incurred within our discontinued operations and interest expense associated with debt that would have been required to be repaid as a result of our disposition of Texas Genco.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

Revenues by segment include intersegment sales, which are eliminated in consolidation.

The following table presents operating income (in millions) for each of our business segments for 2003, 2004 and 2005. Some amounts from the previous years have been reclassified to conform to the 2005 presentation of the financial statements. These reclassifications do not affect consolidated operating income.

OPERATING INCOME (LOSS) BY BUSINESS SEGMENT

YEAR ENDED DECEMBER 31, ---------- 2003 2004 2005 ------- ----- ----- (IN MILLIONS) Electric Transmission & Distribution..... $1,020 $494 $487 Natural Gas Distribution..... 157 178 175 Competitive Natural Gas Sales and Services..... 45 44 60 Pipelines and Field Services..... 158 180 235 Other Operations..... (25) (32) (18) ------ ---- ---- Total Consolidated Operating Income..... $1,355 $864 $939 ====== ==== ====

ELECTRIC TRANSMISSION & DISTRIBUTION

The following tables provide summary data of our Electric Transmission & Distribution business segment, CenterPoint Houston, for 2003, 2004 and 2005 (in millions, except throughput and customer data):

YEAR ENDED DECEMBER 31,		
2003	2004	2005
Revenues:		
Electric transmission and distribution utility(1)	$ 2,061	$ 1,446	$ 1,538
Transition bond companies	63	75	106
Total revenues	2,124	1,521	1,644
Expenses:		
Operation and maintenance	635	539	618
Depreciation and amortization	246	248	258
Taxes other than income taxes	198	203	214
Transition bond companies	25	37	67
Total expenses	1,104	1,027	1,157
Operating Income -- Electric transmission and distribution utility	982	456	448
Operating Income -- Transition bond companies(2)	38	38	39
Total segment operating income	$ 1,020	$ 494	$ 487
Throughput (in gigawatt-hours (GWh)):		
Residential	23,687	23,748	24,924
Total	70,815	73,632	74,189
Average number of metered customers:		
Residential	1,594,177	1,639,488	1,683,100
Total	1,815,142	1,862,853	1,912,346

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(1) In 2003, revenues include $661 million of non-cash ECOM revenues in accordance with the Texas electric restructuring law. In 2004 and 2005, there were no ECOM revenues.

(2) Represents the amount necessary to pay interest on the transition bonds.

2005 Compared to 2004. Our Electric Transmission & Distribution business segment reported operating income of $487 million for 2005, consisting of $448 million for the regulated electric transmission and distribution utility and $39 million for the transition bond company subsidiaries of CenterPoint Houston that issued $749 million and $1.851 billion principal amount of transition bonds in 2001 and 2005, respectively. For 2004, operating income totaled $494 million, consisting of $456 million for the regulated electric transmission and distribution utility and $38 million for the transition bond company. Operating revenues increased primarily due to increased usage resulting from warmer weather ($13 million), continued customer growth ($33 million) with the addition of 61,000 metered customers since December 2004, recovery of our 2004 true-up balance not covered by the transition bond financing order ($21 million) and higher transmission cost recovery ($13 million). The increase in operating revenues was more than offset by higher transmission costs ($24 million), the absence of a gain from a land sale recorded in 2004 ($11 million), the absence of a $15 million partial reversal of a reserve related to the final fuel reconciliation recorded in 2004, increased employee-related expenses ($20 million) and higher tree trimming expense ($6 million), partially offset by a decrease in pension expense ($14 million). Depreciation and amortization expense increased ($10 million) primarily as a result of higher plant balances. Taxes other than income taxes increased ($11 million) primarily due to higher franchise fees paid to the City of Houston.

In September 2005, CenterPoint Houston's service area in Texas was adversely affected by Hurricane Rita. Although damage to CenterPoint Houston's electric facilities was limited, over 700,000 customers lost

power at the height of the storm. Power was restored to over a half million customers within 36 hours and all power was restored in less than five days. The Electric Transmission & Distribution business segment's revenues lost as a result of the storm were more than offset by warmer than normal weather during the third quarter. CenterPoint Houston has deferred $28 million of restoration costs for recovery in a future rate case and has capitalized an additional $8 million of costs as property, plant and equipment.

2004 Compared to 2003. Our Electric Transmission & Distribution business segment reported operating income of $494 million for 2004, consisting of $456 million for the regulated electric transmission and distribution utility and $38 million for the transition bond company. For 2003, operating income totaled $1.0 billion, consisting of $321 million for the regulated electric transmission and distribution utility, $38 million for the transition bond company and $661 million of non-cash income associated with ECOM. Operating income increased $31 million from continued customer growth and a $11 million gain on a land sale, partially offset by milder weather and decreased usage of $18 million and higher net transmission costs of $6 million. Additionally, operating income in 2004 was favorably impacted by the absence of $87 million reserve recorded in 2003 related to the final fuel reconciliation and a $15 million partial reversal of this fuel reserve in 2004 as a result of the Texas Utility Commission's final orders in the final fuel reconciliation.

NATURAL GAS DISTRIBUTION

The following table provides summary data of our Natural Gas Distribution business segment for 2003, 2004 and 2005 (in millions, except throughput and customer data):

YEAR ENDED DECEMBER 31,			
	2003	2004	2005
Revenues	$ 3,389	$ 3,579	$ 3,846
Expenses:			
Natural gas	2,450	2,596	2,841
Operation and maintenance	540	544	551
Depreciation and amortization	135	141	152
Taxes other than income taxes	107	120	127
Total expenses	3,232	3,401	3,671
Operating Income	$ 157	$ 178	$ 175
Throughput (in billion cubic feet (Bcf)):			
Residential	183	175	160
Commercial and industrial	238	237	215
Total Throughput	421	412	375
Average number of customers:			
Residential	2,755,200	2,798,210	2,838,357
Commercial and industrial	245,081	246,068	246,372
Total	3,000,281	3,044,278	3,084,729

2005 Compared to 2004. Our Natural Gas Distribution business segment reported operating income of $175 million for 2005 as compared to $178 million for 2004. Increases in operating margins (revenues less natural gas costs) from rate increases ($19 million) and margin from gas exchanges ($7 million) were partially offset by the impact of milder weather and decreased throughput net of continued customer growth with the addition of approximately 44,000 customers since December 2004 ($13 million). Operation and maintenance expense increased $7 million. Excluding an $8 million charge recorded in 2004 for severance costs associated with staff reductions, operation and maintenance expenses increased by $15 million primarily due to increased litigation reserves ($11 million) and increased bad debt expense ($9 million), partially offset by the capitalization of previously incurred restructuring expenses as allowed by a regulatory order from the

Railroad Commission of Texas ($5 million). Additionally, operating income was unfavorably impacted by increased depreciation expense primarily due to higher plant balances ($11 million).

During the third quarter of 2005, our east Texas, Louisiana and Mississippi natural gas service areas were affected by Hurricanes Katrina and Rita. Damage to our facilities was limited, but approximately 10,000 homes and businesses were damaged to such an extent that they will not be taking service for the foreseeable future. The impact on the Natural Gas Distribution business segment's operating income was not material.

2004 Compared to 2003. Our Natural Gas Distribution business segment reported operating income of $178 million for 2004 as compared to $157 million for 2003. Increases in operating income of $4 million from continued customer growth with the addition of 45,000 customers since December 31, 2003, $15 million from rate increases, $11 million from the impact of the 2003 change in estimate of margins earned on unbilled revenues implemented in 2003 and $9 million related to certain regulatory adjustments made to the amount of recoverable gas costs in 2003 were partially offset by the $8 million impact of milder weather. Operations and maintenance expense increased $4 million for 2004 as compared to 2003. Excluding an $8 million charge recorded in the first quarter of 2004 for severance costs associated with staff reductions, which has reduced costs in later periods, operation and maintenance expenses decreased by $4 million.

COMPETITIVE NATURAL GAS SALES AND SERVICES

The following table provides summary data of our Competitive Natural Gas Sales and Services business segment for 2003, 2004 and 2005 (in millions, except throughput and customer data):

YEAR ENDED DECEMBER 31,	2003	2004	2005
Revenues	$2,232	$2,848	$4,129
Expenses:			
Natural gas	2,164	2,778	4,033
Operation and maintenance	20	22	30
Depreciation and amortization	1	2	2
Taxes other than income taxes	2	2	4
Total expenses	2,187	2,804	4,069
Operating Income	$ 45	$ 44	$ 60
Throughput (in Bcf):			
Wholesale -- third parties	195	228	304
Wholesale -- affiliates	21	35	27
Retail	140	141	156
Pipeline	80	76	51
Total Throughput	436	480	538
Average number of customers:			
Wholesale	73	97	138
Retail	5,242	5,976	6,328
Pipeline	188	172	142
Total	5,503	6,245	6,608

2005 Compared to 2004. Our Competitive Natural Gas Sales and Services business segment reported operating income of $60 million for 2005 as compared to $44 million for 2004. The increase in operating income of $16 million was primarily due to increased operating margins (revenues less natural gas costs) related to higher sales to utilities and favorable basis differentials over the pipeline capacity that we control

($32 million) less the impact of certain derivative transactions ($6 million), partially offset by higher payroll and benefit related expenses ($4 million) and increased bad debt expense ($3 million).

2004 Compared to 2003. Our Competitive Natural Gas Sales and Services business segment reported operating income of $44 million for 2004 as compared to $45 million for 2003. The decrease in operating income was primarily due to increased payroll and benefit-related expenses ($3 million), increased factoring expenses ($1 million) and increased franchise taxes ($1 million), partially offset by increased operating margins related to increased volatility and growth ($2 million) and a decrease in bad debt expense ($2 million).

PIPELINES AND FIELD SERVICES

The following table provides summary data of our Pipelines and Field Services business segment for 2003, 2004 and 2005 (in millions, except throughput data):

YEAR ENDED DECEMBER 31,	2003	2004	2005
Revenues	$ 407	$ 451	$ 493
Expenses: Natural gas	61	46	30
Operation and maintenance	129	164	164
Depreciation and amortization	40	44	45
Taxes other than income taxes	19	17	19
Total expenses	249	271	258
Operating Income	$ 158	$ 180	$ 235
Throughput (in Bcf):			
Natural gas sales	9	11	6
Transportation	794	859	914
Gathering	292	321	353
Elimination(1)	(4)	(7)	(4)
Total Throughput	1,091	1,184	1,269

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(1) Elimination of volumes both transported and sold.

2005 Compared to 2004. Our Pipelines and Field Services business segment reported operating income of $235 million for 2005 compared to $180 million for 2004. Operating income for the pipeline business for 2005 was $165 million compared to $129 million in 2004. The field services business recorded operating income of $70 million for 2005 compared to $51 million in 2004. Operating margins (revenues less natural gas costs) increased by $58 million primarily due to increased demand for transportation resulting from basis differentials across the system and higher demand for ancillary services ($43 million), increased throughput and demand for services related to our core gas gathering operations ($29 million), partially offset by reductions in project-related revenues ($11 million). Additionally, operation and maintenance expenses remained flat primarily due to a reduction in project-related expenses ($9 million), offset by increases in materials and supplies and contracts and services ($8 million).

2004 Compared to 2003. Our Pipelines and Field Services business segment's operating income increased by $22 million in 2004 compared to 2003. Operating margins (revenues less fuel costs) increased by $59 million primarily due to favorable commodity pricing ($3 million), increased demand for certain transportation services driven by commodity price volatility ($36 million) and increased throughput and enhanced services related to our core gas gathering operations ($11 million). The increase in operating margin was partially offset by higher operation and maintenance expenses of $35 million primarily due to compliance

with pipeline integrity regulations ($4 million) and costs relating to environmental matters ($9 million). Project work expenses included in operation and maintenance expense increased ($11 million) resulting in a corresponding increase in revenues billed for these services ($15 million).

Additionally, included in other income in 2003, 2004 and 2005 is equity income of $-0-, $2 million and $6 million, respectively, related to a joint venture owned by our field services business.

OTHER OPERATIONS

The following table provides summary data for our Other Operations business segment for 2003, 2004 and 2005 (in millions):

YEAR ENDED DECEMBER 31,	2003	2004	2005
Revenues	$ 28	$ 8	$ 19
Expenses	53	40	37
Operating Loss	$(25)	$(32)	$(18)

2005 Compared to 2004. Our Other Operations business segment's operating loss in 2005 compared to 2004 decreased $14 million primarily due to increased overhead allocated in 2005.

2004 Compared to 2003. Our Other Operations business segment's operating loss in 2004 compared to 2003 increased $7 million primarily due to a reduction in rental income from Reliant Energy, Inc. (RRI) in 2004 as compared to 2003, partially offset by changes in unallocated corporate costs in 2004 as compared to 2003.

DISCONTINUED OPERATIONS

In February 2003, we sold our interest in Argener, a cogeneration facility in Argentina, for $23 million. The carrying value of this investment was approximately $11 million as of December 31, 2002. We recorded an after-tax gain of $7 million from the sale of Argener in the first quarter of 2003. In April 2003, we sold our final remaining investment in Argentina, a 90 percent interest in Empresa Distribuidora de Electricidad de Santiago del Estero S.A. We recorded an after-tax loss of $3 million in the second quarter of 2003 related to our Latin America operations. We have completed our strategy of exiting all of our international investments.

In November 2003, we sold CenterPoint Energy Management Services, Inc. (CEMS), a business that provides district cooling services in the Houston central business district and related complementary energy services to district cooling customers and others. We recorded an after-tax loss of $1 million from the sale of CEMS in the fourth quarter of 2003. We recorded an after-tax loss in discontinued operations of $16 million ($25 million pre-tax) during the second quarter of 2003 to record the impairment of the CEMS long-lived assets based on the impending sale and to record one-time employee termination benefits.

In July 2004, we announced our agreement to sell our majority owned subsidiary, Texas Genco, to Texas Genco LLC. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco, whose principal remaining asset was its ownership interest in a nuclear generating facility, distributed $2.231 billion in cash to us. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to us of $700 million, was completed on April 13, 2005. We recorded an after-tax gain (loss) of $91 million, $(133) million and $(3) million for the years ended December 31, 2003, 2004 and 2005, respectively, related to the operations of Texas Genco.

The consolidated financial statements report the businesses described above as discontinued operations for all periods presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144).

For further information regarding discontinued operations, please read Note 3 to our consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

HISTORICAL CASH FLOW

The net cash provided by/used in operating, investing and financing activities for 2003, 2004 and 2005 is as follows (in millions):

YEAR ENDED DECEMBER 31,	2003	2004	2005
Cash provided by (used in):			
Operating activities	$ 894	$ 736	$ 63
Investing activities	(661)	1,466	17
Financing activities	(450)	(2,124)	(171)

CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities in 2005 decreased $673 million compared to 2004 primarily due to increased tax payments of $475 million, the majority of which related to the tax payment in the second quarter of 2005 associated with the sale of Texas Genco, decreased cash provided by Texas Genco of $393 million, increased net accounts receivable/payable ($151 million), increased gas storage inventory ($105 million) and increased fuel under-recovery ($154 million), primarily due to higher gas prices in 2005 as compared to 2004. These decreases were partially offset by decreases in net regulatory assets/liabilities ($328 million), primarily due to the termination of excess mitigation credits effective April 29, 2005, and decreased pension contributions of $401 million in 2005 as compared to 2004.

Net cash provided by operating activities in 2004 decreased $158 million compared to 2003 primarily due to increased pension contributions of $453 million and decreased income tax refunds of $74 million, partially offset by the receipt of a $177 million retail clawback payment from RRI in the fourth quarter of 2004, decreased accounts receivable attributable to a higher level of accounts receivable being sold under CERC Corp.'s receivables facility ($81 million) and increased cash provided by Texas Genco's operations ($110 million). Additionally, other changes in working capital items, primarily increased net accounts receivable and accounts payable due to higher natural gas prices in December 2004 as compared to December 2003 ($99 million), contributed to the overall decrease in cash provided by operating activities.

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash provided by investing activities decreased $1.4 billion in 2005 as compared to 2004 primarily due to proceeds of $700 million received from the sale of our remaining interest in Texas Genco in April 2005 compared to proceeds of $2.947 billion received in 2004 from the sale of Texas Genco's fossil generation assets and increased capital expenditures of $89 million, partially offset by the purchase of the minority interest in Texas Genco in 2004 of $716 million and cash collateralization of letters of credit by Texas Genco in 2004 related to its anticipated purchase of an additional interest in the South Texas Project in the first half of 2005 of $191 million.

Net cash provided by investing activities increased $2.1 billion in 2004 as compared to 2003 primarily due to proceeds of $2.947 billion received from the sale of Texas Genco's fossil generation assets in December 2004, offset by the purchase of the minority interest in Texas Genco in December 2004 ($716 million) and cash collateralization of letters of credit by Texas Genco related to its anticipated purchase of an additional interest in the South Texas Project in the first half of 2005 ($191 million).

CASH USED IN FINANCING ACTIVITIES

In 2005, debt payments exceeded net loan proceeds by $66 million. Proceeds from the December 2005 issuance of $1.85 billion in transition bonds were used to repay borrowings under our credit facility and CenterPoint Houston's $1.3 billion term loan.

In 2004, debt payments exceeded net loan proceeds by $2.0 billion. Proceeds received from the sale of Texas Genco's fossil generation assets in December 2004 and the retail clawback payment from RRI as discussed above were used to retire a $915 million term loan, pay down $944 million in borrowings under our revolving credit facility and retire $375 million of trust preferred securities. As of December 31, 2004, we had borrowings of $239 million under our revolving credit facility which were used to fund a portion of the $420 million pension contribution made in December 2004.

FUTURE SOURCES AND USES OF CASH

Our liquidity and capital requirements are affected primarily by our results of operations, capital expenditures, debt service requirements, tax payments, working capital needs, various regulatory actions and appeals relating to such regulatory actions. Our principal cash requirements for 2006 include the following:

- approximately $1 billion of capital expenditures, including the construction of a new pipeline by our Pipelines and Field Services business segment ($343 million) and transmission project by our Electric Transmission & Distribution business segment ($60 million);

- dividend payments on CenterPoint Energy common stock and debt service payments; and

- long-term debt payments of $224 million, including $73 million of transition bonds.

We expect that borrowings under our credit facilities and anticipated cash flows from operations will be sufficient to meet our cash needs for the next twelve months. Cash needs may also be met by issuing securities in the capital markets.

The following table sets forth our capital expenditures for 2005 excluding capital expenditures of $9 million related to discontinued operations, and estimates of our capital requirements for 2006 through 2010 (in millions):

2005 2006 2007 2008 2009 2010 ---- ------ ---- ---- ---- ---- ---- Electric Transmission & Distribution..... $281 $ 336 $361 $333 $304 $301 Natural Gas Distribution..... 249 191 253 264 251 218 Competitive Natural Gas Sales and Services..... 12 10 2 1 1 1 Pipelines and Field Services..... 156 467 257 118 110 65 Other Operations..... 21 20 28 19 11 9 ---- ------ ---- ---- ---- ---- Total..... $719 $1,024 $901 $735 $677 $594 ==== ====== ==== ==== ==== ====

The following table sets forth estimates of our contractual obligations, including payments due by period (in millions):

2011 AND CONTRACTUAL OBLIGATIONS TOTAL 2006 2007-2008 2009-2010 THEREAFTER - ---- ------ ------- ------ ------- -- --------- ---------- Transition bond debt, including current portion(1)..... $ 2,480 $ 73 $ 306 $ 365 $ 1,736 Other long-term debt, including current portion..... 6,423 263 513 216 5,431 Interest payments -- transition bond debt(1) (2)..... 960 92 239 207 422 Interest payments -- other long-term debt(2)..... 4,861 408 774 724 2,955 Capital leases..... 4 3 -- -- 1 Operating leases(3)..... 85 20 32 11 22 Benefit obligations(4)..... -- - - -- -- -- Purchase obligations(5)..... 109 109 -- -- -- Non-trading derivative liabilities..... 78 43 20 12 3 Other commodity commitments(6)..... 1,316 858 428 7 23 ------- ------ ------ - ----- ------- Total contractual cash obligations..... $16,316 $1,869 $2,312 $1,542 $10,593 ======= ====== ====== ====== =======

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(1) Transition charges are adjusted at least annually to cover debt service on transition bonds.

(2) We calculated estimated interest payments for long-term debt as follows: for fixed-rate debt and term debt, we calculated interest based on the applicable rates and payment dates; for variable-rate debt and/or non-term debt, we used interest rates in place as of December 31, 2005; we typically expect to settle such interest payments with cash flows from operations and short-term borrowings.

(3) For a discussion of operating leases, please read Note 10(b) to our consolidated financial statements.

(4) Contributions to the pension plan are not required in 2006; however, we expect to contribute approximately $26 million to our postretirement benefits plan in 2006 to fund a portion of our obligations in accordance with rate orders or to fund pay-as-you-go costs associated with the plan.

(5) Represents capital commitments for material in connection with the construction of a new pipeline by our Pipelines and Field Services business segment. This project has been included in the table of capital expenditures presented above.

(6) For a discussion of other commodity commitments, please read Note 10(a) to our consolidated financial statements.

Off-Balance Sheet Arrangements. Other than operating leases, we have no off-balance sheet arrangements. However, we do participate in a receivables factoring arrangement. CERC Corp. has a bankruptcy remote subsidiary, which we consolidate, which was formed for the sole purpose of buying receivables created by CERC and selling those receivables to an unrelated third-party. This transaction is accounted for as a sale of receivables under the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," and, as a result, the related receivables are excluded from the Consolidated Balance Sheet. In January 2006, the $250 million facility, which temporarily increased to $375 million for the period from January 2006 to June 2006, was extended to January 2007. As of December 31, 2005, CERC had $141 million of advances under its receivables facility.

Prior to CenterPoint Energy's distribution of its ownership in RRI to its shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. Under the terms of the separation agreement between the companies, RRI agreed to extinguish all such guarantee obligations prior to separation, but when separation occurred in September 2002, RRI had been unable to extinguish all obligations. To secure CenterPoint Energy and CERC against obligations under the remaining guarantees, RRI agreed to provide cash or letters of credit for the benefit of CERC and CenterPoint Energy, and undertook to use commercially reasonable efforts to extinguish the remaining guarantees. Our current exposure under the remaining guarantees relates to CERC's guarantee of the payment by RRI of demand charges related to transportation contracts with one counterparty. The demand charges are approximately $53 million per year in 2006 through 2015, $49 million in 2016, $38 million in 2017 and $13 million in 2018. As a result of changes in market conditions, CenterPoint Energy's potential exposure under that guarantee currently exceeds the security provided by RRI. CenterPoint Energy has requested RRI to increase the amount of its existing letters of credit or, in the alternative, to obtain a release of CERC's obligations under the guarantee, and CenterPoint Energy and RRI are pursuing alternatives. RRI continues to meet its obligations under the transportation contracts.

Credit Facilities. In June 2005, CERC Corp. replaced its $250 million three-year revolving credit facility with a $400 million five-year revolving credit facility. Borrowings under this facility may be made at LIBOR plus 55 basis points, including the facility fee, based on current credit ratings. An additional utilization fee of 10 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. CERC Corp.'s $400 million credit facility contains covenants, including a total debt to capitalization covenant of 65% and an earnings before interest, taxes, depreciation and amortization (EBITDA) to interest covenant. Borrowings under CERC Corp.'s $400 million credit facility are available notwithstanding that a material adverse change has occurred or litigation that could be expected to have a material adverse effect has occurred, so long as other customary terms and conditions are satisfied.

In March 2005, we replaced our $750 million revolving credit facility with a $1 billion five-year revolving credit facility. Borrowings may be made under the facility at LIBOR plus 87.5 basis points based on current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. The facility contains covenants, including a debt to EBITDA covenant and an EBITDA to interest covenant.

Borrowings under our credit facility are available upon customary terms and conditions for facilities of this type, including a requirement that we represent, except as described below, that no "material adverse change" has occurred at the time of a new borrowing under this facility. A "material adverse change" is defined as the occurrence of a material adverse change in our ability to perform our obligations under the facility but excludes any litigation related to the True-Up Order. The base line for any determination of a relative material adverse change is our most recently audited financial statements. At any time after the first time our credit ratings reach at least BBB by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies (S&P), and Baa2 by Moody's Investors Service, Inc. (Moody's), BBB+ by S&P and Baa3 by Moody's, or BBB- by S&P and Baa1 by Moody's, or if the drawing is to retire maturing commercial paper, we are not required to represent as a condition to such drawing that no material adverse change has occurred or that no litigation expected to have a material adverse effect has occurred.

Also in March 2005, CenterPoint Houston established a $200 million five-year revolving credit facility. Borrowings may be made under the facility at LIBOR plus 75 basis points based on CenterPoint Houston's current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. CenterPoint Houston's $200 million credit facility contains covenants, including a debt (excluding transition bonds) to total capitalization covenant of 68% and an EBITDA to interest covenant. Borrowings under CenterPoint Houston's $200 million credit facility are available notwithstanding that a material adverse change has occurred or litigation that could be expected to have a material adverse effect has occurred, so long as other customary terms and conditions are satisfied.

We, CenterPoint Houston and CERC Corp. are currently in compliance with the various business and financial covenants contained in the respective credit facilities.

As of February 28, 2006, we had the following credit facilities (in millions):

COMPANY	SIZE OF FACILITY	AMOUNT UTILIZED AT DATE EXECUTED	AMOUNT UTILIZED AT FEBRUARY 28, 2006	TERMINATION DATE
CenterPoint Energy	$1,000	$96(1)	March 7, 2010	March 7, 2005
CenterPoint Houston	200	4(2)	March 7, 2010	June 30, 2005
CERC Corp.	400	--	June 30, 2010	

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(1) Includes $28 million of outstanding letters of credit and $68 million of commercial paper backstopped by the credit facility.

(2) Represents $4 million of outstanding letters of credit.

The $1 billion CenterPoint Energy credit facility backstops a $1 billion commercial paper program under which CenterPoint Energy began issuing commercial paper in June 2005. As of December 31, 2005, $3 million of commercial paper was outstanding. The commercial paper is rated "Not Prime" by Moody's, "A-3" by S&P and "F3" by Fitch, Inc. (Fitch) and, as a result, we do not expect to be able to rely on the sale of commercial paper to fund all of our short-term borrowing requirements. We cannot assure you that these ratings, or the credit ratings set forth below in "-- Impact on Liquidity of a Downgrade in Credit Ratings," will remain in effect for any given period of time or that one or more of these ratings will not be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to buy, sell or hold our securities and may be revised or withdrawn at any time by the rating agency. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit

ratings could have a material adverse impact on our ability to obtain short- and long-term financing, the cost of such financings and the execution of our commercial strategies.

During the fourth quarter of 2005, CenterPoint Houston retired at maturity its $1.31 billion term loan, which bore interest at LIBOR plus 975 basis points, subject to a minimum LIBOR rate of 3 percent. It used its $1.31 billion credit facility bearing interest at LIBOR plus 75 basis points to retire the term loan. All amounts borrowed under the credit facility were repaid with a portion of the proceeds of the $1.85 billion transition bonds referred to above.

Securities Registered with the SEC. At December 31, 2005, CenterPoint Energy had a shelf registration statement covering senior debt securities, preferred stock and common stock aggregating $1 billion and CERC Corp. had a shelf registration statement covering $500 million principal amount of debt securities.

Temporary Investments. On December 31, 2005, we had no temporary investments.

Money Pool. We have a "money pool" through which our participating subsidiaries can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The net funding requirements of the money pool are expected to be met with borrowings under CenterPoint Energy's revolving credit facility or the sale of commercial paper.

Impact on Liquidity of a Downgrade in Credit Ratings. As of February 28, 2006, Moody's, S&P, and Fitch had assigned the following credit ratings to senior debt of CenterPoint Energy and certain subsidiaries:

MOODY'S RATING	MOODY'S OUTLOOK(1)	S&P RATING	S&P OUTLOOK(2)	FITCH RATING	FITCH OUTLOOK(3)
COMPANY/INSTRUMENT					
CenterPoint Energy Senior Unsecured Debt	Ba1	Stable	BBB-	Stable	BBB-	Stable
CenterPoint Houston Senior Secured Debt (First Mortgage Bonds)	Baa2	Stable	BBB	Stable	A-	Stable
CERC Corp. Senior Debt	Baa3	Stable	BBB	Stable	BBB	Stable

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(1) A "stable" outlook from Moody's indicates that Moody's does not expect to put the rating on review for an upgrade or downgrade within 18 months from when the outlook was assigned or last affirmed.

(2) An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate to longer term.

(3) A "stable" outlook from Fitch encompasses a one-to-two-year horizon as to the likely ratings direction.

A decline in credit ratings could increase borrowing costs under our $1 billion credit facility, CenterPoint Houston's $200 million credit facility and CERC's $400 million revolving credit facility. A decline in credit ratings would also increase the interest rate on long-term debt to be issued in the capital markets and could negatively impact our ability to complete capital market transactions. Additionally, a decline in credit ratings could increase cash collateral requirements and reduce margins of our Natural Gas Distribution and Competitive Natural Gas Sales and Services business segments.

As described above under "-- Credit Facilities," our revolving credit facility contains a "material adverse change" clause that could impact our ability to make new borrowings under this facility. CenterPoint Houston's $200 million credit facility and CERC Corp.'s $400 million credit facility do not contain material adverse change clauses with respect to borrowings.

In September 1999, we issued 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) having an original principal amount of $1.0 billion. Each ZENS note is exchangeable at the holder's option at any time for an amount of cash equal to 95% of the market value of the reference shares of Time Warner Inc. (TW Common) attributable to each ZENS note. If our creditworthiness were to drop such that ZENS note holders thought our liquidity was adversely affected or the market for the ZENS notes were to become illiquid, some ZENS note holders might decide to exchange their ZENS notes for cash. Funds for the payment of cash upon exchange could be obtained from the sale of the shares of TW Common

that we own or

from other sources. We own shares of TW Common equal to 100% of the reference shares used to calculate our obligation to the holders of the ZENS notes. ZENS note exchanges result in a cash outflow because deferred tax liabilities related to the ZENS notes and TW Common shares become current tax obligations when ZENS notes are exchanged and TW Common shares are sold.

CES, a wholly owned subsidiary of CERC Corp. operating in our Competitive Natural Gas Sales and Services business segment, provides comprehensive natural gas sales and services primarily to commercial and industrial customers and electric and gas utilities throughout the central and eastern United States. In order to hedge its exposure to natural gas prices, CES uses financial derivatives with provisions standard for the industry that establish credit thresholds and require a party to provide additional collateral on two business days' notice when that party's rating or the rating of a credit support provider for that party (CERC Corp. in this case) falls below those levels. We estimate that as of December 31, 2005, unsecured credit limits extended to CES by counterparties aggregate $128 million; however, utilized credit capacity is significantly lower. In addition, CERC and its subsidiaries purchase natural gas under supply agreements that contain an aggregate credit threshold of $100 million based on CERC's S&P Senior Unsecured Long-Term Debt rating of BBB. Upgrades and downgrades from this BBB rating will increase and decrease the aggregate credit threshold accordingly.

Cross Defaults. Under our revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness exceeding $50 million by us or any of our significant subsidiaries will cause a default. Pursuant to the indenture governing our senior notes, a payment default by us, CERC Corp. or CenterPoint Houston in respect of, or an acceleration of, borrowed money and certain other specified types of obligations, in the aggregate principal amount of $50 million will cause a default. As of February 28, 2006, we had issued six series of senior notes aggregating $1.4 billion in principal amount under this indenture. A default by CenterPoint Energy would not trigger a default under our subsidiaries' debt instruments or bank credit facilities.

Other Factors that Could Affect Cash Requirements. In addition to the above factors, our liquidity and capital resources could be affected by:

- cash collateral requirements that could exist in connection with certain contracts, including gas purchases, gas price hedging and gas storage activities of our Natural Gas Distribution and Competitive Natural Gas Sales and Services business segments, particularly given gas price levels and volatility;

- acceleration of payment dates on certain gas supply contracts under certain circumstances, as a result of increased gas prices and concentration of suppliers;

- increased costs related to the acquisition of gas;

- increases in interest expense in connection with debt refinancings and borrowings under credit facilities;

- various regulatory actions;

- the ability of RRI and its subsidiaries to satisfy their obligations as the principal customers of CenterPoint Houston and in respect of RRI's indemnity obligations to us and our subsidiaries;

- slower customer payments and increased write-offs of receivables due to higher gas prices;

- cash payments in connection with the exercise of contingent conversion rights of holders of convertible debt;

- contributions to benefit plans;

- restoration costs and revenue losses resulting from natural disasters such as hurricanes; and

- various other risks identified in "Risk Factors" in Item 1A of this report.

Certain Contractual Limits on Our Ability to Issue Securities, Borrow Money and Pay Dividends on Our Common Stock. CenterPoint Houston's credit facility limits CenterPoint Houston's debt, excluding transi-

tion bonds, as a percentage of its total capitalization to 68 percent. CenterPoint Houston's $200 million credit facility also contains an EBITDA to interest covenant. CERC Corp.'s bank facility and its receivables facility limit CERC's debt as a percentage of its total capitalization to 65 percent and contain an EBITDA to interest covenant. Our $1 billion credit facility contains a debt to EBITDA covenant and an EBITDA to interest covenant. Additionally, in connection with the issuance of a certain series of general mortgage bonds, CenterPoint Houston agreed not to issue, subject to certain exceptions, additional first mortgage bonds.

We were a registered public utility holding company under the 1935 Act. The 1935 Act and related rules and regulations imposed a number of restrictions on our activities and those of our subsidiaries. The Energy Act repealed the 1935 Act effective February 8, 2006, and since that date we and our subsidiaries have no longer been subject to restrictions imposed under the 1935 Act. The Energy Act includes PUHCA 2005 which grants to the FERC authority to require holding companies and their subsidiaries to maintain certain books and records and make them available for review by the FERC and state regulatory authorities in certain circumstances. On December 8, 2005, the FERC issued rules implementing PUHCA 2005 that will require us to notify the FERC of our status as a holding company and to maintain certain books and records and make these available to the FERC. The FERC continues to consider motions for rehearing or clarification of these rules.

CRITICAL ACCOUNTING POLICIES

A critical accounting policy is one that is both important to the presentation of our financial condition and results of operations and requires management to make difficult, subjective or complex accounting estimates. An accounting estimate is an approximation made by management of a financial statement element, item or account in the financial statements. Accounting estimates in our historical consolidated financial statements measure the effects of past business transactions or events, or the present status of an asset or liability. The accounting estimates described below require us to make assumptions about matters that are highly uncertain at the time the estimate is made. Additionally, different estimates that we could have used or changes in an accounting estimate that are reasonably likely to occur could have a material impact on the presentation of our financial condition or results of operations. The circumstances that make these judgments difficult, subjective and/or complex have to do with the need to make estimates about the effect of matters that are inherently uncertain. Estimates and assumptions about future events and their effects cannot be predicted with certainty. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments. These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. Our significant accounting policies are discussed in Note 2 to our consolidated financial statements. We believe the following accounting policies involve the application of critical accounting estimates. Accordingly, these accounting estimates have been reviewed and discussed with the audit committee of the board of directors.

ACCOUNTING FOR RATE REGULATION

SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71), provides that rate-regulated entities account for and report assets and liabilities consistent with the recovery of those incurred costs in rates if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. Application of SFAS No. 71 to the electric generation portion of our business was discontinued as of June 30, 1999. Our Electric Transmission & Distribution business continues to apply SFAS No. 71 which results in our accounting for the regulatory effects of recovery of stranded costs and other regulatory assets resulting from the unbundling of the transmission and distribution business from our electric generation operations in our consolidated financial statements. Certain expenses and revenues subject to utility regulation or rate determination normally reflected in income are deferred on the balance sheet and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. Significant accounting estimates embedded within the application of SFAS No. 71 with respect to our Electric Transmission & Distribution business segment relate to $332 million of recoverable electric generation-related

regulatory assets as of December 31, 2005. These costs are recoverable under the provisions of the Texas electric restructuring law. Based on our analysis of the True-Up Order, we recorded an after-tax charge to earnings in 2004 of approximately $977 million to write-down our electric generation-related regulatory assets to their realizable value, which was reflected as an extraordinary loss. Based on subsequent orders received from the Texas Utility Commission, we recorded an extraordinary gain of $30 million after-tax in the second quarter of 2005 related to the regulatory asset. Additionally, a district court in Travis County, Texas issued a judgment that would have the effect of restoring approximately $650 million, plus interest, of disallowed costs. Appeals of the district court's judgment are still pending. No amounts related to the court's judgment have been recorded in our consolidated financial statements.

IMPAIRMENT OF LONG-LIVED ASSETS AND INTANGIBLES

We review the carrying value of our long-lived assets, including goodwill and identifiable intangibles, whenever events or changes in circumstances indicate that such carrying values may not be recoverable, and at least annually for goodwill as required by SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). Unforeseen events and changes in circumstances and market conditions and material differences in the value of long-lived assets and intangibles due to changes in estimates of future cash flows, regulatory matters and operating costs could negatively affect the fair value of our assets and result in an impairment charge.

Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties and may be estimated using a number of techniques, including quoted market prices or valuations by third parties, present value techniques based on estimates of cash flows, or multiples of earnings or revenue performance measures. The fair value of the asset could be different using different estimates and assumptions in these valuation techniques.

We perform our goodwill impairment test at least annually and evaluate goodwill when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Upon adoption of SFAS No. 142, we initially selected January 1 as our annual goodwill impairment testing date. Since the time we selected the January 1 date, our year-end closing and reporting process has been truncated in order to meet the accelerated periodic reporting requirements of the SEC, resulting in significant constraints on our human resources at year-end and during our first fiscal quarter. Accordingly, in order to meet the accelerated reporting deadlines and to provide adequate time to complete the analysis each year, beginning in the third quarter of 2005, we changed the date on which we perform our annual goodwill impairment test from January 1 to July 1. We believe the July 1 alternative date will alleviate the resource constraints that exist during the first quarter and allow us to utilize additional resources in conducting the annual impairment evaluation of goodwill. We performed the test at July 1, 2005, and determined that no impairment charge for goodwill was required. The change is not intended to delay, accelerate or avoid an impairment charge. We believe that this accounting change is an alternative accounting principle that is preferable under the circumstances.

ASSET RETIREMENT OBLIGATIONS

We account for our long-lived assets under SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143), and Financial Accounting Standards Board Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations -- An Interpretation of SFAS No. 143" (FIN 47). SFAS No. 143 and FIN 47 require that an asset retirement obligation be recorded at fair value in the period in which it is incurred if a reasonable estimate of fair value can be made. In the same period, the associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset. Rate-regulated entities may recognize regulatory assets or liabilities as a result of timing differences between the recognition of costs as recorded in accordance with SFAS No. 143 and FIN 47, and costs recovered through the ratemaking process.

We estimate the fair value of asset retirement obligations by calculating the discounted cash flows that are dependent upon the following components:

- Inflation adjustment -- The estimated cash flows are adjusted for inflation estimates for labor, equipment, materials, and other disposal costs;

- Discount rate -- The estimated cash flows include contingency factors that were used as a proxy for the market risk premium; and

- Third party markup adjustments -- Internal labor costs included in the cash flow calculation were adjusted for costs that a third party would incur in performing the tasks necessary to retire the asset.

Changes in these factors could materially affect the obligation recorded to reflect the ultimate cost associated with retiring the assets under SFAS No. 143 and FIN 47. For example, if the inflation adjustment increased 25 basis points, this would increase the balance for asset retirement obligations by approximately 3.0%. Similarly, an increase in the discount rate by 25 basis points would decrease asset retirement obligations by approximately the same percentage. At December 31, 2005, our estimated cost of retiring these assets is approximately $76 million.

UNBILLED ENERGY REVENUES

Revenues related to the sale and/or delivery of electricity or natural gas (energy) are generally recorded when energy is delivered to customers. However, the determination of energy sales to individual customers is based on the reading of their meters, which is performed on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is estimated. Unbilled electricity delivery revenue is estimated each month based on daily supply volumes, applicable rates and analyses reflecting significant historical trends and experience. Unbilled natural gas sales are estimated based on estimated purchased gas volumes, estimated lost and unaccounted for gas and tariffed rates in effect. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

PENSION AND OTHER RETIREMENT PLANS

We sponsor pension and other retirement plans in various forms covering all employees who meet eligibility requirements. We use several statistical and other factors which attempt to anticipate future events in calculating the expense and liability related to our plans. These factors include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases as estimated by management, within certain guidelines. In addition, our actuarial consultants use subjective factors such as withdrawal and mortality rates. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension expense recorded. Please read "-- Other Significant Matters -- Pension Plan" for further discussion.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2(n) to the consolidated financial statements for a discussion of new accounting pronouncements that affect us.

OTHER SIGNIFICANT MATTERS

Pension Plan. As discussed in Note 2(o) to our consolidated financial statements, we maintain a non-contributory pension plan covering substantially all employees. Employer contributions are based on actuarial computations that establish the minimum contribution required under the Employee Retirement Income Security Act of 1974 (ERISA) and the maximum deductible contribution for income tax purposes. At December 31, 2005, the projected benefit obligation exceeded the market value of plan assets by $20 million;

however, the market value of the plan assets exceeded the accumulated benefit obligation by $41 million. Changes in interest rates and the market values of the securities held by the plan during 2006 could materially, positively or negatively, change our funded status and affect the level of pension expense and required contributions in 2007 and beyond.

Although we have not been required to make contributions to our pension plan in 2004 or 2005, we have made voluntary contributions of $476 million and $75 million in 2004 and 2005, respectively.

Under the terms of our pension plan, we reserve the right to change, modify or terminate the plan. Our funding policy is to review amounts annually and contribute an amount at least equal to the minimum contribution required under ERISA and the Internal Revenue Code.

In accordance with SFAS No. 87, "Employers' Accounting for Pensions," changes in pension obligations and assets may not be immediately recognized as pension costs in the income statement, but generally are recognized in future years over the remaining average service period of plan participants. As such, significant portions of pension costs recorded in any period may not reflect the actual level of benefit payments provided to plan participants.

Pension costs were $90 million, $80 million and $30 million for 2003, 2004 and 2005, respectively. In addition, included in the costs for 2003, 2004 and 2005 are $17 million, $11 million and less than $1 million, respectively, of expense related to Texas Genco participants. Pension expense for Texas Genco participants is reflected in the Statement of Consolidated Operations as discontinued operations.

Additionally, we maintain a non-qualified benefit restoration plan which allows participants to retain the benefits to which they would have been entitled under our non-contributory pension plan except for the federally mandated limits on qualified plan benefits or on the level of compensation on which qualified plan benefits may be calculated. The expense associated with this non-qualified plan was $8 million, $6 million and $6 million in 2003, 2004 and 2005, respectively.

The calculation of pension expense and related liabilities requires the use of assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from the assumptions. Two of the most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate.

As of December 31, 2005, the expected long-term rate of return on plan assets was 8.5%, which is unchanged from the rate assumed as of December 31, 2004. We believe that our actual asset allocation, on average, will approximate the targeted allocation and the estimated return on net assets. We regularly review our actual asset allocation and periodically rebalance plan assets as appropriate.

As of December 31, 2005, the projected benefit obligation was calculated assuming a discount rate of 5.70%, which is a 0.05% decline from the 5.75% discount rate assumed in 2004. The discount rate was determined by reviewing yields on high-quality bonds that receive one of the two highest ratings given by a recognized rating agency and the expected duration of pension obligations specific to the characteristics of our plan.

Pension expense for 2006, including the benefit restoration plan, is estimated to be $38 million based on an expected return on plan assets of 8.5% and a discount rate of 5.70% as of December 31, 2005. If the expected return assumption were lowered by 0.5% (from 8.5% to 8.0%), 2006 pension expense would increase by approximately $8 million.

Currently, pension plan assets (excluding the unfunded benefit restoration plan) exceed the accumulated benefit obligation by $41 million. However, if the discount rate were lowered by 0.5% (from 5.70% to 5.20%), the assumption change would increase our projected benefit obligation, accumulated benefit obligation and 2006 pension expense by approximately $131 million, $120 million and $11 million, respectively. In addition, the assumption change would have significant impacts on our Consolidated Balance Sheet by changing the pension asset recorded as of December 31, 2005 of $655 million to a pension liability of $79 million and would result in a charge to comprehensive income in 2005 of $477 million, net of tax.

For the benefit restoration plan, if the discount rate were lowered by 0.5% (from 5.70% to 5.20%), the assumption change would increase our projected benefit obligation, accumulated benefit obligation and 2006 pension expense by approximately $4 million, $4 million, and less than $1 million, respectively. In addition, the assumption change would result in a charge to comprehensive income of approximately $3 million.

Future changes in plan asset returns, assumed discount rates and various other factors related to the pension plan will impact our future pension expense and liabilities. We cannot predict with certainty what these factors will be.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

IMPACT OF CHANGES IN INTEREST RATES AND ENERGY COMMODITY PRICES

We are exposed to various market risks. These risks arise from transactions entered into in the normal course of business and are inherent in our consolidated financial statements. Most of the revenues and income from our business activities are impacted by market risks. Categories of market risk include exposure to commodity prices through non-trading activities, interest rates and equity prices. A description of each market risk is set forth below:

- Commodity price risk results from exposures to changes in spot prices, forward prices and price volatilities of commodities, such as natural gas and other energy commodities risk.

- Interest rate risk primarily results from exposures to changes in the level of borrowings and changes in interest rates.

- Equity price risk results from exposures to changes in prices of individual equity securities.

Management has established comprehensive risk management policies to monitor and manage these market risks. We manage these risk exposures through the implementation of our risk management policies and framework. We manage our exposures through the use of derivative financial instruments and derivative commodity instrument contracts. During the normal course of business, we review our hedging strategies and determine the hedging approach we deem appropriate based upon the circumstances of each situation.

Derivative instruments such as futures, forward contracts, swaps and options derive their value from underlying assets, indices, reference rates or a combination of these factors. These derivative instruments include negotiated contracts, which are referred to as over-the-counter derivatives, and instruments that are listed and traded on an exchange.

Derivative transactions are entered into in our non-trading operations to manage and hedge certain exposures, such as exposure to changes in natural gas prices. We believe that the associated market risk of these instruments can best be understood relative to the underlying assets or risk being hedged.

INTEREST RATE RISK

We have outstanding long-term debt, bank loans, mandatory redeemable preferred securities of a subsidiary trust holding solely our junior subordinated debentures (trust preferred securities), some lease obligations and our obligations under our 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) that subject us to the risk of loss associated with movements in market interest rates. In 2003, we had interest rate swaps in place in order to hedge portions of our floating-rate debt.

Our floating-rate obligations aggregated $1.5 billion and $3 million at December 31, 2004 and 2005, respectively. If the floating interest rates were to increase by 10% from December 31, 2005 rates, our combined interest expense would not materially change.

At December 31, 2004 and 2005, we had outstanding fixed-rate debt (excluding indexed debt securities) and trust preferred securities aggregating $7.4 billion and $8.8 billion, respectively, in principal amount and having a fair value of $8.1 billion and $9.3 billion, respectively. These instruments are fixed-rate and, therefore, do not expose us to the risk of loss in earnings due to changes in market interest rates (please read Note 8 to our consolidated financial statements). However, the fair value of these instruments would increase

by approximately $400 million if interest rates were to decline by 10% from their levels at December 31, 2005. In general, such an increase in fair value would impact earnings and cash flows only if we were to reacquire all or a portion of these instruments in the open market prior to their maturity.

As discussed in Note 6 to our consolidated financial statements, upon adoption of SFAS No. 133 effective January 1, 2001, the ZENS obligation was bifurcated into a debt component and a derivative component. The debt component of $109 million at December 31, 2005 is a fixed-rate obligation and, therefore, does not expose us to the risk of loss in earnings due to changes in market interest rates. However, the fair value of the debt component would increase by approximately $17 million if interest rates were to decline by 10% from levels at December 31, 2005. Changes in the fair value of the derivative component, a $292 million recorded liability at December 31, 2005, are recorded in our Statements of Consolidated Operations and, therefore, we are exposed to changes in the fair value of the derivative component as a result of changes in the underlying risk-free interest rate. If the risk-free interest rate were to increase by 10% from December 31, 2005 levels, the fair value of the derivative component liability would increase by approximately $5 million, which would be recorded as an unrealized loss in our Statements of Consolidated Operations.

EQUITY MARKET VALUE RISK

We are exposed to equity market value risk through our ownership of 21.6 million shares of TW Common, which we hold to facilitate our ability to meet our obligations under the ZENS. Please read Note 6 to our consolidated financial statements for a discussion of the effect of adoption of SFAS No. 133 on our ZENS obligation and our historical accounting treatment of our ZENS obligation. A decrease of 10% from the December 31, 2005 market value of TW Common would result in a net loss of approximately $4 million, which would be recorded as an unrealized loss in our Statements of Consolidated Operations.

COMMODITY PRICE RISK FROM NON-TRADING ACTIVITIES

To reduce our commodity price risk from market fluctuations in the revenues derived from the sale of natural gas and related transportation, we enter into forward contracts, swaps and options (Non-Trading Energy Derivatives) in order to hedge some expected purchases of natural gas and sales of natural gas (a portion of which are firm commitments at the inception of the hedge). Non-Trading Energy Derivatives are also utilized to fix the price of future operational gas requirements.

We use derivative instruments as economic hedges to offset the commodity exposure inherent in our businesses. The stand-alone commodity risk created by these instruments, without regard to the offsetting effect of the underlying exposure these instruments are intended to hedge, is described below. We measure the commodity risk of our Non-Trading Energy Derivatives using a sensitivity analysis. The sensitivity analysis performed on our Non-Trading Energy Derivatives measures the potential loss in earnings based on a hypothetical 10% movement in energy prices. A decrease of 10% in the market prices of energy commodities from their December 31, 2004 levels would have decreased the fair value of our Non-Trading Energy Derivatives by $46 million. At December 31, 2005, the recorded fair value of our Non-Trading Energy Derivatives was a net asset of $157 million. A decrease of 10% in the market prices of energy commodities from their December 31, 2005 levels would have decreased the fair value of our Non-Trading Energy Derivatives by $85 million.

The above analysis of the Non-Trading Energy Derivatives utilized for hedging purposes does not include the favorable impact that the same hypothetical price movement would have on our physical purchases and sales of natural gas to which the hedges relate. Furthermore, the Non-Trading Energy Derivative portfolio is managed to complement the physical transaction portfolio, reducing overall risks within limits. Therefore, the adverse impact to the fair value of the portfolio of Non-Trading Energy Derivatives held for hedging purposes

associated with the hypothetical changes in commodity prices referenced above would be offset by a favorable impact on the underlying hedged physical transactions, assuming:

- the Non-Trading Energy Derivatives are not closed out in advance of their expected term;

- the Non-Trading Energy Derivatives continue to function effectively as hedges of the underlying risk; and

- as applicable, anticipated underlying transactions settle as expected.

If any of the above-mentioned assumptions ceases to be true, a loss on the derivative instruments may occur, or the options might be worthless as determined by the prevailing market value on their termination or maturity date, whichever comes first. Non-Trading Energy Derivatives designated and effective as hedges, may still have some percentage which is not effective. The change in value of the Non-Trading Energy Derivatives that represents the ineffective component of the hedges is recorded in our results of operations.

We have established a Risk Oversight Committee composed of corporate and business segment officers, that oversees our commodity price and credit risk activities, including our trading, marketing, risk management services and hedging activities. The committee's duties are to establish commodity risk policies, allocate risk capital within limits established by our board of directors, approve trading of new products and commodities, monitor risk positions and ensure compliance with our risk management policies and procedures and trading limits established by our board of directors.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
CenterPoint Energy, Inc.
Houston, Texas

We have audited the accompanying consolidated balance sheets of CenterPoint Energy, Inc. and subsidiaries (the "Company") as of December 31, 2004 and 2005, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CenterPoint Energy, Inc. and subsidiaries at December 31, 2004 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," effective December 31, 2005.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

Houston, Texas
March 15, 2006

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED OPERATIONS

YEAR ENDED DECEMBER 31,	2003	2004	2005
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)		
REVENUES	$7,790	$7,999	$9,722
EXPENSES:			
Natural gas	4,298	5,013	6,509
Operation and maintenance	1,334	1,277	1,358
Depreciation and amortization	466	490	541
Taxes other than income taxes	337	355	375
Total	6,435	7,135	8,783
OPERATING INCOME	1,355	864	939
OTHER INCOME (EXPENSE):			
Gain (loss) on Time Warner investment	106	31	(44)
Gain (loss) on indexed debt securities	(96)	(20)	49
Interest and other finance charges	(741)	(777)	(710)
Return on true-up balance	--	226	121
Other, net	(10)	20	23
Total	(741)	(520)	(561)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	614	344	378
Income Tax Expense	(205)	(139)	(153)
INCOME FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY ITEM	409	205	225
DISCONTINUED OPERATIONS:			
Income from Texas Genco, net of tax	139	294	11
Minority interest on income from Texas Genco	(48)	(61)	--
Loss on disposal of Texas Genco, net of tax	--	(366)	(14)
Loss from Other Operations, net of tax	(3)	--	--
Loss on disposal of Other Operations, net of tax	(13)	--	--
Total	75	(133)	(3)
INCOME BEFORE EXTRAORDINARY ITEM	484	72	222
Extraordinary Item, net of tax	--	(977)	30
NET INCOME (LOSS)	$ 484	$ (905)	$ 252
BASIC EARNINGS (LOSS) PER SHARE:			
Income From Continuing Operations Before Extraordinary Item	$ 1.35	$ 0.67	$ 0.72
Discontinued Operations, net of tax	0.24	(0.43)	(0.01)
Extraordinary Item, net of tax	--	(3.18)	0.10
Net Income (Loss)	$ 1.59	$(2.94)	$ 0.81
DILUTED EARNINGS (LOSS) PER SHARE:			
Income From Continuing Operations Before Extraordinary Item	$ 1.24	$ 0.61	$ 0.67
Discontinued Operations, net of tax	0.22	(0.37)	(0.01)
Extraordinary Item, net of tax	--	(2.72)	0.09
Net Income (Loss)	$ 1.46	$(2.48)	$ 0.75

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31,			
2003	2004	2005	(IN MILLIONS)
Net income (loss)	$484	$(905)	$252
Other comprehensive income, net of tax:			
Minimum pension liability adjustment (net of tax of $25, $197 and ($5))	47	367	(9)
Net deferred gain from cash flow hedges (net of tax of $15, $31 and $9)	22	59	17
Reclassification of deferred loss (gain) from cash flow hedges realized in net income (net of tax of $4, ($3) and $6)	9	(7)	11
Reclassification of deferred gain from de-designation of cash flow hedges to over/under recovery of gas cost (net of tax of ($37))	--	(68)	--
Other comprehensive income (loss) from discontinued operations (net of tax of $-0-, ($2) and $2)	1	(4)	3
Other comprehensive income	79	347	22
Comprehensive income (loss)	$563	$(558)	$274

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,	DECEMBER 31,
	2004
	2005
(IN MILLIONS)	
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 165
	$ 74
Investment in Time Warner common stock	421
	377
Accounts receivable, net	674
	1,098
Accrued unbilled revenues	576
	608
Inventory	254
	382
Non-trading derivative assets	50
	131
Taxes receivable	--
	53
Current assets of discontinued operations	514
	--
Prepaid expense and other current assets	117
	168
Total current assets	2,771
	2,891
PROPERTY, PLANT AND EQUIPMENT, NET	8,186
	8,492
OTHER ASSETS:	
Goodwill	1,741
	1,709
Other intangibles, net	58
	56
Regulatory assets	3,350
	2,955
Non-trading derivative assets	18
	104
Non-current assets of discontinued operations	1,051
	--
Other	921
	909
Total other assets	7,139
	5,733
TOTAL ASSETS	$18,096
	$17,116
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Current portion of long-term debt	$ 1,836
	$ 339
Indexed debt securities derivative	342
	292
Accounts payable	802
	1,161
Taxes accrued	609
	167
Interest accrued	151
	122
Non-trading derivative liabilities	26
	43
Regulatory liabilities	225
	--
Accumulated deferred income taxes, net	261
	385
Current liabilities of discontinued operations	449
	--
Other	420
	505
Total current liabilities	5,121
	3,014
OTHER LIABILITIES:	
Accumulated deferred income taxes, net	2,415
	2,474
Unamortized investment tax credits	54
	46
Non-trading derivative liabilities	6
	35
Benefit obligations	440
	475
Regulatory liabilities	1,082
	728
Non-current liabilities of discontinued operations	420
	--
Other	259
	480
Total other liabilities	4,676
	4,238
LONG-TERM DEBT	7,193
	8,568
COMMITMENTS AND CONTINGENCIES (NOTE 10)	
SHAREHOLDERS' EQUITY	1,106
	1,296
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$18,096
	$17,116

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CASH FLOWS

YEAR ENDED DECEMBER 31,			
2003	2004	2005	(IN MILLIONS)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 484	$ (905)	$ 252
Discontinued operations, net of tax	(75)	133	3
Extraordinary item, net of tax	--	977	(30)
Income from continuing operations	409	205	225
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	466	490	541
Deferred income taxes	509	265	232
Amortization of deferred financing costs	141	92	77
Investment tax credit	(7)	(7)	(8)
Unrealized loss (gain) on Time Warner investment	(106)	(32)	44
Unrealized loss (gain) on indexed debt securities	96	20	(49)
Changes in other assets and liabilities:			
Accounts receivable and unbilled revenues, net	(110)	(202)	(456)
Inventory	(47)	(10)	(115)
Taxes receivable	(161)	35	(53)
Accounts payable	77	218	321
Fuel cost over (under) recovery/surcharge	25	25	(129)
Interest and taxes accrued	37	81	(471)
Net regulatory assets and liabilities	(773)	(520)	(192)
Clawback payment from RRI	--	177	--
Non-trading derivatives, net	3	(40)	(12)
Pension contribution	(23)	(476)	(75)
Other current assets	(37)	(18)	(40)
Other current liabilities	(24)	(26)	146
Other assets	29	80	30
Other liabilities	107	4	67
Other, net	39	20	18
Net cash provided by operating activities of continuing operations	650	381	101
Net cash provided by (used in) operating activities of discontinued operations	244	355	(38)
Net cash provided by operating activities	894	736	63
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(659)	(604)	(693)
Proceeds from sale of Texas Genco, including cash retained	--	2,947	700
Purchase of minority interest of Texas Genco	--	(326)	(383)
Decrease (increase) in restricted cash for purchase of minority interest of Texas Genco	--	(390)	383
Funds held for purchase of additional shares in South Texas Project	--	(191)	--
Increase in cash of Texas Genco	--	--	24
Other, net	(2)	30	(14)
Net cash provided by (used in) investing activities	(661)	1,466	17
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings, net	(284)	(63)	75
Long-term revolving credit facility, net	(2,400)	(1,206)	(236)
Proceeds from long-term debt	3,797	229	3,161
Payments of long-term debt	(1,211)	(943)	(3,045)
Debt issuance costs	(241)	(15)	(21)
Payment of common stock dividends	(122)	(123)	(124)

Payment of common stock dividends by subsidiary..... (15) (15) -- Proceeds from issuance of common stock, net..... 9 12 17 Other, net..... 17 -- 2 ------- ------- ------- Net cash used in financing activities..... (450) (2,124) (171) ------- ------- ------- NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS..... (217) 78 (91) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... 304 87 165 ------- ------- ------- CASH AND CASH EQUIVALENTS AT END OF YEAR..... $ 87 $ 165 $ 74 ======= ======= ======= SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Cash Payments: Interest, net of capitalized interest..... $ 763 $ 759 $ 667 Income taxes (refunds), net..... (198) (124) 351 Non-cash transactions: Increase in accounts payable related to capital expenditures..... -- -- 35

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

2003	2004	2005
SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
(IN MILLIONS OF DOLLARS AND SHARES)					
PREFERENCE STOCK, NONE OUTSTANDING	--	$ --	--	$ --	--	$ --
CUMULATIVE PREFERRED STOCK, $0.01 PAR VALUE; AUTHORIZED 20,000,000 SHARES, NONE OUTSTANDING						
COMMON STOCK, $0.01 PAR VALUE; AUTHORIZED 1,000,000,000 SHARES						
Balance, beginning of year	305	3	306	3	308	3
Issuances related to benefit and investment plans	1	--	2	--	2	--
Balance, end of year	306	3	308	3	310	3
ADDITIONAL PAID-IN-CAPITAL Balance, beginning of year	--	3,046	--	2,868	--	2,891
Issuances related to benefit and investment plans	--	(32)	--	23	--	40
Distribution of Texas Genco	--	(146)	--	--	--	--
Balance, end of year	--	2,868	--	2,891	--	2,931
UNEARNED ESOP STOCK Balance, beginning of year	(5)	(78)	(1)	(3)	--	--
Issuances related to benefit plan	4	75	1	3	--	--
Balance, end of year	(1)	(3)	--	--	--	--
ACCUMULATED DEFICIT Balance, beginning of year	(1,062)	(700)	(1,728)			
Net income (loss)	484	(905)	252			
Common stock dividends -- $0.40 per share in 2003, 2004 and 2005	(122)	(123)	(124)			
Balance, end of year	(700)	(1,728)	(1,600)			
ACCUMULATED OTHER COMPREHENSIVE LOSS Balance, end of year:						
Minimum pension liability adjustment	(373)	(6)	(15)			
Net deferred loss from cash flow hedges	(35)	(51)	(23)			
Other comprehensive loss from discontinued operations	--	(3)	--			
Total accumulated other comprehensive loss, end of year	(408)	(60)	(38)			
Total Shareholders' Equity	$ 1,760	$ 1,106	$ 1,296			

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BACKGROUND AND BASIS OF PRESENTATION

(a) BACKGROUND

CenterPoint Energy, Inc. is a public utility holding company, created on August 31, 2002 as part of a corporate restructuring of Reliant Energy, Incorporated (Reliant Energy) that implemented certain requirements of the Texas Electric Choice Plan (Texas electric restructuring law).

CenterPoint Energy was a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended (the 1935 Act). The 1935 Act and related rules and regulations imposed a number of restrictions on the activities of the Company and its subsidiaries. The Energy Policy Act of 2005 (Energy Act) repealed the 1935 Act effective February 8, 2006, and since that date the Company and its subsidiaries have no longer been subject to restrictions imposed under the 1935 Act. The Energy Act includes a new Public Utility Holding Company Act of 2005 (PUHCA 2005), which grants to the Federal Energy Regulatory Commission (FERC) authority to require holding companies and their subsidiaries to maintain certain books and records and make them available for review by the FERC and state regulatory authorities in certain circumstances. On December 8, 2005, the FERC issued rules implementing PUHCA 2005 that will require the Company to notify the FERC of its status as a holding company and to maintain certain books and records and make these available to the FERC. The FERC continues to consider motions for rehearing or clarification of these rules.

The Company's operating subsidiaries own and operate electric transmission and distribution facilities, natural gas distribution facilities, interstate pipelines and natural gas gathering, processing and treating facilities. As of December 31, 2005, the Company's indirect wholly owned subsidiaries included:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which engages in the electric transmission and distribution business in a 5,000-square mile area of the Texas Gulf Coast that includes Houston; and

- CenterPoint Energy Resources Corp. (CERC Corp., and, together with its subsidiaries, CERC), which owns gas distribution systems. The operations of its local distribution companies are conducted through two unincorporated divisions: Minnesota Gas and Southern Gas Operations. Through wholly owned subsidiaries, CERC owns two interstate natural gas pipelines and gas gathering systems, provides various ancillary services, and offers variable and fixed-price physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities.

(b) BASIS OF PRESENTATION

In 2003, the Company sold all of its remaining Latin America operations.

In November 2003, the Company sold its district cooling services business in the Houston central business district and related complementary energy services to district cooling customers and others.

The Company sold the fossil generation assets of Texas Genco Holdings, Inc. (Texas Genco) in December 2004 and completed the sale of Texas Genco, which had continued to own an interest in a nuclear generating facility, in April 2005.

The consolidated financial statements report the businesses described above as discontinued operations for all periods presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144).

For a description of the Company's reportable business segments, see Note 14.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) RECLASSIFICATIONS AND USE OF ESTIMATES

In addition to the items discussed in Note 3, some amounts from the previous years have been reclassified to conform to the 2005 presentation of financial statements. These reclassifications relate to a new reportable business segment discussed in Note 14 and do not affect net income.

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

(b) PRINCIPLES OF CONSOLIDATION

The accounts of CenterPoint Energy and its wholly owned and majority owned subsidiaries are included in the consolidated financial statements. All significant intercompany transactions and balances are eliminated in consolidation. The Company uses the equity method of accounting for investments in entities in which the Company has an ownership interest between 20% and 50% and exercises significant influence. Such investments were $13 million and $15 million as of December 31, 2004 and 2005, respectively. Other investments, excluding marketable securities, are carried at cost.

(c) REVENUES

The Company records revenue for electricity delivery and natural gas sales and services under the accrual method and these revenues are recognized upon delivery to customers. Electricity deliveries not billed by month-end are accrued based on daily supply volumes, applicable rates and analyses reflecting significant historical trends and experience. Natural gas sales not billed by month-end are accrued based upon estimated purchased gas volumes, estimated lost and unaccounted for gas and currently effective tariff rates. The Pipelines and Field Services business segment records revenues as transportation services are provided.

(d) LONG-LIVED ASSETS AND INTANGIBLES

The Company records property, plant and equipment at historical cost. The Company expenses repair and maintenance costs as incurred. Property, plant and equipment includes the following:

WEIGHTED AVERAGE DECEMBER 31, USEFUL LIVES -		
(YEARS)	2004	2005
	(IN MILLIONS)	
Electric transmission & distribution	27	$ 6,245	$ 6,463
Natural gas distribution	30	2,475	2,740
Competitive natural gas sales and services	38	19	27
Pipelines and field services	52	1,767	1,887
Other property	29	457	441
Total		10,963	11,558
Accumulated depreciation and amortization:			
Electric transmission & distribution		(2,204)	(2,386)
Natural gas distribution		(285)	(391)
Competitive natural gas sales and services		(6)	(5)
Pipelines and field services		(157)	(167)
Other property		(125)	(117)
Total accumulated depreciation and amortization		(2,777)	(3,066)
Property, plant and equipment, net		$ 8,186	$ 8,492

The components of the Company's other intangible assets consist of the following:

DECEMBER 31, 2004		DECEMBER 31, 2005	
CARRYING AMOUNT	ACCUMULATED AMORTIZATION	CARRYING AMOUNT	ACCUMULATED AMORTIZATION
(IN MILLIONS)			
Land Use Rights	$55	$(12)	$55	$(14)
Other	21	(6)	22	(7)
Total	$76	$(18)	$77	$(21)

The Company recognizes specifically identifiable intangibles, including land use rights and permits, when specific rights and contracts are acquired. The Company has no intangible assets with indefinite lives recorded as of December 31, 2005 other than goodwill discussed below. The Company amortizes other acquired intangibles on a straight-line basis over the lesser of their contractual or estimated useful lives that range from 27 to 75 years for land rights and 10 to 56 years for other intangibles.

Amortization expense for other intangibles for 2003, 2004 and 2005 was $2 million in each year. Estimated amortization expense for the five succeeding fiscal years is as follows (in millions):

2006	$ 3
2007	3
2008	3
2009	2
2010	2
Total	$13

Goodwill by reportable business segment is as follows (in millions):

	COMPETITIVE NATURAL GAS SALES AND DISTRIBUTION OPERATIONS	NATURAL GAS PIPELINES AND FIELD SERVICES	OTHER TOTAL
Balance as of December 31, 2004	$746	$339	$1,741
Goodwill acquired during year	--	--	3
Adjustment(1)	--	--	(35)
Balance as of December 31, 2005	$746	$339	$1,709

(1) In December 2005, the Company determined that $35 million of deferred tax liabilities originally established in connection with an acquisition were no longer required. In accordance with Emerging Issues Task Force (EITF) Issue No. 93-7, "Uncertainties Related to Income Taxes in a Purchase Business Combination," the adjustment was applied to decrease the remaining goodwill attributable to that acquisition.

The Company performs its goodwill impairment test at least annually and evaluates goodwill when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. The impairment evaluation for goodwill is performed by using a two-step process. In the first step, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. The estimated fair value of the reporting unit is generally determined on the basis of discounted future cash flows. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, then a second step must be completed in order to determine the amount of the goodwill impairment that should be recorded. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets) in a manner similar to a purchase price allocation. The resulting implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and an impairment charge is recorded for the difference.

Upon adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," the Company initially selected January 1 as its annual goodwill impairment testing date. Since the time the Company selected the January 1 date, the Company's year-end closing and reporting process has been truncated in order to meet the accelerated reporting requirements of the Securities and Exchange Commission (SEC), resulting in significant constraints on the Company's human resources at year-end and during its first fiscal quarter. Accordingly, in order to meet the accelerated reporting deadlines and to provide adequate time to complete the analysis each year, beginning in the third quarter of 2005, the Company changed the date on which it performs its annual goodwill impairment test from January 1 to July 1. The Company believes the July 1 alternative date will alleviate the resource constraints that exist during the first quarter and allow it to utilize additional resources in conducting the annual impairment evaluation of goodwill. The Company performed the

test at July 1, 2005, and determined that no impairment charge for goodwill was required. The change is not intended to delay, accelerate or avoid an impairment charge. The Company believes that this accounting change is an alternative accounting principle that is preferable under the circumstances.

The Company periodically evaluates long-lived assets, including property, plant and equipment, and specifically identifiable intangibles, when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted cash flows attributable to the assets, as compared to the carrying value of the assets.

(e) REGULATORY ASSETS AND LIABILITIES

The Company applies the accounting policies established in SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71), to the accounts of the Electric Transmission & Distribution business segment and the Natural Gas Distribution business segment and to some of the accounts of the Pipelines and Field Services business segment.

The following is a list of regulatory assets/liabilities reflected on the Company's Consolidated Balance Sheets as of December 31, 2004 and 2005:

DECEMBER 31,	2004	2005
(IN MILLIONS)		
Recoverable electric generation-related regulatory assets(1)	$1,946	$ 332
Securitized regulatory asset	647	2,420
Unamortized loss on reacquired debt	80	91
Other long-term regulatory assets/liabilities	47	46
Subtotal	2,720	2,889
Estimated removal costs	(677)	(662)
Total	$2,043	$2,227

- ---

(1) Excludes $147 million and $248 million of allowed equity return on the true-up balance as of December 31, 2004 and 2005, respectively. See Note 4(a).

Pursuant to a financing order issued by the Texas Utility Commission in March 2005 and affirmed in all respects in August 2005 by the same Travis County District Court considering the appeal of the True-Up Order, in December 2005 a subsidiary of CenterPoint Houston issued $1.85 billion in transition bonds with interest rates ranging from 4.84 percent to 5.30 percent and final maturity dates ranging from February 2011 to August 2020. Through issuance of the transition bonds, CenterPoint Houston recovered approximately $1.7 billion of the true-up balance determined in the True-Up Order plus interest through the date on which the bonds were issued.

If events were to occur that would make the recovery of these assets and liabilities no longer probable, the Company would be required to write-off or write-down these regulatory assets and liabilities. During 2004, the Company wrote-off net regulatory assets of $1.5 billion ($977 million after-tax) as an extraordinary loss in response to the Texas Utility Commission's order on CenterPoint Houston's final true-up application. Based on subsequent orders received from the Texas Utility Commission, the Company recorded an extraordinary gain of $47 million ($30 million after-tax) in the second quarter of 2005 related to these regulatory assets. For further discussion of regulatory assets, see Note 4.

The Company's rate-regulated businesses recognize removal costs as a component of depreciation expense in accordance with regulatory treatment. As of December 31, 2004 and 2005, these removal costs of $677 million and $662 million, respectively, are classified as regulatory liabilities in the Consolidated Balance Sheets. A portion of the amount of removal costs that relate to asset retirement obligations have been reclassified from a regulatory liability to an asset retirement liability, which is included in other liabilities in the Consolidated Balance Sheets, in connection with the Company's adoption of Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47) as further discussed in Note 2(n).

(f) DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation is computed using the straight-line method based on economic lives or a regulatory-mandated recovery period. Amortization expense includes amortization of regulatory assets and other intangibles. See Notes 2(e) and 4(a) for additional discussion of these items.

The following table presents depreciation and amortization expense for 2003, 2004 and 2005 (in millions):

2003	2004	2005	
$403	$415	$432	Amortization expense
63	75	109	Total depreciation and amortization expense
$466	$490	$541	

(g) CAPITALIZATION OF INTEREST AND ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

Allowance for funds used during construction (AFUDC) represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction. Although AFUDC increases both utility plant and earnings, it is realized in cash through depreciation provisions included in rates for subsidiaries that apply SFAS No. 71. Interest and AFUDC for subsidiaries that apply SFAS No. 71 are capitalized as a component of projects under construction and will be amortized over the assets' estimated useful lives. During 2003, 2004 and 2005, the Company capitalized interest and AFUDC of $4 million each year.

(h) INCOME TAXES

The Company files a consolidated federal income tax return and follows a policy of comprehensive interperiod income tax allocation. The Company uses the liability method of accounting for deferred income taxes and measures deferred income taxes for all significant income tax temporary differences in accordance with SFAS No. 109, "Accounting for Income Taxes." Investment tax credits were deferred and are being amortized over the estimated lives of the related property. Management evaluates uncertain tax positions and accrues for those which management believes are probable of an unfavorable outcome. For additional information regarding income taxes, see Note 9.

(i) ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are net of an allowance for doubtful accounts of $30 million and $43 million at December 31, 2004 and 2005, respectively. The provision for doubtful accounts in the Company's Statements of Consolidated Operations for 2003, 2004 and 2005 was $24 million, $27 million and $40 million, respectively.

As of December 31, 2004 and 2005, CERC had $181 million and $141 million of advances, respectively, under its receivables facility. CERC Corp. formed a bankruptcy remote subsidiary for the sole purpose of buying receivables created by CERC and selling those receivables to an unrelated third-party. These transactions were accounted for as a sale of receivables under the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," (SFAS No. 140) and, as a result, the related receivables are excluded from the Consolidated Balance Sheets. The bankruptcy remote subsidiary purchases receivables with cash and subordinated notes. The subordinated notes owned by CERC are pledged to a gas supplier to secure obligations incurred in connection with the purchase of gas by CERC and totaled approximately $433 million as of December 31, 2005.

In January 2006, CERC's $250 million receivables facility, which was temporarily increased to $375 million for the period from January 2006 to June 2006 to provide additional liquidity to CERC during the peak heating season of 2006, was extended to January 2007.

Advances under the receivables facility averaged $100 million, $190 million and $166 million in 2003, 2004 and 2005, respectively. Sales of receivables were approximately $1.2 billion, $2.4 billion and $2.0 billion in 2003, 2004 and 2005, respectively.

(j) INVENTORY

Inventory consists principally of materials and supplies and natural gas. Materials and supplies are valued at the lower of average cost or market. Inventories used in the retail natural gas distribution operations are also primarily valued at the lower of average cost or market.

DECEMBER 31,	2004	2005
(IN MILLIONS)		
Materials and supplies	$ 78	$ 88
Natural gas	176	294
Total inventory	$254	$382

(k) INVESTMENT IN OTHER DEBT AND EQUITY SECURITIES

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115), the Company reports "available-for-sale" securities at estimated fair value within other long-term assets in the Company's Consolidated Balance Sheets and any unrealized gain or loss, net of tax, as a separate component of shareholders' equity and accumulated other comprehensive income. In accordance with SFAS No. 115, the Company reports "trading" securities at estimated fair value in the Company's Consolidated Balance Sheets, and any unrealized holding gains and losses are recorded as other income (expense) in the Company's Statements of Consolidated Operations.

As of December 31, 2004, Texas Genco held debt and equity securities in its nuclear decommissioning trust, which was reported at its fair value of $216 million in the Company's Consolidated Balance Sheets in non-current assets of discontinued operations. Any unrealized losses or gains were accounted for as a non-current asset/liability of discontinued operations as Texas Genco will not benefit from any gains, and losses will be recovered through the rate-making process.

As of December 31, 2004 and 2005, the Company held an investment in Time Warner Inc. common stock, which was classified as a "trading" security. For information regarding this investment, see Note 6.

(l) ENVIRONMENTAL COSTS

The Company expenses or capitalizes environmental expenditures, as appropriate, depending on their future economic benefit. The Company expenses amounts that relate to an existing condition caused by past operations, and that do not have future economic benefit. The Company records undiscounted liabilities related to these future costs when environmental assessments and/or remediation activities are probable and the costs can be reasonably estimated.

(m) STATEMENTS OF CONSOLIDATED CASH FLOWS

For purposes of reporting cash flows, the Company considers cash equivalents to be short-term, highly liquid investments with maturities of three months or less from the date of purchase. In connection with the issuance of transition bonds in October 2001 and December 2005, the Company was required to establish restricted cash accounts to collateralize the bonds that were issued in these financing transactions. These restricted cash accounts are not available for withdrawal until the maturity of the bonds. Cash and Cash Equivalents does not include restricted cash. For additional information regarding the December 2005 securitization financing, see Notes 4(a) and 8(a).

(n) NEW ACCOUNTING PRONOUNCEMENTS

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3" (SFAS No. 154). SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. The correction of an error in previously issued financial statements is not an accounting change and must be reported as a prior-period adjustment by restating previously issued financial statements. SFAS No. 154 was effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In March 2005, the FASB issued FIN 47. FIN 47 clarifies that an entity must record a liability for a "conditional" asset retirement obligation if the fair value of the obligation can be reasonably estimated. The Company has identified conditional asset retirement obligations in the natural gas distribution segment that exist due to requirements of the U.S. Department of Transportation to cap and purge certain mains upon retirement. Also, the Company identified conditional asset retirement obligations for treated utility poles and for transformers contaminated by polychlorinated biphenyls. The fair value of these obligations is recorded as a liability on a discounted basis with a corresponding increase to the related asset. Over time, the liabilities are accreted for the change in the present value and the initial capitalized costs are depreciated over the useful lives of the related assets. The adoption of FIN 47, effective December 31, 2005, resulted in the recognition of an asset retirement obligation liability of $76 million, an increase in net property, plant and equipment of $37 million and a $39 million increase in net regulatory assets. The Company's rate-regulated businesses have previously recognized removal costs as a component of depreciation expense in accordance with regulatory treatment, and these costs have been classified as a regulatory liability. Upon adoption of FIN 47, the portion of the removal costs that relates to this asset retirement obligation has been reclassified from a regulatory liability to an asset retirement liability, which is included in other liabilities in the Consolidated Balance Sheets.

The pro forma effect of applying this guidance in the prior periods would have resulted in an asset retirement obligation of approximately $67 million and $72 million as of January 1, 2004 and December 31, 2004, respectively.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments" (SFAS No. 155). SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 140. SFAS No. 155 includes provisions that permit fair value remeasurement for any hybrid financial instrument that contains an embedded derivative and that otherwise would require bifurcation. It also establishes a requirement to evaluate interests in securitized financial assets to identify interests that are free-standing or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of the Company's first fiscal year that begins after September 15, 2006. The fair value election in SFAS No. 155 may also be applied upon adoption for hybrid instruments that have been bifurcated under SFAS No. 133 prior to the adoption of this statement. The Company is evaluating the effect of adoption of this new standard on its financial position, results of operations and cash flows and does not expect the standard to have a material impact.

(o) STOCK-BASED INCENTIVE COMPENSATION PLANS AND EMPLOYEE BENEFIT PLANS

STOCK-BASED INCENTIVE COMPENSATION PLANS

The Company has long-term incentive compensation plans (LICPs) that provide for the issuance of stock-based incentives, including performance-based shares, performance-based units, restricted shares and stock options to directors, officers and key employees. A maximum of approximately 36 million shares of CenterPoint Energy common stock is authorized to be issued under these plans.

Performance-based shares, performance-based units and restricted shares are granted to employees without cost to the participants. The performance shares and units are distributed based upon the performance of the Company over a three-year cycle. The restricted shares vest at various times ranging from one year to the end of a three-year period. Upon vesting, the shares are issued to the participants along with the value of common dividends declared during the vesting period. The restricted shares granted in 2005 are subject to the performance condition that common dividends declared during the vesting period must be at least $1.20 per share.

Option awards are generally granted with an exercise price equal to the average of the high and low sales price of the Company's stock at the date of grant. These option awards generally become exercisable in one-third increments on each of the first through third anniversaries of the grant date and have 10-year contractual terms. No options were granted during 2005.

Effective January 1, 2005, the Company adopted SFAS No. 123 (Revised 2004), "Share-Based Payment" (SFAS 123(R)), using the modified prospective transition method. Under this method, the Company records compensation expense at fair value for all awards it grants after the date it adopted the standard. In addition, the Company records compensation expense at fair value (as previous awards continue to vest) for the unvested portion of previously granted stock option awards that were outstanding as of the date of adoption. Pre-adoption awards of time-based restricted stock and performance-based restricted stock will continue to be expensed using the guidance contained in Accounting Principles Board Opinion No. 25. The adoption of SFAS 123(R) did not have a material impact on the Company's results of operations, financial condition or cash flows.

The Company recorded LICP compensation expense of $9 million, $8 million and $13 million in 2003, 2004 and 2005, respectively.

The total income tax benefit recognized related to such arrangements was $4 million, $3 million and $5 million in 2003, 2004 and 2005, respectively. No compensation cost related to such arrangements was capitalized as a part of inventory or fixed assets in 2003, 2004 or 2005.

Pro forma information for 2003 and 2004 is provided to show the effect of amortizing stock-based compensation to expense on a straight-line basis over the vesting period. Had compensation costs been determined as prescribed by SFAS No. 123, the Company's net income and earnings per share would have been as follows (in millions, except per share amounts):

YEAR ENDED DECEMBER 31, ---------- 2003 2004 -----
---------- Net income (loss) as reported..... $ 484 $ (905)
Add: Total stock-based employee compensation expense as recorded, net of related tax effects..... 6 5 Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects..... (16) (9) ---- ---------- Pro-forma net income (loss)..... $ 474 $ (909)
===== ====== Basic Earnings (Loss) Per Share: As reported.....
$1.59 $(2.94) Pro-forma.....
$1.56 $(2.95) Diluted Earnings (Loss) Per Share: As reported.....
$1.46 $(2.48) Pro-forma.....
$1.43 $(2.49)

The following tables summarize the methods used to measure compensation cost for the various types of awards granted under the LICPs:

FOR AWARDS GRANTED BEFORE JANUARY 1, 2005

AWARD TYPE METHOD USED TO DETERMINE COMPENSATION COST - ---------- ----
---
--- Performance shares.....
Initially measured using fair value and expected achievement levels on the date of grant. Compensation cost is then periodically adjusted to reflect changes in market prices and achievement through the settlement date. Performance units.....
Initially measured using the award's target unit value of $100 that reflects expected achievement levels on the date of grant. Compensation cost is then periodically adjusted to reflect changes in achievement through the settlement date. Time-based restricted stock.....
Measured using fair value on the grant date. Stock options.....
Estimated using the Black-Scholes option valuation method.

In 2003 and 2004, the fair values of stock options were estimated using the Black-Scholes option valuation model with the following assumptions:

2003 2004 ----- ----- Expected life in years..... 5 5 Interest rate..... 2.62%
3.02%
Volatility.....
52.60% 27.23% Expected common stock dividend..... $0.40 $0.40

FOR AWARDS GRANTED AS OF AND AFTER JANUARY 1, 2005

AWARD TYPE	METHOD USED TO DETERMINE COMPENSATION COST
Performance shares	Measured using fair value and expected achievement levels on the grant date. Time-based restricted stock	Measured using fair value on the grant date.

For awards granted before January 1, 2005, forfeitures of awards were measured upon their occurrence. For awards granted as of and after January 1, 2005, forfeitures are estimated on the date of grant and are adjusted as required through the remaining vesting period.

The following tables summarize the Company's LICP activity for 2005:

STOCK OPTIONS

OUTSTANDING OPTIONS YEAR ENDED DECEMBER 31, 2005	SHARES (THOUSANDS)	WEIGHTED-AVERAGE EXERCISE PRICE	REMAINING CONTRACTUAL LIFE (YEARS)	AGGREGATE INTRINSIC VALUE (MILLIONS)
- Outstanding at December 31, 2004	16,159	$15.42		
Forfeited or expired	(1,248)	16.96		
Exercised	(1,244)	7.00		
Outstanding at December 31, 2005	13,667	16.05	4.2	$25
Exercisable at December 31, 2005	11,808	17.13	3.6	18

NON-VESTED OPTIONS YEAR ENDED DECEMBER 31, 2005	SHARES (THOUSANDS)	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
-- Outstanding at December 31, 2004	4,072	$1.70
Vested	(2,166)	1.62
Forfeited or expired	(47)	1.95
----- Outstanding at December 31, 2005	1,859	1.79

PERFORMANCE SHARES

OUTSTANDING SHARES YEAR ENDED DECEMBER 31, 2005	SHARES (THOUSANDS)	REMAINING CONTRACTUAL LIFE (YEARS)	AGGREGATE INTRINSIC VALUE (MILLIONS)
Outstanding at December 31, 2004	1,169		
Granted	945		
Forfeited	(181)		
Vested and released to participants	(373)		
Outstanding at December 31, 2005	1,560	1.1	$16

NON-VESTED SHARES YEAR ENDED DECEMBER 31, 2005 -------
---------- WEIGHTED-AVERAGE SHARES GRANT
DATE (THOUSANDS) FAIR VALUE ----------- --------------
-- Outstanding at December 31,
2004..... 756 $ 5.70
Granted.....
945 12.13
Forfeited.....
(121) 9.17 Vested and released to
participants..... (20) 5.64 -----
Outstanding at December 31,
2005..... 1,560 9.33 =====

The non-vested and outstanding shares displayed in the above tables assume that shares are issued at the maximum performance level (150%). The aggregate intrinsic value reflects the impacts of current expectations of achievement and stock price.

PERFORMANCE-BASED UNITS

OUTSTANDING AND NON-VESTED
UNITS YEAR ENDED DECEMBER 31,
2005 ----------

---------- WEIGHTED-
AVERAGE REMAINING AVERAGE
UNITS GRANT DATE CONTRACTUAL
LIFE AGGREGATE INTRINSIC
(THOUSANDS) FAIR VALUE (YEARS)
VALUE (MILLIONS) ---------- -
---------- ----------
--- ----------
Outstanding at December 31,
2004.....
37 $100.00
Forfeited.....
(2) 100.00 Vested and released
to
participants.....
(1) 100.00 -- Outstanding at
December 31,
2005.....
34 100.00 1.0 $3 ==

The aggregate intrinsic value reflects the value of the performance units given current expectations of performance through the end of the cycle.

TIME-BASED RESTRICTED STOCK

OUTSTANDING AND NON-VESTED
SHARES YEAR ENDED DECEMBER 31,
2005 ----------

---------- WEIGHTED-
AVERAGE REMAINING AVERAGE
SHARES GRANT DATE CONTRACTUAL
LIFE AGGREGATE INTRINSIC
(THOUSANDS) FAIR VALUE (YEARS)
VALUE (MILLIONS) ---------- -
---------- ----------
--- ----------
Outstanding at December 31,
2004.....
769 $ 7.49
Granted.....
307 12.25
Forfeited.....
(70) 8.79 Vested and released
to
participants.....
(37) 8.11 --- Outstanding at
December 31,
2005.....
969 8.88 1.0 $12 ===

The weighted-average grant-date fair values of awards granted were as follows for 2003, 2004 and 2005:

YEAR ENDED DECEMBER 31, ---------- 2003 2004
2005 ----- ------- ------
Options.....

$1.66 $ 1.86 $ -- Performance
units..... -- 100.00
-- Performance
shares..... 5.70 --
12.13 Time-based restricted
stock..... 5.83 10.95 12.25

The total intrinsic value of awards received by participants were as follows for 2003, 2004 and 2005:

YEAR ENDED DECEMBER 31,		
2003	2004	2005
(IN MILLIONS)		
Options exercised	$--	$ 3
$ 8		
Performance shares	--	7
5		
Time-based restricted stock	5	--
--		

As of December 31, 2005, there was $13 million of total unrecognized compensation cost related to non-vested LICP arrangements. That cost is expected to be recognized over a weighted-average period of 1.7 years.

Cash received from LICPs was $1 million, $4 million and $9 million for 2003, 2004 and 2005, respectively.

The actual tax benefit realized for tax deductions related to LICPs totaled $2 million, $4 million and $5 million, for 2003, 2004 and 2005, respectively.

The Company has a policy of issuing new shares in order to satisfy share-based payments related to LICPs.

PENSION AND POSTRETIREMENT BENEFITS

The Company maintains a non-contributory qualified defined benefit plan covering substantially all employees, with benefits determined using a cash balance formula. Under the cash balance formula, participants accumulate a retirement benefit based upon 4% of eligible earnings and accrued interest. Prior to 1999, the pension plan accrued benefits based on years of service, final average pay and covered compensation. Certain employees participating in the plan as of December 31, 1998 automatically receive the greater of the accrued benefit calculated under the prior plan formula through 2008 or the cash balance formula. Participants are 100% vested in their benefit after completing five years of service.

The Company provides certain healthcare and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees become eligible for these benefits if they have met certain age and service requirements at retirement, as defined in the plans. Under plan amendments, effective in early 1999, healthcare benefits for future retirees were changed to limit employer contributions for medical coverage.

Such benefit costs are accrued over the active service period of employees. The net unrecognized transition obligation, resulting from the implementation of accrual accounting, is being amortized over approximately 20 years.

In January 2005, the Department of Health and Human Services' Centers for Medicare and Medicaid Services released final regulations governing the Medicare prescription drug benefit and other key elements of the Medicare Modernization Act. Under the final regulations, a greater portion of benefits offered under the Company's plans meets the definition of actuarial equivalence and therefore qualifies for federal subsidies equal to 28% of allowable drug costs. As a result, the Company has remeasured its obligations and costs to take into account the new regulations. The Medicare subsidy reduced 2005's net periodic postretirement benefit costs by approximately $8 million, including $3 million of amortization of the actuarial loss, $2 million of reduced service cost and $3 million of reduced interest cost on the accumulated postretirement benefit obligation.

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

YEAR ENDED DECEMBER 31,						
	2003		2004		2005	
	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS
	(IN MILLIONS)					
Service cost	$ 37	$ 4	$ 40	$ 4	$ 34	$ 2
Interest cost	102	31	102	31	95	27
Expected return on plan assets	(92)	(11)	(103)	(13)	(137)	(12)
Net amortization	43	13	37	13	38	9
Curtailment	--	--	--	17	--	--
Benefit enhancement	--	--	4	2	--	--
Other	1	--	--	--	--	--
Net periodic cost	$ 90	$ 37	$ 80	$ 54	$ 30	$ 27
Above amounts include the following net periodic cost related to discontinued operations	$ 17	$ 4	$ 11	$ 20	$ --	$ --

The Company used the following assumptions to determine net periodic cost relating to pension and postretirement benefits:

DECEMBER 31,						
	2003		2004		2005	
	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS
Discount rate	6.75%	6.75%	6.25%	6.25%	5.75%	5.75%
Expected return on plan assets	9.00	9.00	9.00	8.50	8.50	8.00
Rate of increase in compensation levels	4.10	--	4.10	--	4.60	--

In determining net periodic benefits cost, the Company uses fair value, as of the beginning of the year, as its basis for determining expected return on plan assets.

The following table displays the change in the benefit obligation, the fair value of plan assets and the amounts included in the Company's Consolidated Balance Sheets as of December 31, 2004 and 2005 for the Company's pension and postretirement benefit plans:

DECEMBER 31,	2004		2005	
	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS
	(IN MILLIONS)			
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation, beginning of year	$1,692	$ 518	$1,710	$ 535
Service cost	40	4	34	2
Interest cost	102	31	95	27
Participant contributions	--	6	--	5
Benefits paid	(124)	(42)	(106)	(38)
Plan amendments	--	(20)	--	--
Divestitures	(165)	--	--	--
Actuarial loss (gain)	161	36	16	(65)
Curtailment, benefit enhancement and settlement	4	2	--	1
Benefit obligation, end of year	$1,710	$ 535	$1,749	$ 467
CHANGE IN PLAN ASSETS				
Plan assets, beginning of year	$1,194	$ 150	$1,657	$ 156
Employer contributions	476	27	75	24
Participant contributions	--	6	--	5
Benefits paid	(124)	(42)	(106)	(38)
Divestitures	(40)	--	--	--
Actual investment return	151	15	103	7
Plan assets, end of year	$1,657	$ 156	$1,729	$ 154
RECONCILIATION OF FUNDED STATUS				
Funded status	$ (53)	$(379)	$ (20)	$(313)
Unrecognized actuarial loss	714	96	719	36
Unrecognized prior service cost	(51)	14	(44)	12
Unrecognized transition obligation	--	65	--	58
Net amount recognized in balance sheets	$ 610	$(204)	$ 655	$(207)
ACTUARIAL ASSUMPTIONS				
Discount rate	5.75%		5.75%	
Expected return on plan assets	8.50	8.00	8.50	8.00
Rate of increase in compensation levels	4.60	--	4.60	--
Healthcare cost trend rate assumed for the next year		9.75		9.00
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)		5.50		5.50
Year that the rate reaches the ultimate trend rate		2011		2011

DECEMBER 31, ----

------ 2004 2005

------------ ----

-------- PENSION
POSTRETIREMENT
PENSION
POSTRETIREMENT
BENEFITS BENEFITS
BENEFITS BENEFITS
------------ ----
---------- ------
------ ----------
---- (IN
MILLIONS)
ADDITIONAL
INFORMATION
Accumulated
benefit
obligation.....
$1,635 $535
$1,688 $467
Change in minimum
liability
included in other
comprehensive
income.....
(559) -- -- --
Measurement date
used to determine
plan obligations
and
assets.....
December 31,
December 31,
December 31,
December 31, 2004
2004 2005 2005

Assumed healthcare cost trend rates have a significant effect on the reported amounts for the Company's postretirement benefit plans. A 1% change in the assumed healthcare cost trend rate would have the following effects:

1% 1% INCREASE
DECREASE -------- ----
---- (IN MILLIONS)
Effect on total of
service and interest
cost..... $
1 $ (1) Effect on the
postretirement benefit
obligation.....
19 (16)

The following table displays the weighted-average asset allocations as of December 31, 2004 and 2005 for the Company's pension and postretirement benefit plans:

DECEMBER 31, ----------
---------- 2004 2005 ---
---------- ----------
-------- PENSION POSTRETIREMENT PENSION
POSTRETIREMENT BENEFITS BENEFITS
BENEFITS BENEFITS -------- ----------
- -------- ---------- Domestic
equity securities..... 57% 34%
48% 27% Global equity
securities..... -- -- 10 --
International equity
securities..... 15 11 11 9 Debt
securities..... 26
54 30 64 Real
estate..... 2 -
- 1 --
Cash.....
-- 1 -- -- --- --- --- ---
Total.....
100% 100% 100% 100% === === === ===

In managing the investments associated with the benefit plans, the Company's objective is to preserve and enhance the value of plan assets while maintaining an acceptable level of volatility. These objectives are expected to be achieved through an investment strategy that manages liquidity requirements while maintaining a long-term horizon in making investment decisions and efficient and effective management of plan assets.

As part of the investment strategy discussed above, the Company has adopted and maintains the following weighted average allocation targets for its benefit plans:

PENSION	POSTRETIREMENT BENEFITS
BENEFITS	
Domestic equity securities	45-55%
	22-32%
Global equity securities	7-13%
	--
International equity securities	7-13%
	4-14%
Debt securities	24-34%
	60-70%
Real estate	0-5%
	--
Cash	0-2%
	0-2%

The expected rate of return assumption was developed by reviewing the targeted asset allocations and historical index performance of the applicable asset classes over a 15-year period, adjusted for investment fees and diversification effects.

The pension plan did not include any holdings of CenterPoint Energy common stock as of December 31, 2004 or 2005.

Although funding for the Company's pension and postretirement plans was not required during 2005, the Company contributed $75 million and $24 million to its pension plan and postretirement benefits plan in 2005, respectively.

Contributions to the pension plan are not required in 2006; however, the Company expects to make a contribution. The Company expects to contribute approximately $26 million to its postretirement benefits plan in 2006.

The following benefit payments are expected to be paid by the pension and postretirement benefit plans (in millions):

	POSTRETIREMENT BENEFIT PLAN	
	BENEFITS PAYMENTS	MEDICARE SUBSIDY RECEIPTS
2006	$104	$31
		$ (4)
2007	108	32
		(5)
2008	113	33
		(5)
2009	118	35
		(5)
2010	122	36
		(5)
2011-2015	646	200
		(31)

In addition to the non-contributory pension plans discussed above, the Company maintains a non-qualified benefit restoration plan which allows participants to retain the benefits to which they would have been entitled under the Company's non-contributory pension plan except for the federally mandated limits on qualified plan benefits or on the level of compensation on which qualified plan benefits may be calculated. The expense associated with this non-qualified plan was $8 million, $6 million and $6 million in 2003, 2004 and 2005, respectively. The accrued benefit liability for the non-qualified pension plan was $69 million and $79 million at December 31, 2004 and 2005, respectively. In addition, these accrued benefit liabilities include the recognition of minimum liability adjustments of $10 million as of December 31, 2004 and $14 million as of December 31, 2005, which are reported as a component of other comprehensive income, net of income tax effects.

The following table displays the Company's plans that have or have had accumulated benefit obligations in excess of plan assets:

DECEMBER 31,					
				2004	
2005					
			PENSION RESTORATION		
		POSTRETIREMENT PENSION RESTORATION			
	POSTRETIREMENT BENEFITS				
PENSION BENEFITS	BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	BENEFITS	POSTRETIREMENT BENEFITS
			(IN MILLIONS)		
Accumulated benefit obligation					
$1,635	$69	$535	$1,688	$79	$467
Projected benefit obligation					
1,710	81	535	1,749	81	467
Plan assets					
1,657	--	156	1,729	--	154

On January 5, 2006, the Company offered a Voluntary Early Retirement Program (VERP) to approximately 200 employees who were age 55 or older with at least five years of service as of February 28, 2006. The election period was from January 5, 2006 through February 28, 2006. For those electing to accept the VERP, three years of age and service will be added to their qualified pension plan benefit and three years of service will be added to their postretirement benefit. The one-time additional pension and postretirement expense of approximately $9 million will be reflected in the first quarter of 2006.

SAVINGS PLAN

The Company has a qualified employee savings plan that includes a cash or deferred arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code), and an employee stock ownership plan (ESOP) under Section 4975(e)(7) of the Code. Under the plan, participating employees may contribute a portion of their compensation, on a pre-tax or after-tax basis, generally up to a maximum of 16% of compensation. The Company matches 75% of the first 6% of each employee's compensation contributed. The Company may contribute an additional discretionary match of up to 50% of the first 6% of each employee's compensation contributed. These matching contributions are fully vested at all times.

Participating employees may elect to invest all or a portion of their contributions to the plan in CenterPoint Energy common stock, to have dividends reinvested in additional shares or to receive dividend payments in cash on any investment in CenterPoint Energy common stock, and to transfer all or part of their investment in CenterPoint Energy common stock to other investment options offered by the plan.

The savings plan has significant holdings of CenterPoint Energy common stock. As of December 31, 2005, an aggregate of 27,720,006 shares of CenterPoint Energy's common stock were held by the savings plan, which represented 28% of its investments. Given the concentration of the investments in CenterPoint Energy's common stock, the savings plan and its participants have market risk related to this investment.

The Company's savings plan benefit expense was $38 million, $40 million and $35 million in 2003, 2004 and 2005, respectively. Included in these amounts is $7 million, $6 million and less than $1 million of savings plan benefit expense for 2003, 2004 and 2005, respectively, related to Texas Genco participants. Amounts for Texas Genco's participants are reflected as discontinued operations in the Statements of Consolidated Operations.

POSTEMPLOYMENT BENEFITS

Net postemployment benefit costs for former or inactive employees, their beneficiaries and covered dependents, after employment but before retirement (primarily healthcare and life insurance benefits for participants in the long-term disability plan) were $10 million, $8 million and $8 million in 2003, 2004 and 2005, respectively.

Included in "Benefit Obligations" in the accompanying consolidated Balance Sheets at December 31, 2004 and 2005 was $38 million and $42 million, respectively, relating to postemployment obligations.

OTHER NON-QUALIFIED PLANS

The Company has non-qualified deferred compensation plans that provide benefits payable to directors, officers and certain key employees or their designated beneficiaries at specified future dates, upon termination, retirement or death. Benefit payments are made from the general assets of the Company. During 2003, 2004 and 2005, the Company recorded benefit expense relating to these programs of $13 million, $9 million and $8 million, respectively. Included in "Benefit Obligations" in the accompanying Consolidated Balance Sheets at December 31, 2004 and 2005 was $121 million and $113 million, respectively, relating to deferred compensation plans. Included in "Non-Current Liabilities of Discontinued Operations" in the accompanying Consolidated Balance Sheets at December 31, 2004 was $3 million relating to deferred compensation plans for Texas Genco participants.

CHANGE OF CONTROL AGREEMENTS AND OTHER EMPLOYEE MATTERS

In December 2003, the Company entered into agreements with certain of its executive officers that generally provide, to the extent applicable, in the case of a change of control of the Company and termination of employment, for severance benefits of up to three times annual base salary plus bonus and other benefits. By their terms, these agreements will expire December 31, 2006.

As of December 31, 2005, approximately 30% of the Company's employees are subject to collective bargaining agreements. Two of these agreements, covering approximately 19% of the Company's employees, have expired or will expire in 2006. Minnesota Gas, a division of our natural gas distribution business, has 466 bargaining unit employees that are covered by a collective bargaining unit agreement with the United Association of Journeymen and Apprentices of Plumbing and Pipe Fitting Industry of US and Canada Local 340 that expires in April 2006. CenterPoint Houston has 1225 bargaining unit employees that are covered by a collective bargaining unit agreement with the International Brotherhood of Electrical Workers Local 66, which expires in May 2006. The Company has a good relationship with these bargaining units and expects to renegotiate new agreements in 2006.

(3) DISCONTINUED OPERATIONS

Latin America. In February 2003, the Company sold its interest in Argener, a cogeneration facility in Argentina, for $23 million. The carrying value of this investment was approximately $11 million as of December 31, 2002. The Company recorded an after-tax gain of $7 million from the sale of Argener in the first quarter of 2003. In April 2003, the Company sold its final remaining investment in Argentina, a 90 percent interest in Empresa Distribuidora de Electricidad de Santiago del Estero S.A. The Company recorded an after-tax loss of $3 million in the second quarter of 2003 related to its Latin America operations.

Revenues related to the Company's Latin America operations included in discontinued operations for the year ended December 31, 2003 were $2 million. Income from these discontinued operations for the year ended December 31, 2003 is reported net of income tax expense of $2 million.

CenterPoint Energy Management Services, Inc. In November 2003, the Company completed the sale of a component of its Other Operations business segment, CenterPoint Energy Management Services, Inc. (CEMS), that provides district cooling services in the Houston central business district and related complementary energy services to district cooling customers and others. The Company recorded an after-tax loss of $1 million from the sale of CEMS in the fourth quarter of 2003. The Company recorded an after-tax loss in discontinued operations of $16 million ($25 million pre-tax) during the second quarter of 2003 to

record the impairment of the CEMS long-lived assets based on the impending sale and to record one-time employee termination benefits.

Revenues related to CEMS included in discontinued operations for the year ended December 31, 2003 were $10 million. Loss from these discontinued operations for the year ended December 31, 2003 is reported net of income tax benefit of $2 million.

Texas Genco. In July 2004, the Company announced its agreement to sell Texas Genco to Texas Genco LLC. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco's principal remaining asset was its ownership interest in the South Texas Project Electric Generating Station, a nuclear generating facility (South Texas Project). The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to the Company of $700 million, was completed on April 13, 2005.

The following table summarizes the components of the income (loss) from discontinued operations of Texas Genco for each of the years ended December 31, 2003, 2004 and 2005:

YEAR ENDED DECEMBER 31,	2003	2004	2005
	(IN MILLIONS)		
Texas Genco net income (loss) as reported	$250	$ (99)	$10
Adjustment for Texas Genco loss on sale of fossil assets, net of tax(1)	--	426	--
Texas Genco net income as adjusted for loss on sale of fossil assets	250	327	10
Adjustment for general corporate overhead reclassification, net of tax(2)	18	13	1
Adjustment for interest expense reclassification, net of tax(3)			
Adjusted income from discontinued operations of Texas Genco, net of tax	139	294	11
Minority interest in discontinued operations of Texas Genco			
Income from discontinued operations of Texas Genco, net of tax and minority interest	91	233	11
Loss on sale of Texas Genco, net of tax	--	(214)	(4)
Loss offsetting Texas Genco's earnings, net of tax	--	(152)	(10)
Loss on disposal of Texas Genco, net of tax	--	(366)	(14)
Total Discontinued Operations of Texas Genco	$ 91	$(133)	$(3)

- ---

(1) In 2004, Texas Genco recorded an after-tax loss of $426 million related to the sale of its coal, lignite and gas-fired generation plants which occurred in the first step of the transaction pursuant to which Texas Genco was sold. This loss was reversed by CenterPoint Energy to reflect its estimated loss on the sale of Texas Genco.

(2) General corporate overhead previously allocated to Texas Genco from CenterPoint Energy, which will not be eliminated by the sale of Texas Genco, was excluded from income from discontinued operations and is reflected as general corporate overhead of CenterPoint Energy in income from continuing operations in accordance with SFAS No. 144.

(3) Interest expense was reclassified to discontinued operations of Texas Genco related to the applicable amounts of CenterPoint Energy's term loan and revolving credit facility debt that would have been assumed to be paid off with any proceeds from the sale of Texas Genco during those respective periods in accordance with SFAS No. 144.

Revenues related to Texas Genco included in discontinued operations for the years ended December 31, 2003, 2004 and 2005 were $2.0 billion, $2.1 billion and $62 million, respectively. Income from these discontinued operations for the years ended December 31, 2003, 2004 and 2005 is reported net of income tax expense of $71 million, $166 million and $4 million, respectively.

Summarized balance sheet information as of December 31, 2004 related to discontinued operations of Texas Genco is as follows:

DECEMBER 31, 2004	(IN MILLIONS)
CURRENT ASSETS: Cash and cash equivalents	$ 43
Restricted cash	
390 Accounts receivable, principally trade	
28 Other current assets	53
Total current assets	514
NON-CURRENT ASSETS: Funds held for purchase of additional interest in South Texas Project	
191 Other non-current assets	860
Total non-current assets	1,051
TOTAL ASSETS	1,565
CURRENT LIABILITIES: Accounts payable, principally trade	
17 Payable to minority shareholders	
390 Other current liabilities	42
Total current liabilities	449
OTHER LONG-TERM LIABILITIES(1)	420
TOTAL LIABILITIES	
869 MINORITY INTEREST	
NET ASSETS OF DISCONTINUED OPERATIONS	$ 696

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(1) Taxes payable resulting from the sale were paid by the Company, and were included in current liabilities as of December 31, 2004.

On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Texas Genco used approximately $716 million of the cash proceeds from the sale to repay an overnight bridge loan that Texas Genco had entered into in order to finance the repurchase of Texas Genco's common stock held by minority shareholders prior to the first step of the Texas Genco sale. Texas Genco distributed the balance of the cash proceeds from the sale ($2.097 billion) and cash on hand ($134 million), for a total of $2.231 billion, to the Company. Included in current assets of discontinued operations as of December 31, 2004 was $390 million of restricted cash designated to buy back the remaining shares of Texas Genco's common stock which had not yet been tendered by Texas Genco's former minority shareholders.

As of December 31, 2004, Texas Genco owned a 30.8% interest in the South Texas Project, which consists of two 1,250 megawatt nuclear generating units and bore a corresponding 30.8% share of capital and operating costs associated with the project. As of December 31, 2004, the South Texas Project was owned as a tenancy in common among Texas Genco and three other co-owners, with each owner retaining its undivided ownership interest in the two generating units and the electrical output from those units. Texas Genco was severally liable, but not jointly liable, for the expenses and liabilities of the South Texas Project. Texas Genco and the three other co-owners organized the STP Nuclear Operating Company (STPNOC) to operate and maintain the South Texas Project. STPNOC was managed by a board of directors comprised of one director appointed by each of the four co-owners, along with the chief executive officer of STPNOC. Texas Genco's share of direct expenses of the South Texas Project was included in discontinued operations in the Statements of Consolidated Operations. As of December 31, 2004, Texas Genco's total utility plant for the South Texas Project was $436 million (net of $2.3 billion accumulated depreciation, which includes an impairment loss recorded in 1999 of $745 million). As of December 31, 2004, Texas Genco's investment in nuclear fuel was $34 million (net of $334 million amortization). These assets were included in non-current assets of discontinued operations in the Consolidated Balance Sheets.

(4) REGULATORY MATTERS

(a) RECOVERY OF TRUE-UP BALANCE

The Texas Electric Choice Plan (Texas electric restructuring law), which became effective in September 1999, substantially amended the regulatory structure governing electric utilities in order to allow retail competition for electric customers beginning in January 2002. The Texas electric restructuring law requires the Texas Utility Commission to conduct a "true-up" proceeding to determine CenterPoint Houston's stranded costs and certain other costs resulting from the transition to a competitive retail electric market and to provide for its recovery of those costs. In March 2004, CenterPoint Houston filed its true-up application with the Texas Utility Commission, requesting recovery of $3.7 billion, excluding interest. In December 2004, the Texas Utility Commission issued its final order (True-Up Order) allowing CenterPoint Houston to recover a true-up balance of approximately $2.3 billion, which included interest through August 31, 2004, and providing for adjustment of the amount to be recovered to include interest on the balance until recovery, the principal portion of additional excess mitigation credits returned to customers after August 31, 2004 and certain other matters. CenterPoint Houston and other parties filed appeals of the True-Up Order to a district court in Travis County, Texas. In August 2005, the court issued its final judgment on the various appeals. In its judgment, the court affirmed most aspects of the True-Up Order, but reversed two of the Texas Utility Commission's rulings. The judgment would have the effect of restoring approximately $650 million, plus interest, of the $1.7 billion the Texas Utility Commission had disallowed from CenterPoint Houston's initial request. First, the court reversed the Texas Utility Commission's decision to prohibit CenterPoint Houston from recovering $180 million in credits through August 2004 that CenterPoint Houston was ordered to provide to retail electric providers as a result of an inaccurate stranded cost estimate made by the Texas Utility Commission in 2000. Additional credits of approximately $30 million were paid after August 2004. Second, the court reversed the Texas Utility Commission's disallowance of $440 million in transition costs which are recoverable under the Texas Utility Commission's regulations. CenterPoint Houston and other parties appealed the district court decisions. Briefs have been filed with the 3rd Court of Appeals in Austin but oral argument has not yet been scheduled. No amounts related to the court's judgment have been recorded in the consolidated financial statements.

Among the issues raised in CenterPoint Houston's appeal of the True-Up Order is the Texas Utility Commission's reduction of CenterPoint Houston's stranded cost recovery by approximately $146 million for the present value of certain deferred tax benefits associated with its former Texas Genco assets. Such reduction was considered in the Company's recording of an after-tax extraordinary loss of $977 million in the last half of 2004. The Company believes that the Texas Utility Commission based its order on proposed

regulations issued by the Internal Revenue Service (IRS) in March 2003 related to those tax benefits. Those proposed regulations would have allowed utilities which were deregulated before March 4, 2003 to make a retroactive election to pass the benefits of Accumulated Deferred Investment Tax Credits (ADITC) and Excess Deferred Federal Income Taxes back to customers. However, in December 2005, the IRS withdrew those proposed normalization regulations and issued new proposed regulations that do not include the provision allowing a retroactive election to pass the tax benefits back to customers. If the December 2005 proposed regulations become effective and if the Texas Utility Commission's order on this issue is not reversed on appeal or the amount of the tax benefits is not otherwise restored by the Texas Utility Commission, the IRS is likely to consider that a "normalization violation" has occurred. If so, the IRS could require the Company to pay an amount equal to CenterPoint Houston's unamortized ADITC balance as of the date that the normalization violation was deemed to have occurred. In addition, if a normalization violation is deemed to have occurred, the IRS could also deny CenterPoint Houston the ability to elect accelerated depreciation benefits. If a normalization violation should ultimately be found to exist, it could have an adverse impact on the Company's results of operations, financial condition and cash flows. However, the Company and CenterPoint Houston are vigorously pursuing the appeal of this issue and will seek other relief from the Texas Utility Commission to avoid a normalization violation. The Texas Utility Commission has not previously required a company subject to its jurisdiction to take action that would result in a normalization violation.

There are two ways for CenterPoint Houston to recover the true-up balance: by issuing transition bonds to securitize the amounts due and/or by implementing a competition transition charge (CTC). Pursuant to a financing order issued by the Texas Utility Commission in March 2005 and affirmed in all respects in August 2005 by the same Travis County District Court considering the appeal of the True-Up Order, in December 2005 a subsidiary of CenterPoint Houston issued $1.85 billion in transition bonds with interest rates ranging from 4.84 percent to 5.30 percent and final maturity dates ranging from February 2011 to August 2020. Through issuance of the transition bonds, CenterPoint Houston recovered approximately $1.7 billion of the true-up balance determined in the True-Up Order plus interest through the date on which the bonds were issued.

In July 2005, CenterPoint Houston received an order from the Texas Utility Commission allowing it to implement a CTC which will collect approximately $596 million over 14 years plus interest at an annual rate of 11.075 percent (CTC Order). The CTC Order authorizes CenterPoint Houston to impose a charge on retail electric providers to recover the portion of the true-up balance not covered by the financing order. The CTC Order also allows CenterPoint Houston to collect approximately $24 million of rate case expenses over three years without a return through a separate tariff rider (Rider RCE). CenterPoint Houston implemented the CTC and Rider RCE effective September 13, 2005 and began recovering approximately $620 million. During the period from September 13, 2005, the date of implementation of the CTC Order, through December 31, 2005, CenterPoint Houston recognized approximately $21 million in CTC operating income. Certain parties appealed the CTC Order to the Travis County Court in September 2005.

Under the True-Up Order, CenterPoint Houston is allowed to recover carrying charges at 11.075 percent until the true-up balance is recovered. The rate of return is based on CenterPoint Houston's cost of capital, established in the Texas Utility Commission's final order issued in October 2001, which is derived from CenterPoint Houston's cost to finance assets (debt return) and an allowance for earnings on shareholders' investment (equity return). Consequently, in accordance with SFAS No. 92, "Regulated Enterprises -- Accounting for Phase-in Plans," the rate of return has been bifurcated into a debt return component and an equity return component. CenterPoint Houston was allowed a return on the true-up balance of $222 million in 2005. Effective September 13, 2005, the date of implementation of the CTC Order, the return on the CTC portion of the true-up balance is included in CenterPoint Houston's tariff-based revenues. The debt return of $121 million recorded in 2005 was accrued and included in other income in the Company's Statements of Consolidated Operations. The equity return of $101 million recorded in 2005 will be recognized in income as it is recovered in the future. As of December 31, 2005, the Company has recorded a regulatory asset of

$347 million related to the debt return on its true-up balance and has not recorded an allowed equity return of $248 million on its true-up balance because such return will be recognized as it is recovered in the future.

In January 2006, the Texas Utility Commission staff (Staff) proposed that the Texas Utility Commission adopt new rules governing the carrying charges on unrecovered true-up balances. If the Texas Utility Commission adopts the rule as the Staff proposed it and the rule is deemed to apply to CenterPoint Houston, the rule would reduce carrying costs on the unrecovered CTC balance prospectively from 11.075 percent to the utility's cost of debt.

Net income for 2005 included an after-tax extraordinary gain of $30 million ($0.09 per diluted share) recorded in the second quarter reflecting an adjustment to the after-tax extraordinary loss of $977 million ($2.72 per diluted share) recorded in the last half of 2004 to write down generation-related regulatory assets as a result of the final orders issued by the Texas Utility Commission.

(b) FINAL FUEL RECONCILIATION

The results of the Texas Utility Commission's final decision related to CenterPoint Houston's final fuel reconciliation are a component of the True-Up Order. CenterPoint Houston has appealed certain portions of the True-Up Order involving a disallowance of approximately $67 million relating to the final fuel reconciliation in 2003 plus interest of $10 million. A judgment was entered by a Travis County court in May 2005 affirming the Texas Utility Commission's decision. CenterPoint Houston filed an appeal to the court of appeals in June 2005. The parties have filed briefs on the issues with the court and are awaiting a decision from the court of appeals.

(c) REMAND OF 2001 UNBUNDLED COST OF SERVICE ORDER

The 3rd Court of Appeals in Austin has remanded to the Texas Utility Commission an issue that was decided by the Texas Utility Commission in CenterPoint Houston's 2001 unbundled cost of service proceeding. In its remand order, the court ruled that the Texas Utility Commission had failed to adequately explain its basis for its determination of certain projected costs associated with interconnection of a new merchant generating plant. The 3rd Court of Appeals in Austin ordered the Texas Utility Commission to reconsider that determination on the basis of the record that existed at the time of the Commission's original order. The Company and CenterPoint Houston believe that record is sufficient to support a determination by the Texas Utility Commission that is consistent with its original determination. However, no prediction can be made at this time as to the ultimate outcome of this matter on remand.

(d) RATE CASES

NATURAL GAS DISTRIBUTION

SOUTHERN GAS OPERATIONS

In November 2004, Southern Gas Operations filed an application for a $34 million base rate increase, which was subsequently adjusted downward to $28 million, with the Arkansas Public Service Commission (APSC). In September 2005, an $11 million rate reduction (which included a $10 million reduction relating to depreciation rates) ordered by the APSC went into effect. The reduced depreciation rates were implemented effective October 2005. This base rate reduction and corresponding reduction in depreciation expense represent an annualized operating income reduction of $1 million.

In April 2005, the Railroad Commission established new gas tariffs that increased Southern Gas Operations' base rate and service revenues by a combined $2 million in the unincorporated environs of its

Beaumont/East Texas and South Texas Divisions. In June and August 2005, Southern Gas Operations filed requests to implement these same rates within 169 incorporated cities located in the two divisions. The proposed rates were approved or became effective by operation of law in 164 of these cities. Five municipalities denied the rate change requests within their respective jurisdictions. Southern Gas Operations has appealed the actions of these five cities to the Railroad Commission. In February 2006, Southern Gas Operations notified the Railroad Commission that it had reached a settlement with four of the five cities. If approved, the settlement will affect rates in a total of 60 cities in the South Texas Division. In addition, 19 cities where rates have already gone into effect have challenged the jurisdictional and statutory basis for implementation of the new rates within their respective jurisdictions. Southern Gas Operations has petitioned the Railroad Commission for an order declaring that the new rates have been properly established within these 19 cities. If the settlement is approved and assuming all other rate change proposals become effective, revenues from Southern Gas Operations' base rates and miscellaneous service charges would increase by an additional $17 million annually. Currently, approximately $15 million of this expected annual increase is in effect in the incorporated areas of Southern Gas Operations' Beaumont/East Texas and South Texas Divisions.

In October 2005, Southern Gas Operations filed requests with the Louisiana Public Service Commission (LPSC) for approximately $2 million in base rate increases for its South Louisiana service territory and approximately $2 million in base rate reductions for its North Louisiana service territory in accordance with the Rate Stabilization Plans in its tariffs. These base rate changes became effective on January 2, 2006 in accordance with the tariffs and are subject to review and possible adjustment by the staff of the LPSC. Southern Gas Operations is unable to predict when the LPSC staff may conclude its review or what adjustments, if any, the staff may recommend.

In December 2005, Southern Gas Operations filed a request with the Mississippi Public Service Commission (MPSC) for approximately $1 million in miscellaneous service charges (e.g., charges to connect service, charges for returned checks, etc.) in its Mississippi service territory. This request was approved in the first quarter of 2006.

In addition, in January and February 2006, Southern Gas Operations filed requests with the MPSC for approximately $3 million in base rate increases in its Mississippi service territory in accordance with the Automatic Rate Adjustment Mechanism provisions in its tariffs and an additional $2 million in surcharges to recover system restoration expenses incurred following hurricane Katrina. Both requests are being reviewed by the MPSC staff with a decision expected in the first quarter of 2006.

MINNESOTA GAS

In June 2005, the Minnesota Public Utilities Commission (MPUC) approved a settlement which increased Minnesota Gas' base rates by approximately $9 million annually. An interim rate increase of approximately $17 million had been implemented in October 2004. Substantially all of the excess amounts collected in interim rates over those approved in the final settlement were refunded to customers in the third quarter of 2005.

In November 2005, Minnesota Gas filed a request with the MPUC to increase annual rates by approximately $41 million. In December 2005, the MPUC approved an interim rate increase of approximately $35 million that was implemented January 1, 2006. Any excess of amounts collected under the interim rates over the amounts approved in final rates is subject to refund to customers. A decision by the MPUC is expected in the third quarter of 2006.

In December 2004, the MPUC opened an investigation to determine whether Minnesota Gas' practices regarding restoring natural gas service during the period between October 15 and April 15 (Cold Weather Period) are in compliance with the MPUC's Cold Weather Rule (CWR), which governs disconnection and

reconnection of customers during the Cold Weather Period. The Minnesota Office of the Attorney General (OAG) issued its report alleging Minnesota Gas has violated the CWR and recommended a $5 million penalty. Minnesota Gas and the OAG have reached an agreement on procedures to be followed for the current Cold Weather Period which began on October 15, 2005. In addition, in June 2005, CERC was named in a suit filed in the United States District Court, District of Minnesota on behalf of a purported class of customers who allege that Minnesota Gas' conduct under the CWR was in violation of the law. Minnesota Gas is in settlement discussions regarding both the OAG's action and the action on behalf of the purported class.

ELECTRIC TRANSMISSION & DISTRIBUTION

The Texas Utility Commission requires each electric utility to file an annual Earnings Report providing certain information to enable the Texas Utility Commission to monitor the electric utilities' earnings and financial condition within the state. In May 2005, CenterPoint Houston filed its Earnings Report for the calendar year ended December 31, 2004. CenterPoint Houston's Earnings Report shows that it earned less than its authorized rate of return on equity in 2004.

In October 2005, the Staff filed a memorandum summarizing its review of the Earnings Reports filed by electric utilities. Based on its review, the Staff concluded that continuation of CenterPoint Houston's rates could result in excess retail transmission and distribution revenues of as much as $105 million and excess wholesale transmission revenues of as much as $31 million annually and recommended that the Texas Utility Commission initiate a review of the reasonableness of existing rates. The Staff's analysis was based on a 9.60 percent cost of equity, which is 165 basis points lower than the approved return on equity from CenterPoint Houston's last rate proceeding, the elimination of interest on debt that matured in November 2005 and certain other adjustments to CenterPoint Houston's reported information. Additionally, a hypothetical capital structure of 60 percent debt and 40 percent equity was used which varies materially from the actual capital structure of CenterPoint Houston as of December 31, 2005 of approximately 50 percent debt and 50 percent equity.

In December 2005, the Texas Utility Commission considered the Staff report and agreed to initiate a rate proceeding concerning the reasonableness of CenterPoint Houston's existing rates for transmission and distribution service and to require CenterPoint Houston to make a filing by April 15, 2006 to justify or change those rates.

(e) CITY OF TYLER, TEXAS DISPUTE

In July 2002, the City of Tyler, Texas, asserted that Southern Gas Operations had overcharged residential and small commercial customers in that city for gas costs under supply agreements in effect since 1992. That dispute was referred to the Railroad Commission by agreement of the parties for a determination of whether Southern Gas Operations has properly charged and collected for gas service to its residential and commercial customers in its Tyler distribution system in accordance with lawful filed tariffs during the period beginning November 1, 1992, and ending October 31, 2002. In December 2004, the Railroad Commission conducted a hearing on the matter. In May 2005, the Railroad Commission issued a final order finding that the Company had complied with its tariffs, acted prudently in entering into its gas supply contracts, and prudently managed those contracts. In August 2005, the City of Tyler appealed this order to the Court of Appeals.

(f) CITY OF HOUSTON FRANCHISE

CenterPoint Houston holds non-exclusive franchises from the incorporated municipalities in its service territory. In exchange for payment of fees, these franchises give CenterPoint Houston the right to use the streets and public rights-of-way of these municipalities to construct, operate and maintain its transmission and distribution system and to use that system to conduct its electric delivery business and for other purposes that

the franchises permit. The terms of the franchises, with various expiration dates, typically range from 5 to 50 years.

In June 2005, CenterPoint Houston accepted an ordinance granting it a new 30-year franchise to use the public rights-of-way to conduct its business in the City of Houston (New Franchise Ordinance). The New Franchise Ordinance took effect on July 1, 2005, and replaced the prior electricity franchise ordinance, which had been in effect since 1957. The New Franchise Ordinance clarifies certain operational obligations of CenterPoint Houston and the City of Houston and provides for streamlined payment and audit procedures and a two-year statute of limitations on claims for underpayment or overpayment under the ordinance. Under the prior electricity franchise ordinance, CenterPoint Houston paid annual franchise fees of $76.6 million to the City of Houston for the year ended December 31, 2004. For the twelve-month period beginning July 1, 2005, the annual franchise fee (Annual Franchise Fee) under the New Franchise Ordinance will include a base amount of $88.1 million (Base Amount) and an additional payment of $8.5 million (Additional Amount). The Base Amount and the Additional Amount will be adjusted annually based on the increase, if any, in kWh delivered by CenterPoint Houston within the City of Houston.

CenterPoint Houston began paying the new annual franchise fees on July 1, 2005. Pursuant to the New Franchise Ordinance, the Annual Franchise Fee will be reduced prospectively to reflect any portion of the Annual Franchise Fee that is not included in CenterPoint Houston's base rates in any subsequent rate case.

(g) SETTLEMENT OF FERC AUDIT

In June 2005, CenterPoint Energy Gas Transmission Company (CEGT), a subsidiary of CERC Corp., received an Order from the FERC accepting the terms of a settlement agreed upon by CEGT with the Staff of the FERC's Office of Market Oversight and Investigations (OMOI). The settlement brought to a conclusion an investigation of CEGT initiated by OMOI in August 2003. Among other things, the investigation involved a comprehensive review of CEGT's relationship with its marketing affiliates and compliance with various FERC record-keeping and reporting requirements covering the period from January 1, 2001 through September 22, 2004.

OMOI Staff took the position that some of CEGT's actions resulted in a limited number of violations of the FERC's affiliate regulations or were in violation of certain record-keeping and administrative requirements. OMOI did not find any systematic violations of its rules governing communications or other relationships among affiliates.

The settlement included two remedies: a payment of a $270,000 civil penalty and the execution of a compliance plan, applicable to both CEGT and CenterPoint Energy-Mississippi River Transmission Corporation (MRT). The compliance plan consists of a detailed set of Implementation Procedures that will facilitate compliance with the FERC's Order No. 2004, the Standards of Conduct, which regulate behavior between regulated entities and their affiliates. The Company does not believe the compliance plan will have any material effect on CEGT's or MRT's ability to conduct their business.

(5) DERIVATIVE INSTRUMENTS

The Company is exposed to various market risks. These risks arise from transactions entered into in the normal course of business. The Company utilizes derivative financial instruments such as physical forward contracts, swaps and options (Energy Derivatives) to mitigate the impact of changes in its natural gas businesses on its operating results and cash flows.

(a) NON-TRADING ACTIVITIES

Cash Flow Hedges. During 2005, hedge ineffectiveness was a loss of $2 million from derivatives that qualify for and are designated as cash flow hedges. No component of the derivative instruments' gain or loss

was excluded from the assessment of effectiveness. If it becomes probable that an anticipated transaction will not occur, the Company realizes in net income the deferred gains and losses recognized in accumulated other comprehensive loss. Once the anticipated transaction occurs, the accumulated deferred gain or loss recognized in accumulated other comprehensive loss is reclassified and included in the Company's Statements of Consolidated Operations under the caption "Natural Gas." Cash flows resulting from these transactions in non-trading energy derivatives are included in the Statements of Consolidated Cash Flows in the same category as the item being hedged. As of December 31, 2005, the Company expects $10 million in accumulated other comprehensive income to be reclassified as a decrease in Natural Gas expense during the next twelve months.

The maximum length of time the Company is hedging its exposure to the variability in future cash flows on existing financial instruments is primarily two years with a limited amount of exposure up to ten years. The Company's policy is not to exceed ten years in hedging its exposure.

Other Derivative Financial Instruments. The Company also has natural gas contracts that are derivatives which are not hedged and are accounted for on a mark-to-market basis with changes in fair value reported through earnings. Load following services that the Company offers its natural gas customers create an inherent tendency for the Company to be either long or short natural gas supplies relative to customer purchase commitments. The Company measures and values all of its volumetric imbalances on a real-time basis to minimize its exposure to commodity price and volume risk. The Company does not engage in proprietary or speculative commodity trading. Unhedged positions are accounted for by adjusting the carrying amount of the contracts to market and recognizing any gain or loss in operating income, net. During 2005, the Company recognized net gains related to unhedged positions amounting to $8 million. As of December 31, 2004 and 2005, the Company had recorded short-term risk management assets of $4 million and $28 million, respectively, and short-term risk management liabilities of $5 million and $25 million, respectively, included in other current assets and other current liabilities, respectively.

A portion of CenterPoint Energy Services, Inc.'s (CES) activities include entering into transactions for the physical purchase, transportation and sale of natural gas at different locations (physical contracts). CES attempts to mitigate basis risk associated with these activities by entering into financial derivative contracts (financial contracts or financial basis swaps) to address market price volatility between the purchase and sale delivery points that can occur over the term of the physical contracts. The underlying physical contracts are accounted for on an accrual basis with all associated earnings not recognized until the time of actual physical delivery. The timing of the earnings impacts for the financial contracts differs from the physical contracts because the financial contracts meet the definition of a derivative under SFAS No. 133 and are recorded at fair value as of each reporting balance sheet date with changes in value reported through earnings. Changes in prices between the delivery points (basis spreads) can and do vary daily resulting in changes to the fair value of the financial contracts. However, the economic intent of the financial contracts is to fix the actual net difference in the natural gas pricing at the different locations for the associated physical purchase and sale contracts throughout the life of the physical contracts and thus, when combined with the physical contracts' terms, provide an expected fixed gross margin on the physical contracts that will ultimately be recognized in earnings at the time of actual delivery of the natural gas. As of December 31, 2005, the mark-to-market value of the financial contracts described above reflected an unrealized loss of $1 million; however, the underlying expected fixed gross margin associated with delivery under the physical contracts combined with the price risk management provided through the financial contracts is expected to offset the unrealized loss. As described above, over the term of these financial contracts, the quarterly reported mark-to-market changes in value may vary significantly and the associated unrealized gains and losses will be reflected in CES' earnings.

CES also sells physical gas and basis to its end-use customers who desire to lock in a future spread between a specific location and Henry Hub (NYMEX). As a result, CES incurs exposure to commodity basis risk related to these transactions, which it attempts to mitigate by buying offsetting financial basis swaps.

Under SFAS No. 133, CES records at fair value and marks-to-market the financial basis swaps as of each reporting balance sheet date with changes in value reported through earnings. However, the associated physical sales contracts are accounted for using the accrual basis, whereby earnings impacts are not recognized until the time of actual physical delivery. Although the timing of earnings recognition for the financial basis swaps differs from the physical contracts, the economic intent of the financial basis swaps is to fix the basis spread over the life of the physical contracts to an amount substantially the same as the portion of the basis spread pricing included in the physical contracts. In so doing, over the period that the financial basis swaps and related physical contracts are outstanding, actual cumulative earnings impacts for changes in the basis spread should be minimal, even though from a timing perspective there could be fluctuations in unrealized gains or losses associated with the changes in fair value recorded for the financial basis swaps. The cumulative earnings impact from the financial basis swaps recognized each reporting period is expected to be offset by the value realized when the related physical sales occur. As of December 31, 2005, the mark-to-market value of the financial basis swaps reflected an unrealized loss of $3 million.

Interest Rate Swaps. During 2002, the Company settled forward-starting interest rate swaps having an aggregate notional amount of $1.5 billion at a cost of $156 million, which was recorded in other comprehensive loss and is being amortized into interest expense over the five-year life of the designated fixed-rate debt. Amortization of amounts deferred in accumulated other comprehensive loss for 2003, 2004 and 2005, was $12 million, $25 million and $31 million, respectively.

Embedded Derivative. The Company's 3.75% and 2.875% convertible senior notes contain contingent interest provisions. The contingent interest component is an embedded derivative as defined by SFAS No. 133, and accordingly, must be split from the host instrument and recorded at fair value on the balance sheet. The value of the contingent interest components was not material at issuance or at December 31, 2005.

(b) CREDIT RISKS

In addition to the risk associated with price movements, credit risk is also inherent in the Company's non-trading derivative activities. Credit risk relates to the risk of loss resulting from non-performance of contractual obligations by a counterparty. The following table shows the composition of the non-trading derivative assets of the Company as of December 31, 2004 and 2005 (in millions):

DECEMBER 31, 2004		DECEMBER 31, 2005	
INVESTMENT GRADE(1)(2)	TOTAL	INVESTMENT GRADE(1)(2)	TOTAL
Energy marketers	$10	$17	$ 24
Financial institutions	50	50	208
	208		
Other	1	1	--
	2	---	---
Total	$61	$68	$232
	$235	===	===
	====	====	

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(1) "Investment grade" is primarily determined using publicly available credit ratings along with the consideration of credit support (such as parent company guarantees) and collateral, which encompass cash and standby letters of credit.

(2) For unrated counterparties, the Company performs financial statement analysis, considering contractual rights and restrictions and collateral, to create a synthetic credit rating.

(c) GENERAL POLICY

The Company has established a Risk Oversight Committee composed of corporate and business segment officers that oversees all commodity price and credit risk activities, including the Company's trading,

marketing, risk management services and hedging activities. The committee's duties are to establish the Company's commodity risk policies, allocate risk capital within limits established by the Company's board of directors, approve trading of new products and commodities, monitor risk positions and ensure compliance with the Company's risk management policies and procedures and trading limits established by the Company's board of directors.

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

(6) INDEXED DEBT SECURITIES (ZENS) AND TIME WARNER SECURITIES

(a) ORIGINAL INVESTMENT IN TIME WARNER SECURITIES

In 1995, the Company sold a cable television subsidiary to Time Warner Inc. (TW) and received TW convertible preferred stock (TW Preferred) as partial consideration. On July 6, 1999, the Company converted its 11 million shares of TW Preferred into 45.8 million shares of TW common stock (TW Common). The Company currently owns 21.6 million shares of TW Common. Unrealized gains and losses resulting from changes in the market value of the TW Common are recorded in the Company's Statements of Consolidated Operations.

(b) ZENS

In September 1999, the Company issued its 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) having an original principal amount of $1.0 billion. ZENS are exchangeable for cash equal to the market value of a specified number of shares of TW common. The Company pays interest on the ZENS at an annual rate of 2% plus the amount of any quarterly cash dividends paid in respect of the shares of TW Common attributable to the ZENS. The principal amount of ZENS is subject to being increased or decreased to the extent that the annual yield from interest and cash dividends on the reference shares of TW Common is less than or more than 2.309%. At December 31, 2005, ZENS having an original principal amount of $840 million and a contingent principal amount of $851 million were outstanding and were exchangeable, at the option of the holders, for cash equal to 95% of the market value of 21.6 million shares of TW Common deemed to be attributable to the ZENS. At December 31, 2005, the market value of such shares was approximately $377 million, which would provide an exchange amount of $427 for each $1,000 original principal amount of ZENS. At maturity, the holders of the ZENS will receive in cash the higher of the original principal amount of the ZENS (subject to adjustment as discussed above) or an amount based on the then-current market value of TW Common, or other securities distributed with respect to TW Common.

In 2002, holders of approximately 16% of the 17.2 million ZENS originally issued exercised their right to exchange their ZENS for cash, resulting in aggregate cash payments by CenterPoint Energy of approximately $45 million. Exchanges of ZENS subsequent to 2002 aggregate less than one percent of ZENS originally issued.

A subsidiary of the Company owns shares of TW Common and elected to liquidate a portion of such holdings to facilitate the Company's making the cash payments for the ZENS exchanged in 2002 through 2004. In connection with the exchanges, the Company received net proceeds of approximately $43 million from the liquidation of approximately 4.1 million shares of TW Common at an average price of $10.56 per share. The Company now holds 21.6 million shares of TW Common which are classified as trading securities under SFAS No. 115 and are expected to be held to facilitate the Company's ability to meet its obligation under the ZENS.

Upon adoption of SFAS No. 133 effective January 1, 2001, the ZENS obligation was bifurcated into a debt component and a derivative component (the holder's option to receive the appreciated value of

TW Common at maturity). The derivative component was valued at fair value and determined the initial carrying value assigned to the debt component ($121 million) as the difference between the original principal amount of the ZENS ($1 billion) and the fair value of the derivative component at issuance ($879 million). Effective January 1, 2001 the debt component was recorded at its accreted amount of $122 million and the derivative component was recorded at its fair value of $788 million, as a current liability. Subsequently, the debt component accretes through interest charges at 17.5% annually up to the minimum amount payable upon maturity of the ZENS in 2029 (approximately $913 million assuming no dividends are paid on the TW Common subsequent to 2005) which reflects exchanges and adjustments to maintain a 2.309% annual yield, as discussed above. Changes in the fair value of the derivative component are recorded in the Company's Statements of Consolidated Operations. During 2003, 2004 and 2005, the Company recorded a gain (loss) of $106 million, $31 million and $(44) million, respectively, on the Company's investment in TW Common. During 2003, 2004 and 2005, the Company recorded a gain (loss) of $(96) million, $(20) million and $49 million, respectively, associated with the fair value of the derivative component of the ZENS obligation. Changes in the fair value of the TW Common held by the Company are expected to substantially offset changes in the fair value of the derivative component of the ZENS.

The following table sets forth summarized financial information regarding the Company's investment in TW common and the Company's ZENS obligation (in millions):

	DEBT INVESTMENT	DERIVATIVE COMPONENT OF ZENS	TW COMMON
Balance at December 31, 2002	$284	$104	$225
Accretion of debt component of ZENS	--	1	--
Loss on indexed debt securities	--	--	96
Gain on TW Common	106	--	--
Balance at December 31, 2003	390	105	321
Accretion of debt component of ZENS	--	2	--
Loss on indexed debt securities	--	--	20
Gain on TW Common	31	--	--
Balance at December 31, 2004	421	107	341
Accretion of debt component of ZENS	--	2	--
Gain on indexed debt securities	--	--	(49)
Loss on TW Common	(44)	--	--
Balance at December 31, 2005	$377	$109	$292

(7) EQUITY

(a) CAPITAL STOCK

CenterPoint Energy has 1,020,000,000 authorized shares of capital stock, comprised of 1,000,000,000 shares of $0.01 par value common stock and 20,000,000 shares of $0.01 par value preferred stock.

(b) SHAREHOLDER RIGHTS PLAN

The Company has a Shareholder Rights Plan that states that each share of its common stock includes one associated preference stock purchase right (Right) which entitles the registered holder to purchase from the Company a unit consisting of one-thousandth of a share of Series A Preference Stock. The Rights, which

expire on December 11, 2011, are exercisable upon some events involving the acquisition of 20% or more of the Company's outstanding common stock. Upon the occurrence of such an event, each Right entitles the holder to receive common stock with a current market price equal to two times the exercise price of the Right. At anytime prior to becoming exercisable, the Company may repurchase the Rights at a price of $0.005 per Right. There are 700,000 shares of Series A Preference Stock reserved for issuance upon exercise of the Rights.

(8) LONG-TERM DEBT AND RECEIVABLES FACILITY

DECEMBER 31, 2004 DECEMBER 31, 2005 ------------- --------- ---------- LONG-TERM CURRENT(1) LONG-TERM CURRENT(1) --------- ------- --- --------- ---------- (IN MILLIONS) Long-term debt: CenterPoint Energy: ZENS(2)..... $ -- $ 107 $ -- $109 Senior notes 5.875% to 7.25% due 2008 to 2015... 600 -- 600 -- Convertible senior notes 2.875% to 3.75% due 2023 to 2024..... 830 -- 830 -- Pollution control bonds 5.60% to 6.70% due 2012 to 2027(3)..... 151 -- 151 -- Pollution control bonds 4.70% to 8.00% due 2011 to 2030(4)..... 1,046 -- 1,046 -- Bank loans and commercial paper due 2006 to 2010(5)..... 239 -- 3 -- Junior subordinated debentures payable to affiliate 8.257% due 2037(6)..... 103 -- 103 -- CenterPoint Houston: First mortgage bonds 9.15% due 2021..... 102 -- 102 -- Term loan, LIBOR plus 9.75%(7)..... -- 1,310 -- -- General mortgage bonds 5.60% to 6.95% due 2013 to 2033..... 1,262 -- 1,262 -- Pollution control bonds 3.625% to 5.60% due 2012 to 2027(8)..... 229 -- 229 -- Series 2001-1 Transition Bonds 3.84% to 5.63% due 2006 to 2013..... 629 47 575 54 Series A Transition Bonds 4.84% to 5.30% due 2006 to 2019..... -- -- 1,832 19 CERC Corp.: Convertible subordinated debentures 6.00% due 2012..... 69 6 63 6 Senior notes 5.95% to 8.90% due 2006 to 2014.... 1,923 325 1,772 148 Junior subordinated debentures payable to affiliate 6.25% due 2026(6)..... 6 -- -- -- Other..... 5 41 2 3 Unamortized discount and premium(9)..... (1) -- (2) -- ------ -- ---- ------ ---- Total long-term debt..... $7,193 $1,836 $8,568 $339 ====== ====== ====== ====

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(1) Includes amounts due, exchangeable or scheduled to be paid within one year of the date noted.

(2) Upon adoption of SFAS No. 133 effective January 1, 2001, the Company's ZENS obligation was bifurcated into a debt component and an embedded derivative component. For additional information regarding ZENS, see Note 6(b). As ZENS are exchangeable for cash at any time at the option of the holders, these notes are classified as a current portion of long-term debt.

(3) These series of debt are secured by first mortgage bonds of CenterPoint Houston.

(4) $527 million of these series of debt is secured by general mortgage bonds of CenterPoint Houston.

(5) Classified as long-term debt because the termination dates of the facilities under which the funds were borrowed are more than one year from the date noted.

(6) The junior subordinated debentures were issued to subsidiary trusts in connection with the issuance by those trusts of preferred securities. The trust preferred securities were deconsolidated effective December 31, 2003 pursuant to the adoption of FIN 46. This resulted in the junior subordinated debentures held by the trusts being reported as long-term debt.

(7) London inter-bank offered rate (LIBOR) had a minimum rate of 3% under the terms of this debt. This term loan was secured by general mortgage bonds of CenterPoint Houston.

(8) These series of debt are secured by general mortgage bonds of CenterPoint Houston.

(9) Debt acquired in business acquisitions is adjusted to fair market value as of the acquisition date. Included in long-term debt is additional unamortized premium related to fair value adjustments of long-term debt of $5 million at both December 31, 2004 and 2005, which is being amortized over the respective remaining term of the related long-term debt.

(a) LONG-TERM DEBT

Revolving Credit Facilities. In March 2005, the Company replaced its $750 million revolving credit facility with a $1 billion five-year revolving credit facility. Borrowings may be made under the facility at LIBOR plus 87.5 basis points based on current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. As of December 31, 2005, borrowings of $3 million in commercial paper were backstopped by the revolving credit facility and $27 million in letters of credit were outstanding under the revolving credit facility.

Also, in March 2005, CenterPoint Houston established a $200 million five-year revolving credit facility. Borrowings may be made under the facility at LIBOR plus 75 basis points based on CenterPoint Houston's current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. As of December 31, 2005, there were $4 million in letters of credit outstanding under the revolving credit facility.

In June 2005, CERC Corp. replaced its $250 million three-year revolving credit facility with a $400 million five-year revolving credit facility. Borrowings under this facility may be made at LIBOR plus 55 basis points, including the facility fee, based on current credit ratings. An additional utilization fee of 10 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. As of December 31, 2005, such credit facility was not utilized.

The bank facilities contain various business and financial covenants with which the borrowers were in compliance as of December 31, 2005. CenterPoint Houston's credit facility limits CenterPoint Houston's debt, excluding transition bonds, as a percentage of its total capitalization to 68 percent. CERC Corp.'s bank facility and its receivables facility limit CERC's debt as a percentage of its total capitalization to 65 percent.

Transition Bonds. Pursuant to a financing order issued by the Texas Utility Commission in March 2005 and affirmed in all respects in August 2005 by the same Travis County District Court considering the appeal of the True-Up Order, in December 2005 a subsidiary of CenterPoint Houston issued $1.85 billion in transition bonds with interest rates ranging from 4.84 percent to 5.30 percent and final maturity dates ranging from February 2011 to August 2020. Scheduled payment dates range from August 2006 to August 2019. Through issuance of the transition bonds, CenterPoint Houston recovered approximately $1.7 billion of the true-up balance determined in the True-Up Order plus interest through the date on which the bonds were issued. The proceeds received from the issuance of the transition bonds were used to repay CenterPoint Houston's $1.3 billion credit facility, which was utilized in November 2005 to repay CenterPoint Houston's $1.3 billion term loan upon its maturity.

Convertible Debt. On May 19, 2003, the Company issued $575 million aggregate principal amount of convertible senior notes due May 15, 2023 with an interest rate of 3.75%. Holders may convert each of their notes into shares of CenterPoint Energy common stock, initially at a conversion rate of 86.3558 shares of common stock per $1,000 principal amount of notes at any time prior to maturity, under the following circumstances: (1) if the last reported sale price of CenterPoint Energy common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% or, following May 15, 2008, 110% of the conversion price per share of CenterPoint Energy common stock on such last trading day, (2) if the notes have been called for redemption, (3) during any period in which the credit ratings assigned to the notes by both Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Ratings Services (S&P), a division of The McGraw-Hill Companies, are lower than Ba2 and BB, respectively, or the notes are no longer rated by at least one of these ratings services or their successors, or (4) upon the occurrence of specified corporate transactions, including the distribution to all holders of CenterPoint Energy common stock of certain rights entitling them to purchase shares of CenterPoint Energy common stock at less than the last reported sale price of a share of CenterPoint Energy common stock on the trading day prior to the declaration date of the distribution or the distribution to all holders of CenterPoint Energy common stock of the Company's assets, debt securities or certain rights to purchase the Company's securities, which distribution has a per share value exceeding 15% of the last reported sale price of a share of CenterPoint Energy common stock on the trading day immediately preceding the declaration date for such distribution. Holders have the right to require the Company to purchase all or any portion of the notes for cash on May 15, 2008, May 15, 2013 and May 15, 2018 for a purchase price equal to 100% of the principal amount of the notes. The convertible senior notes also have a contingent interest feature requiring contingent interest to be paid to holders of notes commencing on or after May 15, 2008, in the event that the average trading price of a note for the applicable five-trading-day period equals or exceeds 120% of the principal amount of the note as of the day immediately preceding the first day of the applicable six-month interest period. For any six-month period, contingent interest will be equal to 0.25% of the average trading price of the note for the applicable five-trading-day period.

In August 2005, the Company accepted for exchange approximately $572 million aggregate principal amount of its 3.75% convertible senior notes due 2023 (Old Notes) for an equal amount of its new 3.75% convertible senior notes due 2023 (New Notes). Old Notes of approximately $3 million remain outstanding. The Company commenced the exchange offer in response to the guidance set forth in EITF Issue No. 04-8, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings Per Share" (EITF 04-8). Under that guidance, because settlement of the principal portion of the New Notes will be made in cash rather than stock, the exchange of New Notes for Old Notes will allow the Company to exclude the portion of the conversion value of the New Notes attributable to their principal amount from its computation of diluted earnings per share from continuing operations. See Note 12 for the impact on diluted earnings per share related to these securities. The Company determined that the New Notes did not have substantially different terms than the Old Notes, and thus, in accordance with EITF Issue No. 96-19 "Debtor's Accounting for a Modification or Exchange of Debt Instruments", the exchange

transaction was accounted for as a modification of the original instrument and not as an extinguishment of debt. Accordingly, a new effective interest rate was determined based on the carrying amount of the original debt instrument and the revised cash flows, and the recorded discount will be amortized as an adjustment to interest expense in future periods.

On December 17, 2003, the Company issued $255 million aggregate principal amount of convertible senior notes due January 15, 2024 with an interest rate of 2.875%. Holders may convert each of their notes into shares of CenterPoint Energy common stock, initially at a conversion rate of 78.064 shares of common stock per $1,000 principal amount of notes at any time prior to maturity, under the following circumstances: (1) if the last reported sale price of CenterPoint Energy common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% of the conversion price per share of CenterPoint Energy common stock on such last trading day, (2) if the notes have been called for redemption, (3) during any period in which the credit ratings assigned to the notes by both Moody's and S&P are lower than Ba2 and BB, respectively, or the notes are no longer rated by at least one of these ratings services or their successors, or (4) upon the occurrence of specified corporate transactions, including the distribution to all holders of CenterPoint Energy common stock of certain rights entitling them to purchase shares of CenterPoint Energy common stock at less than the last reported sale price of a share of CenterPoint Energy common stock on the trading day prior to the declaration date of the distribution or the distribution to all holders of CenterPoint Energy common stock of the Company's assets, debt securities or certain rights to purchase the Company's securities, which distribution has a per share value exceeding 15% of the last reported sale price of a share of CenterPoint Energy common stock on the trading day immediately preceding the declaration date for such distribution. Under the original terms of these convertible senior notes, CenterPoint Energy could elect to satisfy part or all of its conversion obligation by delivering cash in lieu of shares of CenterPoint Energy. On December 13, 2004, the Company entered into a supplemental indenture with respect to these convertible senior notes in order to eliminate its right to settle the conversion of the notes solely in shares of its common stock. Holders have the right to require the Company to purchase all or any portion of the notes for cash on January 15, 2007, January 15, 2012 and January 15, 2017 for a purchase price equal to 100% of the principal amount of the notes. The convertible senior notes also have a contingent interest feature requiring contingent interest to be paid to holders of notes commencing on or after January 15, 2007, in the event that the average trading price of a note for the applicable five-trading-day period equals or exceeds 120% of the principal amount of the note as of the day immediately preceding the first day of the applicable six-month interest period. For any six-month period, contingent interest will be equal to 0.25% of the average trading price of the note for the applicable five-trading-day period.

Junior Subordinated Debentures (Trust Preferred Securities). In February 1997, a Delaware statutory business trust created by CenterPoint Energy (HL&P Capital Trust II) issued to the public $100 million aggregate amount of capital securities. The trust used the proceeds of the offering to purchase junior subordinated debentures issued by CenterPoint Energy having an interest rate and maturity date that correspond to the distribution rate and the mandatory redemption date of the capital securities. The amount of outstanding junior subordinated debentures discussed above was included in long-term debt as of December 31, 2004 and 2005.

The junior subordinated debentures are the trust's sole assets and their entire operations. CenterPoint Energy considers its obligations under the Amended and Restated Declaration of Trust, Indenture, Guaranty Agreement and, where applicable, Agreement as to Expenses and Liabilities, relating to the capital securities, taken together, to constitute a full and unconditional guarantee by CenterPoint Energy of the trust's obligations with respect to the capital securities.

The capital securities are mandatorily redeemable upon the repayment of the related series of junior subordinated debentures at their stated maturity or earlier redemption. Subject to some limitations, CenterPoint Energy has the option of deferring payments of interest on the junior subordinated debentures.

During any deferral or event of default, CenterPoint Energy may not pay dividends on its capital stock. As of December 31, 2005, no interest payments on the junior subordinated debentures had been deferred.

The outstanding aggregate liquidation amount, distribution rate and mandatory redemption date of the capital securities of the trust described above and the identity and similar terms of the related series of junior subordinated debentures are as follows:

	AGGREGATE LIQUIDATION AMOUNTS AS OF DECEMBER 31,		DISTRIBUTION RATE/ MANDATORY REDEMPTION DATE/ TRUST INTEREST RATE	MATURITY DATE JUNIOR SUBORDINATED DEBENTURES
	2004	2005		
	(IN MILLIONS)			
HL&P Capital Trust II	$100	$100	8.257%	February 2037
Junior Subordinated Deferrable Interest Debentures Series B			8.257%	February 2037

In June 1996, a Delaware statutory business trust created by CERC Corp. (CERC Trust) issued $173 million aggregate amount of convertible preferred securities to the public. CERC Trust used the proceeds of the offering to purchase convertible junior subordinated debentures issued by CERC Corp. having an interest rate and maturity date that correspond to the distribution rate and mandatory redemption date of the convertible preferred securities. The convertible junior subordinated debentures represented CERC Trust's sole asset and its entire operations. The $6 million of outstanding junior subordinated debentures was included in long-term debt as of December 31, 2004. The convertible preferred securities and the related convertible junior subordinated debentures were redeemed on August 1, 2005.

Maturities. The Company's maturities of long-term debt (including scheduled payments on transition bonds), capital leases and sinking fund requirements, excluding the ZENS obligation, are $230 million in 2006, $153 million in 2007, $666 million in 2008, $181 million in 2009 and $400 million in 2010.

Liens. As of December 31, 2005, CenterPoint Houston's assets were subject to liens securing approximately $253 million of first mortgage bonds. Sinking or improvement fund and replacement fund requirements on the first mortgage bonds may be satisfied by certification of property additions. Sinking fund and replacement fund requirements for 2003, 2004 and 2005 have been satisfied by certification of property additions. The replacement fund requirement to be satisfied in 2006 is approximately $151 million, and the sinking fund requirement to be satisfied in 2006 is approximately $3 million. The Company expects CenterPoint Houston to meet these 2006 obligations by certification of property additions. As of December 31, 2005, CenterPoint Houston's assets were also subject to liens securing approximately $2.0 billion of general mortgage bonds which are junior to the liens of the first mortgage bonds.

(b) RECEIVABLES FACILITY

In January 2006, CERC's $250 million receivables facility, which was temporarily increased to $375 million for the period from January 2006 to June 2006 to provide additional liquidity to CERC during the peak heating season of 2006, was extended to January 2007. As of December 31, 2005, CERC had $141 million of advances under its receivables facility.

Advances under the receivables facility averaged $100 million, $190 million and $166 million in 2003, 2004 and 2005, respectively. Sales of receivables were approximately $1.2 billion, $2.4 billion and $2.0 billion in 2003, 2004 and 2005, respectively.

(9) INCOME TAXES

The Company's current and deferred components of income tax expense (benefit) were as follows:

YEAR ENDED DECEMBER 31,	2003	2004	2005
			(IN MILLIONS)
Current:			
Federal	$(301)	$(130)	$(74)
State	5	11	2
Total current	(296)	(119)	(72)
Deferred:			
Federal	487	264	208
State	14	(6)	17
Total deferred	501	258	225
Income tax expense	$ 205	$ 139	$153

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

YEAR ENDED DECEMBER 31,	2003	2004	2005
			(IN MILLIONS)
Income from continuing operations before income taxes and extraordinary item	$614	$344	$378
Federal statutory rate	35%	35%	35%
Income taxes at statutory rate	215	120	132
Net addition (reduction) in taxes resulting from:			
State income taxes, net of valuation allowances and federal income tax benefit	12	3	13
Amortization of investment tax credit	(8)	(8)	(8)
Excess deferred taxes	(4)	(4)	(3)
Deferred tax asset write-off	--	19	--
Increase in tax reserve	--	7	32
Other, net	(10)	2	(13)
Total	(10)	19	21
Income tax expense	$205	$139	$153
Effective rate	33.4%	40.4%	40.6%

Following are the Company's tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases:

DECEMBER 31, (IN MILLIONS)	2004	2005
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	$ 13	$ 20
Regulatory liabilities	79	--
Non-trading derivative assets, net	28	16
Total current deferred tax assets	120	36
Non-current:		
Loss carryforwards	30	26
Deferred gas costs	69	59
Other	98	102
Total non-current deferred tax assets before valuation allowance	197	187
Valuation allowance	(20)	(21)
Total non-current deferred tax assets	177	166
Total deferred tax assets, net	297	202
Deferred tax liabilities:		
Current:		
Unrealized gain on indexed debt securities	287	348
Unrealized gain on Time Warner investments	94	73
Total current deferred tax liabilities	381	421
Non-current:		
Depreciation	1,709	1,432
Regulatory assets, net	748	1,076
Employee benefits	38	52
Other	97	80
Total non-current deferred tax liabilities	2,592	2,640
Total deferred tax liabilities	2,973	3,061
Accumulated deferred income taxes, net	$2,676	$2,859

Tax Attribute Carryforwards. Based on returns filed the Company has $239 million of state net operating loss carryforwards. The losses are available to offset future state taxable income through the year 2024. Substantially all of the state loss carryforwards will expire between 2012 and 2020. A valuation allowance has been established against approximately 58% of the state net operating loss carryforwards.

The valuation allowance reflects a net decrease of $53 million in 2004 and an increase of $1 million in 2005. The net changes resulted from a reassessment of the Company's ability to use federal capital loss and state net operating loss carryforwards in 2004 and state net operating loss carryforwards, in 2005.

Tax Refunds. In 2004, the Company received a refund from the IRS of $163 million, related to the carryback of the federal tax net operating loss generated in 2003.

Tax Contingencies. CenterPoint Energy's consolidated federal income tax returns have been audited and settled through the 1996 tax year.

In the audits of the 1997 through 2003 tax years, the IRS disallowed all deductions for original issue discount (OID) and interest paid relating to the Company's 2.0% ZENS, due 2029, and the 7% Automatic Common Exchange Securities (ACES), redeemed in 1999. It is the contention of the IRS that (1) those instruments, in combination with the Company's long position in TW Common, constitute a straddle under Section 1092 and 246 of the Internal Revenue Code of 1986, as amended and (2) the indebtedness underlying those instruments was incurred to carry the TW Common. If the IRS prevails on both of those positions, none of the OID and interest paid on the ZENS and ACES would be currently deductible but would instead be added to the Company's basis in the TW Common it holds. The capitalization of OID and interest to the TW Common basis would have the effect of recharacterizing ordinary interest deductions to capital losses or reduced capital gains.

The Company's ability to realize the tax benefit of future capital losses, if any, from the sale of the 21.6 million shares of TW Common currently held will depend on the timing of those sales, the value of TW Common stock when sold, and the extent of any other capital gains and losses.

Although the Company is protesting the disallowance of the ZENS and ACES OID and interest paid, reserves have been established for the tax and interest on this issue totaling $79 million and $121 million as of December 31, 2004 and 2005, respectively. The Company has also established reserves for other significant tax items including issues relating to prior acquisitions and dispositions of business operations and certain positions taken with respect to state tax filings. The total amount reserved for the other tax items is approximately $74 million and $60 million as of December 31, 2004 and 2005, respectively.

(10) COMMITMENTS AND CONTINGENCIES

(a) FUEL COMMITMENTS

Fuel commitments include natural gas contracts related to the Company's natural gas distribution and competitive natural gas sales and services operations, which have various quantity requirements and durations that are not classified as non-trading derivatives assets and liabilities in the Company's Consolidated Balance Sheets as of December 31, 2005 as these contracts meet the SFAS No. 133 exception to be classified as "normal purchases contracts" or do not meet the definition of a derivative. Minimum payment obligations for natural gas supply contracts are approximately $858 million in 2006, $375 million in 2007, $53 million in 2008, $4 million in 2009, $3 million in 2010 and $23 million in 2011 and thereafter.

(b) LEASE COMMITMENTS

The following table sets forth information concerning the Company's obligations under non-cancelable long-term operating leases at December 31, 2005, which primarily consist of rental agreements for building space, data processing equipment and vehicles (in millions):

2006	$20
2007	18
2008	14
2009	7
2010	4
2011 and beyond	22
Total	$85

Total lease expense for all operating leases was $35 million, $32 million and $37 million during 2003, 2004 and 2005, respectively.

(c) CAPITAL COMMITMENTS

In October 2005, CEGT signed a firm transportation agreement with XTO Energy to transport 600 million cubic feet (MMcf) per day of natural gas from Carthage, Texas to CEGT's Perryville hub in Northeast Louisiana. To accommodate this transaction, CEGT is in the process of filing applications for certificates with the FERC to build a 172 mile, 42-inch diameter pipeline, and related compression facilities at an estimated cost of $400 million. The final capacity of the pipeline will be between 960 MMcf per day and 1.24 billion cubic feet per day. CEGT expects to have firm contracts for the full capacity of the pipeline prior to its expected in service date in early 2007. During the four year period subsequent to the in service date of the pipeline, XTO can request, and subject to mutual negotiations that meet specific financial parameters, CEGT would construct a 67 mile extension from CEGT's Perryville hub to an interconnect with Texas Eastern Gas Transmission at Union Church, Mississippi.

(d) LEGAL, ENVIRONMENTAL AND OTHER REGULATORY MATTERS

LEGAL MATTERS

RRI Indemnified Litigation

The Company, CenterPoint Houston or their predecessor, Reliant Energy, and certain of their former subsidiaries are named as defendants in several lawsuits described below. Under a master separation agreement between the Company and RRI, the Company and its subsidiaries are entitled to be indemnified by RRI for any losses, including attorneys' fees and other costs, arising out of the lawsuits described below under Electricity and Gas Market Manipulation Cases and Other Class Action Lawsuits. Pursuant to the indemnification obligation, RRI is defending the Company and its subsidiaries to the extent named in these lawsuits. The ultimate outcome of these matters cannot be predicted at this time.

Electricity and Gas Market Manipulation Cases. A large number of lawsuits have been filed against numerous market participants and remain pending in federal court in California, Nevada and Kansas and in California state court in connection with the operation of the electricity and natural gas markets in California and certain other western states in 2000-2001, a time of power shortages and significant increases in prices. These lawsuits, many of which have been filed as class actions, are based on a number of legal theories, including violation of state and federal antitrust laws, laws against unfair and unlawful business practices, the federal Racketeer Influenced Corrupt Organization Act, false claims statutes and similar theories and

breaches of contracts to supply power to governmental entities. Plaintiffs in these lawsuits, which include state officials and governmental entities as well as private litigants, are seeking a variety of forms of relief, including recovery of compensatory damages (in some cases in excess of $1 billion), a trebling of compensatory damages and punitive damages, injunctive relief, restitution, interest due, disgorgement, civil penalties and fines, costs of suit, attorneys' fees and divestiture of assets. The Company's former subsidiary, RRI, was a participant in the California markets, owning generating plants in the state and participating in both electricity and natural gas trading in that state and in western power markets generally.

The Company or its predecessor, Reliant Energy, has been named in approximately 30 of these lawsuits, which were instituted between 2001 and 2005 and are pending in California state court in San Diego County and in federal district courts in San Francisco, San Diego, Los Angeles, Fresno, Sacramento, San Jose, Kansas and Nevada and before the Ninth Circuit Court of Appeals. However, the Company, CenterPoint Houston and Reliant Energy were not participants in the electricity or natural gas markets in California. The Company and Reliant Energy have been dismissed from certain of the lawsuits, either voluntarily by the plaintiffs or by order of the court, and the Company believes it is not a proper defendant in the remaining cases and will continue to seek dismissal from such remaining cases.

To date, several of the electricity complaints have been dismissed, and several of the dismissals have been affirmed by appellate courts. Others have been resolved by the settlement described in the following paragraph. Four of the gas complaints have also been dismissed based on defendants' claims of federal preemption and the filed rate doctrine, and these dismissals have been appealed. In June 2005, a San Diego state court refused to dismiss other gas complaints on the same basis. The other gas cases remain in the early procedural stages.

On August 12, 2005, RRI reached a settlement with the states of California, Washington and Oregon, California's three largest investor-owned utilities, classes of consumers from California and other western states, and a number of California city and county government entities that resolves their claims against RRI related to the operation of the electricity markets in California and certain other western states in 2000-2001. The settlement also resolves the claims of the states and the investor-owned utilities related to the 2000-2001 natural gas markets. The settlement has been approved by the FERC and by the California Public Utilities Commission, and now must be approved by the courts in which the class action cases are pending. This approval is expected in the second quarter of 2006. The Company is not a party to the settlement, but may rely on the settlement as a defense to any claims brought against it related to the time when the Company was an affiliate of RRI. The terms of the settlement do not require payment by the Company.

Other Class Action Lawsuits. A number of class action lawsuits filed in 2002 on behalf of purchasers of securities of RRI and/or Reliant Energy were consolidated in federal district court in Houston. The consolidated complaint named RRI, certain of its current and former executive officers, Reliant Energy, the underwriters of the initial public offering of RRI's common stock in May 2001 (RRI Offering), and RRI's and Reliant Energy's independent auditors as defendants. The complaint sought monetary relief on behalf of purchasers of common stock of Reliant Energy or RRI during certain time periods ranging from February 2000 to May 2002, and purchasers of common stock that could be traced to the RRI Offering. The plaintiffs alleged, among other things, that the defendants misrepresented revenues and trading volumes by engaging in round-trip trades and improperly accounted for certain structured transactions as cash-flow hedges, which resulted in earnings from these transactions being accounted for as future earnings rather than being accounted for as earnings in fiscal year 2001. In July 2005, the parties announced that they had reached agreement on a settlement of this matter, and in January 2006, following a hearing, the trial judge approved that settlement and dismissed this matter. The terms of the settlement do not require payment by the Company.

In May 2002, three class action lawsuits were filed in federal district court in Houston on behalf of participants in various employee benefits plans sponsored by the Company. Two of the lawsuits were dismissed

without prejudice. In the remaining lawsuit, the Company and certain current and former members of its benefits committee are defendants. That lawsuit alleged that the defendants breached their fiduciary duties to various employee benefits plans, directly or indirectly sponsored by the Company, in violation of the Employee Retirement Income Security Act of 1974 by permitting the plans to purchase or hold securities issued by the Company when it was imprudent to do so, including after the prices for such securities became artificially inflated because of alleged securities fraud engaged in by the defendants. The complaint sought monetary damages for losses suffered on behalf of the plans and a putative class of plan participants whose accounts held CenterPoint Energy or RRI securities, as well as restitution. In January 2006, the federal district judge granted a motion for summary judgment filed by the Company and the individual defendants. The plaintiffs have filed an appeal of the ruling to the Fifth Circuit Court of Appeals. The Company believes that this lawsuit is without merit and will continue to vigorously defend the case. However, the ultimate outcome of this matter cannot be predicted at this time.

Other Legal Matters

Texas Antitrust Actions. In July 2003, Texas Commercial Energy filed in federal court in Corpus Christi, Texas a lawsuit against Reliant Energy, the Company and CenterPoint Houston, as successors to Reliant Energy, Genco LP, RRI, Reliant Energy Solutions, LLC, several other RRI subsidiaries and a number of other participants in the Electric Reliability Council of Texas (ERCOT) power market. The plaintiff, a retail electricity provider with the ERCOT market, alleged that the defendants conspired to illegally fix and artificially increase the price of electricity in violation of state and federal antitrust laws and committed fraud and negligent misrepresentation. The lawsuit sought damages in excess of $500 million, exemplary damages, treble damages, interest, costs of suit and attorneys' fees. The plaintiff's principal allegations had previously been investigated by the Texas Utility Commission and found to be without merit. In June 2004, the federal court dismissed the plaintiff's claims and the plaintiff appealed to the U.S. Fifth Circuit Court of Appeals, which affirmed the dismissal. The plaintiff then sought review by the U.S. Supreme Court in a petition for certiorari which was denied. Thus, this matter has now been finally resolved in favor of the defendants.

In February 2005, Utility Choice Electric filed in federal court in Houston, Texas a lawsuit against the Company, CenterPoint Houston, CenterPoint Energy Gas Services, Inc., CenterPoint Energy Alternative Fuels, Inc., Genco LP and a number of other participants in the ERCOT power market. The plaintiff, a retail electricity provider in the ERCOT market, alleged that the defendants conspired to illegally fix and artificially increase the price of electricity in violation of state and federal antitrust laws, intentionally interfered with prospective business relationships and contracts, and committed fraud and negligent misrepresentation. The plaintiff's principal allegations had previously been investigated by the Texas Utility Commission and found to be without merit. In December 2005, the district court judge granted the defendants' motion to dismiss the complaint. Subsequently, a settlement was reached under which the CenterPoint Energy entities have been fully released from all claims without the payment of any settlement amount by the Company.

Municipal Franchise Fee Lawsuits. In February 1996, the cities of Wharton, Galveston and Pasadena (Three Cities) filed suit in state district court in Harris County, Texas for themselves and a proposed class of all similarly situated cities in Reliant Energy's electric service area, against Reliant Energy and Houston Industries Finance, Inc. (formerly a wholly owned subsidiary of the Company's predecessor, Reliant Energy) alleging underpayment of municipal franchise fees. After a jury trial involving the Three Cities' claims (but not the class of cities), and a subsequent appeal, a state court of appeals in Houston rendered an opinion that the Three Cities should take nothing by their claims. The Texas Supreme Court declined further review. Thus, the Three Cities' claims have been finally resolved in the Company's favor. Individual claims of the remaining 45 cities were filed in the state district court and remain pending before that same court. Other than the City of Houston nonsuiting its claim in February 2006, there has been no activity on these claims since the Texas Supreme Court declined further review of the Three Cities' claims. The Company does not expect the

outcome of the remaining claims to have a material impact on its financial condition, results of operations or cash flows.

Natural Gas Measurement Lawsuits. CERC Corp. and certain of its subsidiaries are defendants in a suit filed in 1997 under the Federal False Claims Act alleging mismeasurement of natural gas produced from federal and Indian lands. The suit seeks undisclosed damages, along with statutory penalties, interest, costs, and fees. The complaint is part of a larger series of complaints filed against 77 natural gas pipelines and their subsidiaries and affiliates. An earlier single action making substantially similar allegations against the pipelines was dismissed by the federal district court for the District of Columbia on grounds of improper joinder and lack of jurisdiction. As a result, the various individual complaints were filed in numerous courts throughout the country. This case has been consolidated, together with the other similar False Claims Act cases, in the federal district court in Cheyenne, Wyoming.

In addition, CERC Corp. and certain of its subsidiaries are defendants in two mismeasurement lawsuits brought against approximately 245 pipeline companies and their affiliates pending in state court in Stevens County, Kansas. In one case (originally filed in May 1999 and amended four times), the plaintiffs purport to represent a class of royalty owners who allege that the defendants have engaged in systematic mismeasurement of the volume of natural gas for more than 25 years. The plaintiffs amended their petition in this suit in July 2003 in response to an order from the judge denying certification of the plaintiffs' alleged class. In the amendment the plaintiffs dismissed their claims against certain defendants (including two CERC subsidiaries), limited the scope of the class of plaintiffs they purport to represent and eliminated previously asserted claims based on mismeasurement of the Btu content of the gas. The same plaintiffs then filed a second lawsuit, again as representatives of a class of royalty owners, in which they assert their claims that the defendants have engaged in systematic mismeasurement of the Btu content of natural gas for more than 25 years. In both lawsuits, the plaintiffs seek compensatory damages, along with statutory penalties, treble damages, interest, costs and fees. CERC and its subsidiaries believe that there has been no systematic mismeasurement of gas and that the suits are without merit. CERC does not expect the ultimate outcome to have a material impact on the financial condition, results of operations or cash flows of either the Company or CERC.

Gas Cost Recovery Litigation. In October 2002, a suit was filed in state district court in Wharton County, Texas against the Company, CERC, Entex Gas Marketing Company, and certain non-affiliated companies alleging fraud, violations of the Texas Deceptive Trade Practices Act, violations of the Texas Utilities Code, civil conspiracy and violations of the Texas Free Enterprise and Antitrust Act with respect to rates charged to certain consumers of natural gas in the State of Texas. Subsequently, the plaintiffs added as defendants CenterPoint Energy Marketing Inc., CenterPoint Energy Gas Transmission Company, United Gas, Inc., Louisiana Unit Gas Transmission Company, CenterPoint Energy Pipeline Services, Inc., and CenterPoint Energy Trading and Transportation Group, Inc., all of which are subsidiaries of the Company. The plaintiffs alleged that defendants inflated the prices charged to certain consumers of natural gas. In February 2003, a similar suit was filed in state court in Caddo Parish, Louisiana against CERC with respect to rates charged to a purported class of certain consumers of natural gas and gas service in the State of Louisiana. In February 2004, another suit was filed in state court in Calcasieu Parish, Louisiana against CERC seeking to recover alleged overcharges for gas or gas services allegedly provided by Southern Gas Operations to a purported class of certain consumers of natural gas and gas service without advance approval by the Louisiana Public Service Commission (LPSC). In October 2004, a similar case was filed in district court in Miller County, Arkansas against the Company, CERC, Entex Gas Marketing Company, CenterPoint Energy Gas Transmission Company, CenterPoint Energy Field Services, CenterPoint Energy Pipeline Services, Inc., Mississippi River Transmission Corp. and other non-affiliated companies alleging fraud, unjust enrichment and civil conspiracy with respect to rates charged to certain consumers of natural gas in at least the states of Arkansas, Louisiana, Mississippi, Oklahoma and Texas. At the time of the filing of each of the Caddo and Calcasieu Parish cases, the plaintiffs in those cases filed petitions with the LPSC relating to the same alleged

rate overcharges. The Caddo and Calcasieu Parish cases have been stayed pending the resolution of the respective proceedings by the LPSC. The plaintiffs in the Miller County case seek class certification, but the proposed class has not been certified. In February 2005, the Wharton County case was removed to federal district court in Houston, Texas, and in March 2005, the plaintiffs voluntarily moved to dismiss the case and agreed not to refile the claims asserted unless the Miller County case is not certified as a class action or is later decertified. The range of relief sought by the plaintiffs in these cases includes injunctive and declaratory relief, restitution for the alleged overcharges, exemplary damages or trebling of actual damages, civil penalties and attorney's fees. In these cases, the Company, CERC and their affiliates deny that they have overcharged any of their customers for natural gas and believe that the amounts recovered for purchased gas have been in accordance with what is permitted by state regulatory authorities. The allegations in these cases are similar to those asserted in the City of Tyler proceeding described in Note 4(e). The Company and CERC do not expect the outcome of these matters to have a material impact on the financial condition, results of operations or cash flows of either the Company or CERC.

Pipeline Safety Compliance. Pursuant to an order from the Minnesota Office of Pipeline Safety, CERC substantially completed removal of certain non-code-compliant components from a portion of its distribution system by December 2, 2005. The components were installed by a predecessor company, which was not affiliated with CERC during the period in which the components were installed. In November 2005, Minnesota Gas filed a request with the MPUC to recover the capitalized expenditures (approximately $39 million) and related expenses, together with a return on and of the capitalized portion through rates.

Minnesota Cold Weather Rule. In December 2004, the MPUC opened an investigation to determine whether Minnesota Gas' practices regarding restoring natural gas service during the period between October 15 and April 15 (Cold Weather Period) are in compliance with the MPUC's Cold Weather Rule (CWR), which governs disconnection and reconnection of customers during the Cold Weather Period. The Minnesota Office of the Attorney General (OAG) issued its report alleging Minnesota Gas has violated the CWR and recommended a $5 million penalty. Minnesota Gas and the OAG have reached an agreement on procedures to be followed for the current Cold Weather Period which began on October 15, 2005. In addition, in June 2005, CERC was named in a suit filed in the United States District Court, District of Minnesota on behalf of a purported class of customers who allege that Minnesota Gas' conduct under the CWR was in violation of the law. Minnesota Gas is in settlement discussions regarding both the OAG's action and the action on behalf of the purported class. The Company and CERC do not expect the outcome of this matter to have a material impact on the financial condition, results of operations or cash flows of either the Company or CERC.

ENVIRONMENTAL MATTERS

Hydrocarbon Contamination. CERC Corp. and certain of its subsidiaries are among the defendants in lawsuits filed beginning in August 2001 in Caddo Parish and Bossier Parish, Louisiana. The suits allege that, at some unspecified date prior to 1985, the defendants allowed or caused hydrocarbon or chemical contamination of the Wilcox Aquifer, which lies beneath property owned or leased by certain of the defendants and which is the sole or primary drinking water aquifer in the area. The primary source of the contamination is alleged by the plaintiffs to be a gas processing facility in Haughton, Bossier Parish, Louisiana known as the "Sligo Facility," which was formerly operated by a predecessor in interest of CERC Corp. This facility was purportedly used for gathering natural gas from surrounding wells, separating liquid hydrocarbons from the natural gas for marketing, and transmission of natural gas for distribution.

Beginning about 1985, the predecessors of certain CERC Corp. defendants engaged in a voluntary remediation of any subsurface contamination of the groundwater below the property they owned or leased. This work has been done in conjunction with and under the direction of the Louisiana Department of Environmental Quality. The plaintiffs seek monetary damages for alleged damage to the aquifer underlying their property, unspecified alleged personal injuries, alleged fear of cancer, alleged property damage or

diminution of value of their property, and, in addition, seek damages for trespass, punitive, and exemplary damages. The Company does not expect the ultimate cost associated with resolving this matter to have a material impact on the financial condition, results of operations or cash flows of either the Company or CERC.

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

At December 31, 2005, CERC had accrued $14 million for remediation of these Minnesota sites. At December 31, 2005, the estimated range of possible remediation costs for these sites was $4 million to $35 million based on remediation continuing for 30 to 50 years. The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites to be remediated, the participation of other potentially responsible parties (PRP), if any, and the remediation methods used. CERC has utilized an environmental expense tracker mechanism in its rates in Minnesota to recover estimated costs in excess of insurance recovery. As of December 31, 2005, CERC has collected $13 million from insurance companies and rate payers to be used for future environmental remediation.

In addition to the Minnesota sites, the United States Environmental Protection Agency and other regulators have investigated MGP sites that were owned or operated by CERC or may have been owned by one of its former affiliates. CERC has been named as a defendant in two lawsuits filed in United States District Court, District of Maine and Middle District of Florida, Jacksonville Division under which contribution is sought by private parties for the cost to remediate former MGP sites based on the previous ownership of such sites by former affiliates of CERC or its divisions. CERC has also been identified as a PRP by the State of Maine for a site that is the subject of one of the lawsuits. In March 2005, the court considering the other suit for contribution granted CERC's motion to dismiss on the grounds that CERC was not an "operator" of the site as had been alleged. The plaintiff in that case has filed an appeal of the court's dismissal of CERC. The Company is investigating details regarding these sites and the range of environmental expenditures for potential remediation. However, CERC believes it is not liable as a former owner or operator of those sites under the Comprehensive Environmental, Response, Compensation and Liability Act of 1980, as amended, and applicable state statutes, and is vigorously contesting those suits and its designation as a PRP.

Mercury Contamination. The Company's pipeline and distribution operations have in the past employed elemental mercury in measuring and regulating equipment. It is possible that small amounts of mercury may have been spilled in the course of normal maintenance and replacement operations and that these spills may have contaminated the immediate area with elemental mercury. The Company has found this type of contamination at some sites in the past, and the Company has conducted remediation at these sites. It is possible that other contaminated sites may exist and that remediation costs may be incurred for these sites. Although the total amount of these costs cannot be known at this time, based on the Company's experience and that of others in the natural gas industry to date and on the current regulations regarding remediation of these sites, the Company believes that the costs of any remediation of these sites will not be material to the Company's financial condition, results of operations or cash flows.

Asbestos. Facilities owned by the Company contain or have contained asbestos insulation and other asbestos-containing materials. The Company or its subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a large number of individuals who claim injury due to exposure to asbestos. Most claimants in such litigation have been workers who participated in construction of various industrial facilities, including power plants. Some of the claimants have worked at locations owned by the Company, but most existing claims relate to facilities previously owned by the Company's subsidiaries but currently owned by Texas Genco LLC. The Company anticipates that additional claims like those received may be asserted in

the future. Under the terms of the separation agreement between the Company and Texas Genco, ultimate financial responsibility for uninsured losses from claims relating to facilities transferred to Texas Genco has been assumed by Texas Genco, but under the terms of its agreement to sell Texas Genco to Texas Genco LLC, the Company has agreed to continue to defend such claims to the extent they are covered by insurance maintained by the Company, subject to reimbursement of the costs of such defense from Texas Genco LLC. Although their ultimate outcome cannot be predicted at this time, the Company intends to continue vigorously contesting claims that it does not consider to have merit and does not expect, based on its experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Other Environmental. From time to time the Company has received notices from regulatory authorities or others regarding its status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. In addition, the Company has been named from time to time as a defendant in litigation related to such sites. Although the ultimate outcome of such matters cannot be predicted at this time, the Company does not expect, based on its experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

OTHER PROCEEDINGS

The Company is involved in other legal, environmental, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business. Some of these proceedings involve substantial amounts. The Company's management regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. The Company's management does not expect the disposition of these matters to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

GUARANTEES

Prior to CenterPoint Energy's distribution of its ownership in RRI to its shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. Under the terms of the separation agreement between the companies, RRI agreed to extinguish all such guarantee obligations prior to separation, but when separation occurred in September 2002, RRI had been unable to extinguish all obligations. To secure CenterPoint Energy and CERC against obligations under the remaining guarantees, RRI agreed to provide cash or letters of credit for the benefit of CERC and CenterPoint Energy, and undertook to use commercially reasonable efforts to extinguish the remaining guarantees. The Company's current exposure under the remaining guarantees relates to CERC's guarantee of the payment by RRI of demand charges related to transportation contracts with one counterparty. The demand charges are approximately $53 million per year in 2006 through 2015, $49 million in 2016, $38 million in 2017 and $13 million in 2018. As a result of changes in market conditions, CenterPoint Energy's potential exposure under that guarantee currently exceeds the security provided by RRI. CenterPoint Energy has requested RRI to increase the amount of its existing letters of credit or, in the alternative, to obtain a release of CERC's obligations under the guarantee, and CenterPoint Energy and RRI are pursuing alternatives. RRI continues to meet its obligations under the transportation contracts.

TEXAS GENCO MATTERS

CenterPoint Houston, as collection agent for the nuclear decommissioning charge assessed on its transmission and distribution customers, transferred $2.9 million in 2003 and 2004 and $3.2 million in 2005 to trusts established to fund Texas Genco's share of the decommissioning costs for the South Texas Project. There are various investment restrictions imposed upon Texas Genco by the Texas Utility Commission and

the Nuclear Regulatory Commission relating to Texas Genco's nuclear decommissioning trusts. Pursuant to the provisions of both a separation agreement and the Texas Utility Commission's final order, CenterPoint Houston and Texas Genco are presently jointly administering the decommissioning funds through the Nuclear Decommissioning Trust Investment Committee. Texas Genco and CenterPoint Houston have each appointed two members to the Nuclear Decommissioning Trust Investment Committee which establishes the investment policy of the trusts and oversees the investment of the trusts' assets. As administrators of the decommissioning funds, CenterPoint Houston and Texas Genco are jointly responsible for assuring that the funds are prudently invested in a manner consistent with the rules of the Texas Utility Commission. On February 2, 2006, CenterPoint Houston and Texas Genco filed a request with the Texas Utility Commission to name Texas Genco as the sole fund administrator. Pursuant to the Texas electric restructuring law, costs associated with nuclear decommissioning that were not recovered as of January 1, 2002, will continue to be subject to cost-of-service rate regulation and will be charged to transmission and distribution customers of CenterPoint Houston or its successor.

(11) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, investments in debt and equity securities classified as "available-for-sale" and "trading" in accordance with SFAS No. 115, and short-term borrowings are estimated to be approximately equivalent to carrying amounts and have been excluded from the table below. The fair values of non-trading derivative assets and liabilities are equivalent to their carrying amounts in the Consolidated Balance Sheets at December 31, 2004 and 2005 and have been determined using quoted market prices for the same or similar instruments when available or other estimation techniques (see Note 5). Therefore, these financial instruments are stated at fair value and are excluded from the table below.

DECEMBER 31, 2004		DECEMBER 31, 2005	
CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
(IN MILLIONS)			
Financial liabilities:			
Long-term debt	$8,913	$9,601	$8,794	$9,277

(12) EARNINGS PER SHARE

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

FOR THE YEAR ENDED DECEMBER 31,		
2003	2004	2005
(IN MILLIONS, EXCEPT PER SHARE AND SHARE AMOUNTS)		
Basic earnings (loss) per share calculation:		
Income from continuing operations before extraordinary item	$ 409	$ 205
Income (loss) from discontinued operations, net of tax	75	(133)
Extraordinary item, net of tax	--	(977)
Net income (loss)	$ 484	$ (905)
Weighted average shares outstanding	303,867,000	307,185,000
Basic earnings (loss) per share:		
Income from continuing operations before extraordinary item	$ 1.35	$ 0.67
Income (loss) from discontinued operations, net of tax	0.24	(0.43)
Extraordinary item, net of tax	--	(3.18)
Net income (loss)	$ 1.59	$ (2.94)
Diluted earnings (loss) per share calculation:		
Net income (loss)	$ 484	$ (905)
Plus: Income impact of assumed conversions:		
Interest on 3.75% contingently convertible senior notes	9	14
Interest on 6.25% convertible trust preferred securities	--	--
Total earnings effect assuming dilution	$ 493	$ (891)
Weighted average shares outstanding	303,867,000	307,185,000
Plus: Incremental shares from assumed conversions:		
Stock options(1)	851,000	1,203,000
Restricted stock	1,484,000	1,447,000
3.75% contingently convertible senior notes	30,745,000	49,655,000
6.25% convertible trust preferred securities	18,000	16,000
Weighted average shares assuming dilution	336,965,000	359,506,000
Diluted earnings (loss) per share:		
Income from continuing operations before extraordinary item	$ 1.24	$ 0.61
Income (loss) from discontinued operations, net of tax	0.22	(0.37)
Extraordinary item, net of tax	--	(2.72)
Net income (loss)	$ 1.46	$ (2.48)

2005
$ 225
30
--
$ 252
309,349,000
$ 0.72
(0.01)
0.10
$ 0.81
$ 252
14
9
--
$ 261
33,587,000
6.25% convertible trust preferred securities 16,000
346,028,000
$ 0.67
0.09
$ 0.75

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(1) Options to purchase 10,106,673, 11,892,508 and 8,677,660 shares were outstanding for the years ended December 31, 2003, 2004 and 2005, respectively, but were not included in the computation of diluted earnings (loss) per share because the options' exercise price was greater than the average market price of the common shares for the respective years.

In accordance with EITF 04-8, because all of the 2.875% contingently convertible senior notes and approximately $572 million of the 3.75% contingently convertible senior notes (subsequent to the August 2005 exchange discussed in Note 8) provide for settlement of the principal portion in cash rather than stock, the Company excludes the portion of the conversion value of these notes attributable to their principal amount from its computation of diluted earnings per share from continuing operations. The Company includes the conversion spread in the calculation of diluted earnings per share when the average market price of the Company's common stock in the respective reporting period exceeds the conversion price. The conversion prices for the 2.875% and the 3.75% contingently convertible senior notes are $12.81 and $11.58, respectively.

(13) UNAUDITED QUARTERLY INFORMATION

The consolidated financial statements for 2004 and 2005 have been prepared to reflect the sale of Texas Genco as described in Note 3. Accordingly, the consolidated financial statements present the Texas Genco business as discontinued operations, in accordance with SFAS No. 144.

Summarized quarterly financial data is as follows:

YEAR ENDED DECEMBER 31, 2004	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)			
Revenues	$2,402	$1,593	$ 1,567	$2,437
Operating income	240	186	207	231
Income (loss) from continuing operations	29	(3)	17	162
Discontinued operations, net of tax	45	60	(259)	21
Extraordinary item, net of tax	--	--	(894)	(83)
Net income (loss)	$ 74	$ 57	$(1,136)	$ 100
Basic earnings (loss) per share:				
(1) Income (loss) from continuing operations	$ 0.09	$(0.01)	$ 0.05	$ 0.53
Discontinued operations, net of tax	0.15	0.20	(0.84)	0.07
Extraordinary item, net of tax	--	--	(2.90)	(0.27)
Net income (loss)	$ 0.24	$ 0.19	$ (3.69)	$ 0.33
Diluted earnings (loss) per share:				
(1) Income (loss) from continuing operations	$ 0.09	$(0.01)	$ 0.05	$ 0.46
Discontinued operations, net of tax	0.13	0.20	(0.83)	0.06
Extraordinary item, net of tax	--	--	(2.88)	(0.23)
Net income (loss)	$ 0.22	$ 0.19	$ (3.66)	$ 0.29

YEAR ENDED DECEMBER 31, 2005	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)			
Revenues	$2,595	$1,842	$2,073	$3,212
Operating income	276	186	225	252
Income from continuing operations	67	27	50	81
Discontinued operations, net of tax	--	(3)	--	--
Extraordinary item, net of tax	--	30	--	--
Net income	$ 67	$ 54	$ 50	$ 81
Basic earnings (loss) per share:(1)				
Income from continuing operations	$ 0.22	$ 0.09	$ 0.16	$ 0.26
Discontinued operations, net of tax	--	(0.01)	--	--
Extraordinary item, net of tax	--	0.10	--	--
Net income	$ 0.22	$ 0.18	$ 0.16	$ 0.26
Diluted earnings (loss) per share:(1)				
Income from continuing operations	$ 0.20	$ 0.09	$ 0.15	$ 0.25
Discontinued operations, net of tax	--	(0.01)	--	--
Extraordinary item, net of tax	--	0.08	--	--
Net income	$ 0.20	$ 0.16	$ 0.15	$ 0.25

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(1) Quarterly earnings per common share are based on the weighted average number of shares outstanding during the quarter, and the sum of the quarters may not equal annual earnings per common share. The Company's 3.75% contingently convertible notes are not included in the calculation of diluted earnings per share during the first three quarters of 2004 as they were anti-dilutive due to lower income from continuing operations in these periods. However, the 3.75% contingently convertible notes are included in the calculation of diluted earnings per share for the fourth quarter of 2004, and the first and second quarters of 2005, as they are dilutive. In the third quarter of 2005, the Company modified approximately $572 million of the 3.75% contingently convertible senior notes to provide for settlement of the principal portion in cash rather than stock. Accordingly, the Company excludes the portion of the conversion value of these notes and the 2.875% contingently convertible notes attributable to their principal amount from its computation of diluted earnings per share from continuing operations. The Company includes the conversion spread in the calculation of diluted earnings per share when the average market price of the Company's common stock in the respective reporting period exceeds the conversion price.

(14) REPORTABLE BUSINESS SEGMENTS

The Company's determination of reportable business segments considers the strategic operating units under which the Company manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies except that some executive benefit costs have not been allocated to business segments. The Company uses operating income as the measure of profit or loss for its business segments.

The Company's reportable business segments include the following: Electric Transmission & Distribution, Natural Gas Distribution, Competitive Natural Gas Sales and Services, Pipelines and Field Services

(formerly Pipelines and Gathering) and Other Operations. The electric transmission and distribution function (CenterPoint Houston) is reported in the Electric Transmission & Distribution business segment. Natural Gas Distribution consists of intrastate natural gas sales to, and natural gas transportation and distribution for, residential, commercial, industrial and institutional customers. The Company reorganized the oversight of its Natural Gas Distribution business segment and, as a result, beginning in the fourth quarter of 2005, the Company established a new reportable business segment, Competitive Natural Gas Sales and Services. Competitive Natural Gas Sales and Services represents the Company's non-rate regulated gas sales and services operations, which consist of three operational functions: wholesale, retail and intrastate pipelines. Pipelines and Field Services includes the interstate natural gas pipeline operations and the natural gas gathering and pipeline services businesses. Other Operations consists primarily of other corporate operations which support all of the Company's business operations. The Company's Latin America operations and its energy management services business, which were previously reported in the Other Operations business segment, are presented as discontinued operations within these consolidated financial statements. Additionally, the Company's generation operations, which were previously reported in the Electric Generation business segment, are presented as discontinued operations within these consolidated financial statements. All prior period segment information has been reclassified to conform to the 2005 presentation.

Long-lived assets include net property, plant and equipment, net goodwill and other intangibles and equity investments in unconsolidated subsidiaries. Intersegment sales are eliminated in consolidation.

Financial data for business segments and products and services are as follows (in millions):

	ELECTRIC TRANSMISSION & DISTRIBUTION	COMPETITIVE NATURAL GAS SALES AND SERVICES	PIPELINES & FIELD SERVICES	OTHER OPERATIONS	DISCONTINUED OPERATIONS	RECONCILING ELIMINATIONS	CONSOLIDATED
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003:							
Revenues from external customers(1)	$ 2,124(2)	$3,389	$2,017(3)	$ 244(4)	$ 16	$ --	$ 7,790
Intersegment revenues	--	--	215	163	12	--	(390)
Depreciation and amortization	270	135	1	40	20	--	466
Operating income (loss)	1,020	157	45	158	(25)	--	1,355
Total assets	10,387	4,031	825	2,519	1,746		

4,244 (2,291) 21,461 Expenditures for long-lived assets..... 218 198 1 66 14 162 -- 659 AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004: Revenues from external customers..... $ 1,521(2) $3,577 $2,593(3) $ 306(4) $ 2 $ -- $ -- $ 7,999 Intersegment revenues..... -- 2 255 145 6 -- (408) -- Depreciation and amortization.... 284 141 2 44 19 -- -- 490 Operating income (loss)..... 494 178 44 180 (32) -- -- 864 Extraordinary item, net of tax..... 977 -- -- -- -- -- -- 977 Total assets..... 8,783 4,083 964 2,637 2,794(5) 1,565 (2,730) 18,096 Expenditures for long-lived assets..... 235 196 1 73 25 74 -- 604

	ELECTRIC TRANSMISSION & DISTRIBUTION	COMPETITIVE NATURAL GAS SALES AND SERVICES	PIPELINES AND NATURAL GAS FIELD SERVICES	NATURAL GAS DISTRIBUTION	OTHER OPERATIONS	DISCONTINUED OPERATIONS	RECONCILING ELIMINATIONS	CONSOLIDATED
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005:								
Revenues from external customers	$ 1,644(2)	$3,837	$3,884	$ 346	$ 11	$ --	$ --	$ 9,722
Intersegment revenues	9	245	147	8	--	(409)	--	
Depreciation and amortization	322	152	2	45	20	--	--	541
Operating income (loss)	487	175	60	235	(18)	--	--	939
Extraordinary item, net of tax	(30)	--	--	--	--	--	--	(30)
Total assets	8,227	4,612	1,849	2,968	2,202(5)	--	(2,742)	17,116
Expenditures for long-lived assets	281	249	12	156	21	9	--	728

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(1) Revenues from external customers for the Electric Transmission & Distribution business segment include ECOM revenues of $661 million for 2003.

(2) Sales to subsidiaries of RRI in 2003, 2004 and 2005 represented approximately $948 million, $882 million and $812 million, respectively, of CenterPoint Houston's transmission and distribution revenues.

(3) Sales to Texas Genco in 2003 and 2004 represented approximately $28 million and $20 million, respectively, of the Competitive Natural Gas Sales and Services business segment's revenues from external customers. Texas Genco has been presented as discontinued operations in these consolidated financial statements.

(4) Sales to Texas Genco in 2003 and 2004 represented approximately $3 million

and $2 million, respectively, of the Pipelines and Field Services business segment's revenues from external customers. Texas Genco has been presented as discontinued operations in these consolidated financial statements.

(5) Included in total assets of Other Operations as of December 31, 2004 and 2005 is a pension asset of $610 million and $654 million, respectively. See Note 2(o) for further discussion.

YEAR ENDED DECEMBER 31,	2003	2004	2005
(IN MILLIONS) Revenues by Products and Services:			
Electric delivery sales	$1,463	$1,521	$1,644
ECOM revenue	661	--	--
Retail gas sales	3,954	4,239	4,871
Wholesale gas sales	1,064	1,526	2,410
Gas transport	537	613	684
Energy products and services	111	100	113
Total	$7,790	$7,999	$9,722

(15) SUBSEQUENT EVENT

On January 26, 2006, the Company's board of directors declared a regular quarterly cash dividend of $0.15 per share of common stock payable on March 10, 2006, to shareholders of record as of the close of business on February 16, 2006.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2005 to provide assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

"Management's Annual Report on Internal Control over Financial Reporting" appears on page 118 of this annual report on Form 10-K. In December 2005, the Company determined that, during 2004 and 2005, certain transactions involving purchases and sales of natural gas among divisions within its Natural Gas Distribution and Competitive Natural Gas Sales and Services segments were not properly eliminated in the consolidated financial statements. Consequently, revenues and natural gas expenses during the year ended December 31, 2004 were each overstated by approximately $511 million and during the nine months ended September 30, 2005 were each overstated by approximately $402 million. Management concluded that a restatement of the 2004 consolidated financial statements and the 2005 interim consolidated financial statements was necessary to correct this error. In connection with the discovery of the error described above and the conclusion that the Company had a material weakness in its internal control over financial reporting related to ineffective controls over the process of eliminating certain interdivision purchases and sales of natural gas within its Natural Gas Distribution and Competitive Natural Gas Sales and Services segments in the consolidation process, the Company improved procedures related to the recording and reporting of purchases and sales of natural gas during the three months ended December 31, 2005, including increased review and approval controls by senior financial personnel over the personnel that prepare the accruals and enhanced analysis of the recorded activity, including ensuring that intercompany activity is properly eliminated in consolidation. Management believes these changes remediated the material weakness in internal control over financial reporting referenced above as of December 31, 2005.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management has designed its internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Management's assessment included review and testing of both the design effectiveness and operating effectiveness of controls over all relevant assertions related to all significant accounts and disclosures in the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control -- Integrated Framework, our management has concluded that our internal control over financial reporting was effective as of December 31, 2005.

Deloitte & Touche LLP, the Company's independent registered public accounting firm, has issued an attestation report on our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 which is included herein on page 119.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
CenterPoint Energy, Inc.
Houston, Texas

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that CenterPoint Energy, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2005 of the Company and our report dated March 15, 2006 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of a new accounting standard related to conditional asset retirement obligations.

DELOITTE & TOUCHE LLP

Houston, Texas
March 15, 2006

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

The information called for by Item 10, to the extent not set forth in "Executive Officers" in Item 1, is or will be set forth in the definitive proxy statement relating to CenterPoint Energy's 2006 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 10 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is or will be set forth in the definitive proxy statement relating to CenterPoint Energy's 2006 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 11 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by Item 12 is or will be set forth in the definitive proxy statement relating to CenterPoint Energy's 2006 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 12 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item 13 is or will be set forth in the definitive proxy statement relating to CenterPoint Energy's 2006 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 13 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by Item 14 is or will be set forth in the definitive proxy statement relating to CenterPoint Energy's 2006 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 14 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements.

(a)(2) Financial Statement Schedules for the Three Years Ended December 31, 2005.

The following schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements:

III, IV and V.

(a)(3) Exhibits.

See Index of Exhibits beginning on page 133, which index also includes the management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(b)(10)(iii) of Regulation S-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
CenterPoint Energy, Inc.
Houston, Texas

We have audited the consolidated financial statements of CenterPoint Energy, Inc. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, and have issued our report thereon dated March 15, 2006 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's adoption of a new accounting standard for conditional asset retirement obligations). We have also audited management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 and the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, and have issued our report thereon dated March 15, 2006; such reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedules the Company listed in the index at Item 15 (a)(2). These consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

Houston, Texas
March 15, 2006

CENTERPOINT ENERGY, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31,			
	2003	2004	2005
	(IN MILLIONS)		
Equity Income of Subsidiaries	$851	$ 707	$425
Interest Income from Subsidiaries	63	21	15
Loss on Disposal of Subsidiary	--	(366)	(14)
Gain (Loss) on Indexed Debt Securities	(96)	(20)	49
Operation and Maintenance Expenses	(13)	(21)	(29)
Depreciation and Amortization	(14)	-	--
Taxes Other than Income	(5)	--	--
Interest Expense to Subsidiaries	(93)	(80)	(61)
Interest Expense			
	(394)	(303)	(204)
Income Tax Benefit			
	185	134	41
Extraordinary Item, net of tax	--	(977)	30
Net Income (Loss)	$484	$(905)	$252

See CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)

BALANCE SHEETS

DECEMBER 31, ---------- 2004 2005 ------ ------ (IN MILLIONS) ASSETS CURRENT ASSETS: Cash and cash equivalents..... $ -- $ 1 Notes receivable -- subsidiaries..... 126 460 Accounts receivable -- subsidiaries..... 30 22 Other assets..... 2 3 ------ ------ Total current assets..... 158 486 ------ ------ PROPERTY, PLANT AND EQUIPMENT, NET..... 6 -- ------ ------ OTHER ASSETS: Investment in subsidiaries..... 6,032 5,225 Notes receivable -- subsidiaries..... 321 172 Other assets..... 675 714 ------ ------ Total other assets..... 7,028 6,111 ----- ------ TOTAL ASSETS..... $7,192 $6,597 ====== ====== LIABILITIES AND SHAREHOLDERS' EQUITY CURRENT LIABILITIES: Notes payable -- subsidiaries..... $ 127 $ 5 Current portion of long-term debt..... 107 109 Indexed debt securities derivative..... 342 292 Accounts payable: Subsidiaries..... 37 30 Other..... 5 4 Taxes accrued..... 811 698 Interest accrued..... 26 26 Other..... 14 22 ------ ------ Total current liabilities..... 1,469 1,186 ------ ------ OTHER LIABILITIES: Accumulated deferred tax liabilities..... 433 328 Benefit obligations..... 54 78 Notes payable -- subsidiaries..... 1,167 923 Other..... 98 157 ------ ------ Total non-current liabilities..... 1,752 1,486 ------ ------ LONG-TERM DEBT..... 2,865 2,629 ------ ------ SHAREHOLDERS' EQUITY: Common stock..... 3 3 Additional paid-in capital..... 2,891 2,931 Accumulated deficit..... (1,728) (1,600) Accumulated other comprehensive loss..... (60) (38) ------ ------ Total shareholders' equity..... 1,106 1,296 ------ ------ TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY..... $7,192 $6,597 ====== ======

See CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,	2003	2004	2005
			(IN MILLIONS)
OPERATING ACTIVITIES: Net income (loss)	$ 484	$ (905)	$ 252
Loss on disposal of subsidiary	--	366	14
Extraordinary item, net of tax	--	977	(30)
Adjusted income	484	438	236
Non-cash items included in net income (loss): Equity income of subsidiaries	(850)	(707)	(425)
Deferred income tax expense	66	155	106
Depreciation and amortization	14	--	--
Amortization of debt issuance costs	112	70	37
Loss (gain) on indexed debt securities	96	20	(49)
Changes in working capital: Accounts receivable/(payable) from subsidiaries, net	89	(6)	1
Accounts payable	4	(1)	(1)
Other current assets	(3)	(5)	(1)
Other current liabilities	(43)	(290)	(73)
Common stock dividends received from subsidiaries	122	177	508
Pension contribution	(23)	(476)	(75)
Other	95	54	77
Net cash provided by (used in) operating activities	163	(571)	341
INVESTING ACTIVITIES: Proceeds from sale of Texas Genco	--	2,231	700
Distributions from (investments in) subsidiaries	33	19	(144)
Short-term notes receivable from subsidiaries	290	76	(335)
Long-term notes receivable from subsidiaries	541	192	154
Capital expenditures, net	(6)	(6)	--
Net cash provided by investing activities	858	2,512	375
FINANCING ACTIVITIES: Long-term revolving credit facility, net	(2,400)	(1,206)	(236)
Payments on long-term debt	(159)	(888)	--
Proceeds from long-term debt	1,610	--	--
Debt issuance costs	(118)	(1)	(5)
Common stock dividends paid	(122)	(123)	(124)
Proceeds from issuance of common stock, net	--	--	17
Short-term notes payable to subsidiaries	(31)	121	(122)
Long-term notes payable to subsidiaries	(2)	134	(245)
Net cash used in financing activities	(1,222)	(1,963)	(715)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(201)	(22)	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	223	22	--
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 22	$ --	$ 1

See CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

SCHEDULE I -- NOTES TO CONDENSED FINANCIAL INFORMATION (PARENT COMPANY)

(1) The condensed parent company financial statements and notes should be read in conjunction with the consolidated financial statements and notes of CenterPoint Energy, Inc. (CenterPoint Energy or the Company) appearing in the Annual Report on Form 10-K. Bank facilities at CenterPoint Energy Houston Electric, LLC and CenterPoint Energy Resources Corp., indirect wholly owned subsidiaries of the Company, limit debt, excluding transition bonds, as a percentage of their total capitalization to 68 percent and 65 percent, respectively. These covenants could restrict the ability of these subsidiaries to distribute dividends to the Company.

(2) CenterPoint Energy was a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended (the 1935 Act). The 1935 Act and related rules and regulations imposed a number of restrictions on the activities of the Company and its subsidiaries. The Energy Policy Act of 2005 (Energy Act) repealed the 1935 Act effective February 8, 2006, and since that date the Company and its subsidiaries have no longer been subject to restrictions imposed under the 1935 Act. The Energy Act includes a new Public Utility Holding Company Act of 2005 (PUHCA 2005), which grants to the Federal Energy Regulatory Commission (FERC) authority to require holding companies and their subsidiaries to maintain certain books and records and make them available for review by the FERC and state regulatory authorities in certain circumstances. On December 8, 2005, the FERC issued rules implementing PUHCA 2005 that will require the Company to notify the FERC of its status as a holding company and to maintain certain books and records and make these available to the FERC. The FERC continues to consider motions for rehearing or clarification of these rules.

(3) Effective January 1, 2004, CenterPoint Energy established a service company in order to comply with the 1935 Act. As a result, certain assets and liabilities of the parent company were transferred to the service company, primarily property, plant and equipment and related deferred taxes. These transfers have been excluded from the Statement of Cash Flows for the year ended December 31, 2004 as they represent non-cash transactions.

(4) In July 2004, the Company announced its agreement to sell its majority owned subsidiary, Texas Genco, to Texas Genco LLC (formerly known as GC Power Acquisition LLC), an entity owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco distributed $2.231 billion in cash to the Company. Texas Genco's principal remaining asset was its ownership interest in a nuclear generating facility. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to the Company of $700 million, was completed on April 13, 2005. The Company recorded after tax losses of $366 million and $14 million in 2004 and 2005, respectively, related to the sale of Texas Genco.

(5) In March 2005, the Company replaced its $750 million revolving credit facility with a $1 billion five-year revolving credit facility. Borrowings may be made under the facility at the London interbank offered rate (LIBOR) plus 87.5 basis points based on current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. As of December 31, 2005, borrowings of $3 million in commercial paper were backstopped by the revolving credit facility and $27 million in letters of credit were outstanding under the revolving credit facility.

On May 19, 2003, the Company issued $575 million aggregate principal amount of convertible senior notes due May 15, 2023 with an interest rate of 3.75%. Holders may convert each of their notes into shares of CenterPoint Energy common stock, initially at a conversion rate of 86.3558 shares of common stock per $1,000 principal amount of notes at any time prior to maturity, under the following circumstances: (1) if the last reported sale price of CenterPoint Energy common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or

equal to 120% or, following May 15, 2008, 110% of the conversion price per share of CenterPoint Energy common stock on such last trading day, (2) if the notes have been called for redemption, (3) during any period in which the credit ratings assigned to the notes by both Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Ratings Services (S&P), a division of The McGraw-Hill Companies, are lower than Ba2 and BB, respectively, or the notes are no longer rated by at least one of these ratings services or their successors, or (4) upon the occurrence of specified corporate transactions, including the distribution to all holders of CenterPoint Energy common stock of certain rights entitling them to purchase shares of CenterPoint Energy common stock at less than the last reported sale price of a share of CenterPoint Energy common stock on the trading day prior to the declaration date of the distribution or the distribution to all holders of CenterPoint Energy common stock of the Company's assets, debt securities or certain rights to purchase the Company's securities, which distribution has a per share value exceeding 15% of the last reported sale price of a share of CenterPoint Energy common stock on the trading day immediately preceding the declaration date for such distribution. Holders have the right to require the Company to purchase all or any portion of the notes for cash on May 15, 2008, May 15, 2013 and May 15, 2018 for a purchase price equal to 100% of the principal amount of the notes. The convertible senior notes also have a contingent interest feature requiring contingent interest to be paid to holders of notes commencing on or after May 15, 2008, in the event that the average trading price of a note for the applicable five-trading-day period equals or exceeds 120% of the principal amount of the note as of the day immediately preceding the first day of the applicable six-month interest period. For any six-month period, contingent interest will be equal to 0.25% of the average trading price of the note for the applicable five-trading-day period.

In August 2005, the Company accepted for exchange approximately $572 million aggregate principal amount of its 3.75% convertible senior notes due 2023 (Old Notes) for an equal amount of its new 3.75% convertible senior notes due 2023 (New Notes). Old Notes of approximately $3 million remain outstanding. The Company commenced the exchange offer in response to the guidance set forth in Emerging Issues Task Force (EITF) Issue No. 04-8, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings Per Share" (EITF 04-8). Under that guidance, because settlement of the principal portion of the New Notes will be made in cash rather than stock, the exchange of New Notes for Old Notes will allow the Company to exclude the portion of the conversion value of the New Notes attributable to their principal amount from its computation of diluted earnings per share from continuing operations. See Note 12 for the impact on diluted earnings per share related to these securities. The Company determined that the New Notes did not have substantially different terms than the Old Notes, and thus, in accordance with EITF Issue No. 96-19 "Debtor's Accounting for a Modification or Exchange of Debt Instruments", the exchange transaction was accounted for as a modification of the original instrument and not as an extinguishment of debt. Accordingly, a new effective interest rate was determined based on the carrying amount of the original debt instrument and the revised cash flows, and the recorded discount will be amortized as an adjustment to interest expense in future periods.

On December 17, 2003, the Company issued $255 million aggregate principal amount of convertible senior notes due January 15, 2024 with an interest rate of 2.875%. Holders may convert each of their notes into shares of CenterPoint Energy common stock, initially at a conversion rate of 78.064 shares of common stock per $1,000 principal amount of notes at any time prior to maturity, under the following circumstances: (1) if the last reported sale price of CenterPoint Energy common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% of the conversion price per share of CenterPoint Energy common stock on such last trading day, (2) if the notes have been called for redemption, (3) during any period in which the credit ratings assigned to the notes by both Moody's and S&P are lower than Ba2 and BB, respectively, or the notes are no longer rated by at least one of these ratings services or their successors, or (4) upon the occurrence of specified corporate transactions, including the distribution to all holders of CenterPoint Energy common stock of certain rights entitling them to purchase shares of CenterPoint Energy common stock at less than the last reported sale price of a share of CenterPoint Energy common stock on the trading day prior to the declaration date of the distribution or the distribution to all holders of CenterPoint Energy common stock of the Company's assets, debt securities or certain rights to purchase the Company's securities, which distribution has a per share value exceeding 15% of the last reported sale price of a share of CenterPoint Energy common stock on the trading

day immediately preceding the declaration date for such distribution. Under the original terms of these convertible senior notes, CenterPoint Energy could elect to satisfy part or all of its conversion obligation by delivering cash in lieu of shares of CenterPoint Energy. On December 13, 2004, the Company entered into a supplemental indenture with respect to these convertible senior notes in order to eliminate its right to settle the conversion of the notes solely in shares of its common stock. Holders have the right to require the Company to purchase all or any portion of the notes for cash on January 15, 2007, January 15, 2012 and January 15, 2017 for a purchase price equal to 100% of the principal amount of the notes. The convertible senior notes also have a contingent interest feature requiring contingent interest to be paid to holders of notes commencing on or after January 15, 2007, in the event that the average trading price of a note for the applicable five-trading-day period equals or exceeds 120% of the principal amount of the note as of the day immediately preceding the first day of the applicable six-month interest period. For any six-month period, contingent interest will be equal to 0.25% of the average trading price of the note for the applicable five-trading-day period.

(6) CenterPoint Energy Intrastate Pipelines, Inc., CenterPoint Energy Services, Inc. and other wholly owned subsidiaries of CERC Corp. provide comprehensive natural gas sales and services to industrial and commercial customers which are primarily located within or near the territories served by the Company's pipelines and distribution subsidiaries. In order to hedge their exposure to natural gas prices, these CERC Corp. subsidiaries have entered standard purchase and sale agreements with various counterparties. CenterPoint Energy has guaranteed the payment obligations of these subsidiaries under certain of these agreements, typically for one-year terms. As of December 31, 2005, CenterPoint Energy had guaranteed $182 million under these agreements.

CENTERPOINT ENERGY, INC.

SCHEDULE II -- QUALIFYING VALUATION ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2005

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
		ADDITIONS		
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS(1)	DEDUCTIONS FROM RESERVES(2)	BALANCE AT END OF PERIOD
		(IN MILLIONS)			
Year Ended December 31, 2005:					
Accumulated provisions: Uncollectible accounts receivable	$30	$ 40	$--	$27	$43
Deferred tax asset valuation allowance	20	1	--	--	21
Year Ended December 31, 2004:					
Accumulated provisions: Uncollectible accounts receivable	$31	$ 27	$--	$28	$30
Deferred tax asset valuation allowance	73	(67)	14	--	20
Year Ended December 31, 2003:					
Accumulated provisions: Uncollectible accounts receivable	$24	$ 24	$--	$17	$31
Deferred tax asset valuation allowance	83	(10)	--	--	73

- ---

(1) Charges to other accounts represent changes in presentation to reflect state tax attributes net of federal tax benefit as well as to reflect amounts that were netted against related attribute balances in prior years.

(2) Deductions from reserves represent losses or expenses for which the respective reserves were created. In the case of the uncollectible accounts reserve, such deductions are net of recoveries of amounts previously written off.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on the 15th day of March, 2006.

CENTERPOINT ENERGY, INC.
(Registrant)

By: /s/ DAVID M. MCCLANAHAN

David M. McClanahan,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 15, 2006.

SIGNATURE	TITLE
/s/ DAVID M. MCCLANAHAN David M. McClanahan	President, Chief Executive Officer and Director (Principal Executive Officer and Director)
/s/ GARY L. WHITLOCK Gary L. Whitlock	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ JAMES S. BRIAN James S. Brian	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ MILTON CARROLL	Chairman of the Board of Directors

- --------

Milton
Carroll
/s/ JOHN
T. CATER
Director -

John T.
Cater /s/
DERRILL
CODY
Director -

Derrill
Cody /s/
O.
HOLCOMBE
CROSSWELL
Director -

O.
Holcombe
Crosswell
/s/
JANIECE M.
LONGORIA
Director -

Janiece M.
Longoria
/s/ THOMAS
F. MADISON
Director -

Thomas F.
Madison
/s/ ROBERT
T.
O'CONNELL
Director -

Robert T.
O'Connell

SIGNATURE	TITLE --
/s/ MICHAEL E. SHANNON	Director
Michael E. Shannon	
/s/ PETER WAREING	Director
-- Peter Wareing	
/s/ DONALD R. CAMPBELL	Director
Donald R. Campbell	

CENTERPOINT ENERGY, INC.

EXHIBITS TO THE ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2005

INDEX OF EXHIBITS

Exhibits included with this report are designated by a cross (+); all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated by an asterisk (*) are management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(b)(10)(iii) of Regulation S-K. CenterPoint Energy has not filed the exhibits and schedules to Exhibit 2. CenterPoint Energy hereby agrees to furnish supplementally a copy of any schedule omitted from Exhibit 2 to the SEC upon request.

EXHIBIT NUMBER	DESCRIPTION	SEC FILE OR REGISTRATION REPORT OR REGISTRATION STATEMENT NUMBER	EXHIBIT REFERENCE
2 --	Transaction Agreement dated July 21, 2004 among CenterPoint Energy, Utility Holding, LLC, NN Houston Sub, Inc., Texas Genco Holdings, Inc. ("Texas Genco"), HPC Merger Sub, Inc. and GC Power Acquisition LLC	1-31447	10.1
3(a)(1) --	Amended and Restated Articles of Incorporation	CenterPoint Energy's 3-69502	3.1
3(a)(2) --	Articles of Amendment to Amended and Restated Articles of Incorporation	CenterPoint Energy's Form 10-K for the year ended December 31,	1-31447 3.1.1

Articles of Incorporation of CenterPoint Energy	3(b) -- Amended and Restated Bylaws of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	3.2
Statement of Resolution Establishing Series of Shares designated Series A Preferred Stock of CenterPoint Energy	3(c) -- Form of CenterPoint Energy Stock Certificate	CenterPoint Energy's Registration Statement on Form S-4	3-69502	4.1
Rights Agreement dated January 1, 2002, between CenterPoint Energy and JPMorgan Chase Bank, as Rights Agent	4(b) --	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	4.2

SEC FILE OR EXHIBIT REGISTRATION EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT NUMBER	REFERENCE
4(c) --	Contribution and CenterPoint Energy's Form 10-K	1-31447	4.3
Registration Agreement for the year ended December 31, dated December 18, 2001	2001 among Reliant Energy, CenterPoint Energy and the Northern Trust Company, trustee under the Reliant Energy, Incorporated Master Retirement Trust		4(d)
(1) --	Mortgage and Deed of	HL&P's Form S-7 filed on August	2-59748
2(b)	Trust, dated November 1,	25, 1977	1944
between Houston Lighting and Power Company ("HL&P") and Chase Bank of Texas, National Association (formerly, South Texas Commercial National Bank of Houston), as Trustee, as amended and supplemented by 20 Supplemental			

Indentures thereto 4(d)(2) -- Twenty-First through HL&P's Form 10-K for the year 1-3187 4(a)(2) Fiftieth Supplemental ended December 31, 1989 Indentures to Exhibit 4(d)(1) 4(d)(3) -- Fifty-First Supplemental HL&P's Form 10-Q for the quarter 1-3187 4(a) Indenture to Exhibit ended June 30, 1991 4(d)(1) dated as of March 25, 1991 4(d)(4) -- Fifty-Second through HL&P's Form 10-Q for the quarter 1-3187 4 Fifty-Fifth Supplemental ended March 31, 1992 Indentures to Exhibit 4(d)(1) each dated as of March 1, 1992 4(d)(5) -- Fifty-Sixth and Fifty- HL&P's Form 10-Q for the quarter 1-3187 4 Seventh Supplemental ended September 30, 1992 Indentures to Exhibit 4(d)(1) each dated as of October 1, 1992 4(d)(6) -- Fifty-Eighth and Fifty- HL&P's Form 10-Q for the quarter 1-3187 4 Ninth Supplemental ended March 31, 1993 Indentures to Exhibit 4(d)(1) each dated as of March 1, 1993 4(d)(7) --

Sixtieth Supplemental HL&P's Form 10-Q for the quarter ended June 30, 1993	1-3187	4	Indenture dated as of July 1, 1993

SEC FILE OR REGISTRATION NUMBER REFERENCE	EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT	EXHIBIT
	4(d)	(8) -- Sixty-First through	HL&P's Form 10-K for the year	1-3187 4(a)
		(8) Sixty-Third Supplemental	ended December 31, 1993	
		Indentures to Exhibit 4(d)(1) each dated as of	December 1, 1993	4(d)
		(9) -- Sixty-Fourth and Sixty-	HL&P's Form 10-K for the year	1-3187 4(a)
		(9) Fifth Supplemental	ended December 31, 1995	
		Indentures to Exhibit 4(d)(1) each dated as of July 1, 1995		
		4(e)(1) -- General Mortgage	CenterPoint Houston's Form 10-Q	1-3187 4(j)
		(1) Indenture, dated as of	for the quarter ended	September
		October 10, 2002, 30, 2002 between	CenterPoint Energy Houston Electric, LLC and	
		JPMorgan Chase Bank, as Trustee		
		4(e)(2) -- Second		

Supplemental CenterPoint Houston's Form 10- Q 1-3187 4(j) (3) Indenture to Exhibit for the quarter ended September 4(e)(1), dated as of 30, 2002 October 10, 2002 4(e) (3) -- Third Supplemental CenterPoint Houston's Form 10-Q 1-3187 4(j) (4) Indenture to Exhibit for the quarter ended September 4(e)(1), dated as of 30, 2002 October 10, 2002 4(e) (4) -- Fourth Supplemental CenterPoint Houston's Form 10-Q 1-3187 4(j) (5) Indenture to Exhibit for the quarter ended September 4(e)(1), dated as of 30, 2002 October 10, 2002 4(e) (5) -- Fifth Supplemental CenterPoint Houston's Form 10-Q 1-3187 4(j) (6) Indenture to Exhibit for the quarter ended September 4(e)(1), dated as of 30, 2002 October 10, 2002 4(e) (6) -- Sixth Supplemental CenterPoint Houston's Form 10-Q 1-3187 4(j) (7) Indenture to Exhibit for the quarter ended September 4(e)(1), dated as of

		30, 2002		
		October 10, 2002	4(e)	
		(7) -- Seventh Supplemental		
		CenterPoint Houston's Form 10-Q	1-3187	4(j)
		(8) Indenture to Exhibit for the quarter ended September	4(e)(1), dated as of	
		30, 2002		
		October 10, 2002	4(e)	
		(8) -- Eighth Supplemental		
		CenterPoint Houston's Form 10-Q	1-3187	4(j)
		(9) Indenture to Exhibit for the quarter ended September	4(e)(1), dated as of	
		30, 2002		
		October 10, 2002	4(e)	
		(9) -- Officer's Certificates		
		CenterPoint Energy's Form 10-K	1-31447	4(e)(10)
		dated October 10, 2002 for the year ended December		
		31, setting forth the form, 2003 terms and provisions of the First through Eighth Series of General Mortgage Bonds		

SEC FILE OR REGISTRATION NUMBER	EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT NUMBER	REFERENCE
	4(e)(10)	Tenth Supplemental Indenture dated March 13, 2003	CenterPoint Energy's Form 8-K 1-31447 4.1 to Exhibit 4(e)(1), dated as of March 18, 2003	
	4(e)(11)	Officer's Certificate dated March 13, 2003 setting forth the form, terms and provisions of the Tenth Series and Eleventh Series of General Mortgage Bonds	CenterPoint Energy's Form 8-K 1-31447 4.2 dated March 18, 2003	
	4(e)(12)	Eleventh Supplemental Indenture dated May 16, 2003	CenterPoint Energy's Form 8-K 1-31447 4.1 to Exhibit 4(e)(1), dated as of May 23, 2003	
	4(e)(13)	Officer's Certificate dated May 16, 2003 setting forth the	CenterPoint Energy's Form 8-K 1-31447 4.2 dated May 23, 2003	

				form, terms and provisions of the Twelfth Series of General Mortgage Bonds
4(e)	(14)	--	Twelfth Supplemental Indenture, dated as of September 9, 2003	CenterPoint Energy's Form 8-K 1-31447 4.2 to Exhibit 4(e)(1), dated as of September 9, 2003
4(e)	(15)	--	Officer's Certificate dated September 9, 2003 setting forth the form, terms and provisions of the Thirteenth Series of General Mortgage Bonds	CenterPoint Energy's Form 8-K 1-31447 4.3 dated September 9, 2003
+4(e)	(16)		Thirteenth Supplemental Indenture, dated as of February 6, 2004	+4(e)(1), dated as of February 6, 2004
+4(e)	(17)		Officer's Certificate dated February 6, 2004 setting forth the form, terms and provisions of the Fourteenth Series of General Mortgage Bonds	+4(e)(1), dated as of February 6, 2004
+4(e)	(18)		Fourteenth Supplemental Indenture, dated as of February 11, 2004	+4(e)(1), dated as of February 11, 2004
+4(e)	(19)		Officer's Certificate dated February 11, 2004	+4(e)(1), dated as of February 11, 2004

setting forth the form, terms and provisions of the Fifteenth Series of General Mortgage Bonds

SEC FILE OR REGISTRATION NUMBER	EXHIBIT NUMBER REFERENCE	DESCRIPTION	REPORT OR REGISTRATION STATEMENT
	+4(e)(20)	Fifteenth Supplemental Indenture to Exhibit 4(e)(1), dated as of March 31, 2004	+4(e)(21) Officer's Certificate dated March 31, 2004 setting forth the form, terms and provisions of the Sixteenth Series of General Mortgage Bonds
	+4(e)(22)	Sixteenth Supplemental Indenture to Exhibit 4(e)(1), dated as of March 31, 2004	+4(e)(23) Officer's Certificate dated March 31, 2004 setting forth the form, terms and provisions of the Seventeenth Series of General Mortgage Bonds
	+4(e)(24)	Seventeenth Supplemental Indenture to Exhibit 4(e)(1), dated as of March 31, 2004	+4(e)(25) Officer's Certificate dated March 31, 2004 setting forth the form, terms

and provisions of the Eighteenth Series of General Mortgage Bonds 4(f) (1) -- Indenture, dated as of			
CERC Corp.'s Form 8-K dated 1-	13265	4.1	
February 1, 1998, February 5, 1998 between Reliant Energy Resources Corp. ("RERC Corp.") and Chase Bank of Texas, National Association, as Trustee 4(f)(2) -- Supplemental Indenture			
CERC Corp.'s Form 8-K dated 1-	13265	4.2	
No. 1 to Exhibit November 9, 1998 4(f) (1), dated as of February 1, 1998, providing for the issuance of RERC Corp.'s 6 1/2% Debentures due February 1, 2008 4(f) (3) -- Supplemental Indenture			
CERC Corp.'s Form 8-K dated 1-	13265	4.1	
No. 2 to Exhibit November 9, 1998 4(f) (1), dated as of November 1, 1998, providing for the issuance of RERC Corp.'s 6 3/8% Term Enhanced ReMarketable Securities			

SEC FILE OR REGISTRATION NUMBER REFERENCE	EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT	EXHIBIT
	4(f)(4)	Supplemental Indenture	CERC Corp.'s Registration 333-49162	4.2
	No. 3 to Exhibit 4(f)(1), dated as of July 1, 2000, providing for the issuance of RERC Corp.'s 8.125% Notes due 2005		Statement on Form S-4	
	4(f)(5)	Supplemental Indenture	CERC Corp.'s Form 8-K dated 1-13265	4.1
	No. 4 to Exhibit 4(f)(1), dated as of February 15, 2001, providing for the issuance of RERC Corp.'s 7.75% Notes due 2011		February 21, 2001	
	4(f)(6)	Supplemental Indenture	CenterPoint Energy's Form 8-K 1-31447	4.1
	No. 5 to Exhibit 4(f)(1), dated as of March 25, 2003, providing for the issuance of CenterPoint Energy Resources		dated March 18, 2003	

		Corp.'s ("CERC Corp.'s") 7.875% Senior Notes due 2013	4(f) (7) -- Supplemental Indenture CenterPoint Energy's Form 8-K 1-31447 4.2 No. 6 to Exhibit dated April 7, 2003
		4(f)(1), dated as of April 14, 2003, providing for the issuance of CERC Corp.'s 7.875% Senior Notes due 2013	4(f) (8) -- Supplemental Indenture CenterPoint Energy's Form 8-K 1-31447 4.2 No. 7 to Exhibit dated October 29, 2003
		4(f) (1), dated as of November 3, 2003, providing for the issuance of CERC Corp.'s 5.95% Senior Notes due 2014	+4(f) (9) -- Supplemental Indenture No. 8 to Exhibit 4(f)(1), dated as of December 28, 2005, providing for a modification of CERC Corp.'s 6 1/2% Debentures due 2008
		4(g)(1) -- Indenture, dated as of May 19, 2003, between CenterPoint Energy and JPMorgan Chase Bank, as Trustee	CenterPoint Energy's Form 8-K 1-31447 4.1 dated May 19, 2003

4(g)(2) -- Supplemental Indenture CenterPoint Energy's Form 8-K 1-31447 4.2 No. 1 to Exhibit dated May 19, 2003 4(g)(1), dated as of May 19, 2003, providing for the issuance of CenterPoint Energy's 3.75% Convertible Senior Notes due 2023					

SEC FILE OR REGISTRATION NUMBER REFERENCE	EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT NUMBER	
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-----	4(g)(3)	-- Supplemental Indenture CenterPoint Energy's Form 8-K 1-31447 4.3 No. 2 to Exhibit dated May 19, 2003 4(g)(1), dated as of May 27, 2003, providing for the issuance of CenterPoint Energy's 5.875% Senior Notes due 2008 and 6.85% Senior Notes due 2015		
	4(g)(4)	-- Supplemental Indenture CenterPoint Energy's Form 8-K 1-31447 4.2 No. 3 to Exhibit dated September 9, 2003 4(g)(1), dated as of September 9, 2003, providing for the issuance of CenterPoint Energy's 7.25% Senior Notes due 2010		
	4(g)(5)	-- Supplemental Indenture CenterPoint Energy's Form 8-K 1-31447 4.2 No. 4 to Exhibit dated December 10, 2003 4(g)(1), dated as of		

December 17, 2003, providing for the issuance of CenterPoint Energy's 2.875% Convertible Senior Notes due 2024	4(g) (6) --	Supplemental Indenture	CenterPoint Energy's Form 8-K 1-31447	4.1	No. 5 to Exhibit dated December 9, 2004	4(g) (1), dated as of December 13, 2004, as supplemented by Exhibit 4(g)(5), relating to the issuance of CenterPoint Energy's 2.875% Convertible Senior Notes dues 2024	+4(g) (7) --	Supplemental Indenture	No. 6 to Exhibit 4(g)(1), dated as of August 23, 2005, providing for the issuance of CenterPoint Energy's 3.75% Convertible Senior Notes, Series B Due 2023	4(h)(1)	Subordinated Indenture	Reliant Energy's Form 8-K dated 1-3187	4.1	dated as of September 1, September 15, 1999	1999

EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT NUMBER	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
4(h)(2)	Supplemental Indenture dated as of September 15, 1999 (supplementing Exhibit 4(h)(1) and providing for the issuance of Reliant Energy's 2% Zero- Premium Exchangeable Subordinated Notes Due 2029)	Reliant Energy's Form 8-K dated 1-3187 4.2 No. 1 September 1, 1999, between Reliant Energy and Chase Bank of Texas	--	--
4(h)(3)	Supplemental Indenture No. 2 dated as of August 31, 2002 (supplementing Exhibit 4(h)(1))	CenterPoint Energy's Form 8-K12B 1-31447 4(e) dated August 31, 2002, between CenterPoint Energy, Reliant Energy and JPMorgan Chase Bank	--	+4(h)(4)
4(h)(4)	Supplemental Indenture No. 3 dated as of December 28, 2005, between CenterPoint Energy, Reliant Energy and JPMorgan Chase Bank (supplementing Exhibit 4(h)(1))	CenterPoint Energy's Form 8-K12B 1-	--	4(i) --

31447 4(g) No. 3 dated as of August dated August 31, 2002 31, 2002 among CenterPoint Energy, REI and The Bank of New York (supplementing the Junior Subordinated Indenture dated as of February 1, 1997 under which REI's Junior Subordinated Debentures related to 8.257% capital securities issued by HL&P Capital Trust II were issued)

SEC FILE OR REGISTRATION NUMBER REFERENCE	EXHIBIT NUMBER	EXHIBIT DESCRIPTION	REPORT OR REGISTRATION STATEMENT
- -	-	-	-
	4(j) --	Assignment and CenterPoint Energy's Form 8-K12B	1-31447
	4(j)	Assumption Agreement for dated August 31, 2002 the Guarantee Agreements dated as of August 31, 2002 between CenterPoint Energy and Reliant Energy (relating to the Guarantee Agreement dated as of February 4, 1997 between Reliant Energy and The Bank of New York providing for the guaranty of certain amounts relating to the 8.257% capital securities issued by HL&P Capital Trust II)	
	4(k) --	Assignment and CenterPoint Energy's Form 8-K12B	1-31447
	4(l)	Assumption Agreement for dated August 31, 2002 the Expense and Liability Agreements and the Trust Agreements dated as of August 31, 2002 between CenterPoint Energy and Reliant Energy (relating to (i) the Agreement as to Expenses and	

	Liabilities dated as of February 4, 1997 between Reliant Energy and HL&P Capital Trust II and (ii) HL&P Capital Trust II's Amended and Restated Trust Agreement dated February 4, 1997)	4(l) --	$1,000,000,000 Credit
	CenterPoint Energy's Form 8-K 1-31447 4.1 Agreement dated as of dated March 7, 2005 March 7, 2005 among CenterPoint Energy and the banks named therein	4(m) --	$200,000,000 Credit
	CenterPoint Energy's Form 8-K 1-31447 4.2 Agreement dated as of dated March 7, 2005 March 7, 2005 among CenterPoint Houston and the banks named therein	4(n) --	$400,000,000 Credit
	CenterPoint Energy's Form 8-K 1-31447 4.1 Agreement dated as of dated June 29, 2005 June 30, 2005 among CERC Corp., as Borrower, and the Initial Lenders named therein, as Initial Lenders		

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, CenterPoint Energy has not filed as exhibits to this Form 10-K certain long-term debt instruments, including indentures, under which the total amount of

securities authorized does not exceed 10% of the total assets of CenterPoint Energy and its subsidiaries on a consolidated basis. CenterPoint Energy hereby agrees to furnish a copy of any such instrument to the SEC upon request.

SEC FILE OR REGISTRATION EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT NUMBER REFERENCE -
*10(a)(1) --	Executive Benefit Plan of HI's Form 10-Q for the quarter	1-7629 10(a)(1),
	Houston Industries	ended March 31, 1987 10(a)(2),
	Incorporated ("HI") and First and	and Second Amendments thereto 10(a)(3) effective
	as of June 1, 1982, July 1,	1984, and May 7, 1986, respectively
*10(a)(2) --	Third Amendment dated	Reliant Energy's Form 10-K for 1-3187 10(a)(2)
	September 17, 1999 to Exhibit	the year ended December 31, 2000 10(a)(1)
*10(a)(3) --	CenterPoint Energy Executive	CenterPoint Energy's Form 10-Q 1-31447 10.4
	Benefits Plan, as	amended and for the quarter ended
	September	restated effective June 18,

30, 2003 2003 *10(b) (1) -- Executive Incentive HI's Form 10-K for the year 1- 7629 10(b) Compensation Plan of HI ended December 31, 1991 effective as of January 1, 1982 *10(b) (2) -- First Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629 10(a) 10(b) (1) effective as of ended March 31, 1992 March 30, 1992 *10(b)(3) - - Second Amendment to Exhibit HI's Form 10-K for the year 1- 7629 10(b) 10(b)(1) effective as of ended December 31, 1992 November 4, 1992 *10(b) (4) -- Third Amendment to Exhibit HI's Form 10-K for the year 1- 7629 10(b) (4) 10(b) (1) effective as of ended December 31, 1994 September 7, 1994 *10(b)(5) - - Fourth Amendment to Exhibit HI's Form 10-K for the year 1- 3187 10(b) (5) 10(b) (1) effective as of ended December 31, 1997 August 6, 1997 *10(c) (1) -- Executive Incentive HI's Form 10-Q for the quarter 1-7629 10(b)(1) Compensation Plan of HI

ended March 31, 1987 effective as of January 1, 1985 *10(c) (2) -- First Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(b) (3) 10(c) (1) effective as of ended December 31, 1988 January 1, 1985 *10(c) (3) -- Second Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(c) (3) 10(c) (1) effective as of ended December 31, 1991 January 1, 1985 *10(c) (4) -- Third Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629 10(b) 10(c) (1) effective as of ended March 31, 1992 March 30, 1992 *10(c)(5) -- Fourth Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(c) (5) 10(c) (1) effective as of ended December 31, 1992 November 4, 1992 *10(c) (6) -- Fifth Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(c) (6) 10(c) (1) effective as of ended December 31, 1994 September 7, 1994 *10(c)(7) -- Sixth Amendment to Exhibit HI's Form

10-K for the year 1-3187 10(c) (7) 10(c) (1) effective as of ended December 31, 1997 August 6, 1997

SEC FILE OR EXHIBIT REGISTRATION EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT NUMBER	REFERENCE
*10(d)	Executive Incentive	HI's Form 10-Q for the quarter	1-7629 10(b)(2)
Compensation Plan of HL&P ended March 31, 1987 effective as of January 1, 1985	*10(e)(1)	Executive Incentive	HI's Form 10-Q for the quarter	1-7629 10(b)
Compensation Plan of HI as ended June 30, 1989 amended and restated on January 1, 1989	*10(e)(2)	First Amendment to Exhibit	HI's Form 10-K for the year	1-7629 10(e)(2) 10(e)(1)
effective as of ended December 31, 1991	January 1, 1989	*10(e)(3)	Second Amendment to Exhibit	HI's Form 10-Q for the quarter	1-7629 10(c) 10(e)(1)
effective as of ended March 31, 1992 March 30, 1992	*10(e)(4)	- Third Amendment to Exhibit			

HI's Form 10-K for the year 1-7629 10(c) (4) 10(e) (1) effective as of ended December 31, 1992 November 4, 1992 *10(e) (5) -- Fourth Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(e) (5) 10(e) (1) effective as of ended December 31, 1994 September 7, 1994 *10(f)(1) -- Executive Incentive HI's Form 10-K for the year 1-7629 10(b) Compensation Plan of HI as ended December 31, 1990 amended and restated on January 1, 1991 *10(f) (2) -- First Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(f) (2) 10(f) (1) effective as of ended December 31, 1991 January 1, 1991 *10(f) (3) -- Second Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629 10(d) 10(f) (1) effective as of ended March 31, 1992 March 30, 1992 *10(f)(4) -- Third Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(f) (4) 10(f) (1) effective as of ended December 31, 1992 November 4,

1992	*10(f) (5) -- Fourth Amendment to Exhibit HI's Form 10-K for the year 1-7629	10(f) (5)	10(f) (1) effective as of ended December 31, 1992
January 1, 1993	*10(f) (6) -- Fifth Amendment to Exhibit HI's Form 10-K for the year 1-7629	10(f) (6)	10(f) (1) effective in part, ended December 31, 1994
January 1, 1995, and in part, September 7, 1994	*10(f)(7) -- Sixth Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629	10(a)	10(f) (1) effective as of ended June 30, 1995
August 1, 1995	*10(f)(8) -- Seventh Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629	10(a)	10(f) (1) effective as of ended June 30, 1996
January 1, 1996	*10(f) (9) -- Eighth Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629	10(a)	10(f) (1) effective as of ended June 30, 1997
January 1, 1997	*10(f) (10) -- Ninth Amendment to Exhibit HI's Form 10-K for		

the year 1-3187	10(f)(10)	10(f)(1)
effective in part, ended December 31, 1997	January 1, 1997, and in part, January 1, 1998	

SEC FILE OR REGISTRATION NUMBER REFERENCE	EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT NUMBER
*10(g) -- Benefit Restoration Plan of HI's Form 10-Q for the quarter ended March 31, 1987	10(c)	HI effective as of June 1, 1985	1-7629
*10(h) -- Benefit Restoration Plan of HI's Form 10-K for the year ended December 31, 1991	10(g) (2)	HI as amended and restated effective as of January 1, 1988	1-7629
*10(i) (1) -- Benefit Restoration Plan of HI's Form 10-K for the year ended December 31, 1991	10(g) (3)	HI, as amended and restated effective as of July 1, 1991	1-7629
*10(i)(2) -- First Amendment to Exhibit 10(i) (1) effective in part, August 6, 1997, in part, September 3, 1997,		HI's Form 10-K for the year ended December 31, 1997	1-3187

and in part,				
October 1, 1997	*10(j) (1) --	Deferred Compensation Plan of	HI's Form 10-Q for the quarter	1-7629
10(d)	HI effective as of	September ended	March 31, 1987	1, 1985
*10(j) (2) --	First Amendment to Exhibit	HI's Form 10-K for the year	1-7629	10(d)
(2)	10(j) (1) effective as of	ended December 31, 1990	September 1, 1985	
*10(j)(3) --	Second Amendment to Exhibit	HI's Form 10-Q for the quarter	1-7629	
10(e)	10(j) (1) effective as of	ended March 31, 1992	March 30, 1992	
*10(j)(4) --	Third Amendment to Exhibit	HI's Form 10-K for the year	1-7629	
10(h)	(4)	10(j) (1) effective as of	June ended	December 31, 1993
2, 1993	*10(j) (5) --	Fourth Amendment to Exhibit	HI's Form 10-K for the year	1-7629
10(h)	(5)	10(j) (1) effective as of	ended December 31, 1994	September 7, 1994
*10(j)(6) --	Fifth Amendment to Exhibit	HI's Form 10-Q for the quarter	1-7629	

10(d) 10(j) (1) effective as of ended June 30, 1995 August 1, 1995 *10(j)(7) -- Sixth Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629 10(b) 10(j) (1) effective as of ended June 30, 1995 December 1, 1995 *10(j) (8) -- Seventh Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629 10(b) 10(j) (1) effective as of ended June 30, 1997 January 1, 1997 *10(j) (9) -- Eighth Amendment to Exhibit HI's Form 10-K for the year 1-3187 10(j) (9) 10(j) (1) effective as of ended December 31, 1997 October 1, 1997 *10(j) (10) -- Ninth Amendment to Exhibit HI's Form 10-K for the year 1-3187 10(j) (10) 10(j) (1) effective as of ended December 31, 1997 September 3, 1997 *10(j)(11) -- Tenth Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(j)(11) 10(j)(1) effective as of for the year ended December 31, January 1, 2001 2002 *10(j) (12) --

	Eleventh Amendment to Exhibit			
	CenterPoint Energy's Form 10-K			
	1-31447			
	10(j)(12)			
	10(j)(1) effective as of for the year ended December 31, August 31, 2002			
	*10(j)(13) -- CenterPoint Energy 1985			
	CenterPoint Energy's Form 10-Q			
	1-31447			
	10.1			
	Deferred Compensation Plan, for the quarter ended September as amended and restated 30, 2003 effective January 1, 2003			

SEC FILE OR REGISTRATION NUMBER REFERENCE	EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT
*10(k)(1)	--	Deferred Compensation Plan of HI's Form 10-Q for the quarter	1-7629
10(a)	HI	effective as of	January 1, ended June 30, 1989
1989 *10(k)	(2)	-- First Amendment to Exhibit	HI's Form 10-K for the year 1-
7629 10(e)	(3)	10(k) (1) effective	as of ended December 31, 1989
January 1, 1989 *10(k)	(3)	-- Second Amendment to Exhibit	HI's Form 10-Q for the quarter
1-7629 10(f)	10(k)	(1) effective	as of ended March 31, 1992 March 30, 1992
*10(k)(4)	--	Third Amendment to Exhibit	HI's Form 10-K for the year 1-
7629 10(i)	(4)	10(k) (1) effective	as of June ended December 31, 1993 2,
1993 *10(k)	(5)	-- Fourth Amendment to Exhibit	HI's Form 10-K for the year 1-

7629 10(i) (5) 10(k) (1) effective as of ended December 31, 1994 September 7, 1994
*10(k)(6) -- Fifth Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629 10(c) 10(k) (1) effective as of ended June 30, 1995 August 1, 1995
*10(k)(7) -- Sixth Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629 10(c) 10(k) (1) effective December ended June 30, 1995 1, 1995 *10(k) (8) -- Seventh Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629 10(c) 10(k) (1) effective as of ended June 30, 1997 January 1, 1997 *10(k) (9) -- Eighth Amendment to Exhibit HI's Form 10-K for the year 1-3187 10(k) (9) 10(k) (1) effective in part ended December 31, 1997 October 1, 1997 and in part January 1, 1998 *10(k) (10) -- Ninth Amendment to Exhibit HI's Form 10-K for the year 1-3187 10(k) (10) 10(k) (1) effective as of ended December 31, 1997 September

3, 1997 *10(k)(11) -- Tenth Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(k)(11) 10(k)(1) effective as of for the year ended December 31, January 1, 2001 2002 *10(k) (12) -- Eleventh Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(k)(12) 10(k)(1) effective as of for the year ended December 31, August 31, 2002 2002 *10(l) (1) -- Deferred Compensation Plan of HI's Form 10-K for the year 1-7629 10(d) (3) HI effective as of January 1, ended December 31, 1990 1991 *10(l) (2) -- First Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(j) (2) 10(l) (1) effective as of ended December 31, 1991 January 1, 1991 *10(l) (3) -- Second Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629 10(g) 10(l) (1) effective as of ended March 31, 1992 March 30, 1992 *10(l)(4) -- Third Amendment to Exhibit HI's Form 10-K for

the year 1-7629 10(j) (4) 10(l) (1) effective as of June ended December 31, 1993 2, 1993 *10(l) (5) -- Fourth Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(j) (5) 10(l) (1) effective as of ended December 31, 1993 December 1, 1993

SEC FILE OR REGISTRATION NUMBER REFERENCE	EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT	EXHIBIT NUMBER
*10(l)(6)	-	- Fifth Amendment to Exhibit HI's Form 10-K for the year ended December 31, 1994	1-7629	10(j) (6)
*10(l)(7)	-	- Sixth Amendment to Exhibit HI's Form 10-Q for the quarter ended September 7, 1994	1-7629	10(l) (1)
*10(l)(8)	-	- Seventh Amendment to Exhibit HI's Form 10-Q for the quarter ended June 30, 1995	1-7629	10(b) 10(l) (1)
*10(l)(9)	--	Eighth Amendment to Exhibit HI's Form 10-Q for the quarter ended June 30, 1996	1-7629	10(d) 10(l) (1)
*10(l)(10)	--	Ninth Amendment to Exhibit HI's Form 10-K for	1-7629	10(d) 10(l) (1)

			the year 1-3187
10(l)	(10)	10(l)	(1) effective in part ended December 31, 1997 August 6, 1997, in part October 1, 1997, and in part January 1, 1998
*10(l)	(11) --	Tenth Amendment to Exhibit HI's Form 10-K for the year 1-3187	
10(i)	(11)	10(l)	(1) effective as of ended December 31, 1997 September 3, 1997
*10(l)(12)	-- Eleventh Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447		
10(l)(12)	10(l)(1)	effective as of for the year ended December 31, January 1, 2001	
2002 *10(l)	(13) --	Twelfth Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447	
10(l)(13)	10(l)(1)	effective as of for the year ended December 31, August 31, 2002	
2002 *10(m)	(1) --	Long-Term Incentive	HI's Form 10-Q for the quarter 1-7629
10(c)	Compensation Plan of HI ended June 30, 1989	effective as of January 1, 1989	
*10(m)	(2) --	First Amendment to Exhibit	HI's Form

10-K for the year 1-7629 10(f) (2) 10(m) (1) effective as of ended December 31, 1989 January 1, 1990 *10(m) (3) -- Second Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(k) (3) 10(m) (1) effective as of ended December 31, 1992 December 22, 1992 *10(m)(4) -- Third Amendment to Exhibit HI's Form 10-K for the year 1-3187 10(m) (4) 10(m) (1) effective as of ended December 31, 1997 August 6, 1997 *10(m) (5) -- Fourth Amendment to Exhibit Reliant Energy's Form 10-Q for 1-3187 10.4 10(m) (1) effective as of the quarter ended June 30, 2002 January 1, 2001 *10(n) (1) -- Form of stock option HI's Form 10-Q for the quarter 1-7629 10(h) agreement for non-qualified ended March 31, 1992 stock options granted under Exhibit 10(m)(1) *10(n)(2) -- Forms of restricted stock HI's Form 10-Q for the quarter 1-7629 10(i) agreement for restricted ended March

31, 1992 stock granted under Exhibit 10(m)(1) *10(o)(1) -- 1994 Long-Term Incentive HI's Form 10-K for the year 1-7629 10(n)(1) Compensation Plan of HI ended December 31, 1993 effective as of January 1, 1994 *10(o)(2) -- Form of stock option HI's Form 10-K for the year 1-7629 10(n)(2) agreement for non-qualified ended December 31, 1993 stock options granted under Exhibit 10(o)(1)

SEC FILE OR REGISTRATION NUMBER REFERENCE	EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT
*10(o)(3)	--	First Amendment to Exhibit HI's Form 10-Q for the quarter ended June 30, 1997	1-7629 10(e)
10(o)(1)	--	effective as of May 9, 1997	*10(o)(4)
--	Second Amendment to Exhibit HI's Form 10-K for the year ended December 31, 1997	1-3187 10(p)(4)	10(o)(1)
--	effective as of August 6, 1997	*10(o)(5)	--
Third Amendment to Exhibit HI's Form 10-K for the year ended December 31, 1998	1-3187 10(p)(5)	10(o)(1)	--
effective as of January 1, 1998	*10(o)(6)	--	Reliant Energy 1994 Long-Term
Reliant Energy's Form 10-Q for the quarter ended June 30, 2002	1-3187 10.6	Incentive Compensation Plan, as amended and restated effective January 1, 2001	*10(o)(7)
--	First		

Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(p)(7) 10(o)(6), effective December for the year ended December 31, 1, 2003 2003 *10(o)(8) -- Form of Non-Qualified Stock CenterPoint Energy's Form 8-K 1-31447 10.6 Option Award Notice under dated January 25, 2005 Exhibit 10(o)(6) *10(p)(1) -- Savings Restoration Plan of HI's Form 10-K for the year 1-7629 10(f) HI effective as of January 1, ended December 31, 1990 1991 *10(p)(2) -- First Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(l) (2) 10(p)(1) effective as of ended December 31, 1991 January 1, 1992 *10(p)(3) -- Second Amendment to Exhibit HI's Form 10-K for the year 1-3187 10(q) (3) 10(p)(1) effective in part, ended December 31, 1997 August 6, 1997, and in part, October 1, 1997 *10(q)(1) -- Director Benefits Plan HI's Form 10-K for the year 1-7629

10(m) effective as of January 1, ended December 31, 1991 1992 *10(q) (2) -- First Amendment to Exhibit HI's Form 10-K for the year 1-7629 10(m) (1) 10(q) (1) effective as of ended December 31, 1998 August 6, 1997 *10(q) (3) -- CenterPoint Energy Outside CenterPoint Energy's Form 10-Q 1-31447 10.6 Director Benefits Plan, as for the quarter ended September amended and restated 30, 2003 effective June 18, 2003 *10(q) (4) -- First Amendment to Exhibit CenterPoint Energy's Form 10-Q 1-31447 10.6 10(q) (3) effective as of for the quarter ended June 30, January 1, 2004 2004 *10(r) (1) -- Executive Life Insurance Plan HI's Form 10-K for the year 1-7629 10(q) of HI effective as of January ended December 31, 1993 1, 1994 *10(r) (2) -- First Amendment to Exhibit HI's Form 10-Q for the quarter 1-7629 10 10(r)(1) effective as of ended

	June 30, 1995			
	January 1, 1994	*10(r)		
	(3) --			
	Second Amendment to Exhibit			
	HI's Form 10-K for the year	1-3187	10(s)	
	(3)	10(r)		
	(1) effective as of			
	ended December 31, 1997			
	August 6, 1997	*10(r)		
	(4) -- CenterPoint Energy Executive			
	CenterPoint Energy's Form 10-Q	1-31447		
	10.5 Life Insurance Plan, as			
	for the quarter ended			
	September 30, 2003			
	amended and restated effective June 18, 2003			

SEC FILE OR REGISTRATION NUMBER	EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT	EXHIBIT REFERENCE
	*10(s)	Employment and Supplemental Benefits Agreement between HL&P and Hugh Rice Kelly	HI's Form 10-Q for the quarter ended March 31, 1987	10(f)
	*10(t)(1)	CenterPoint Energy Savings Plan, as amended and restated effective January 1, 2005	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2005	99.2
	*10(t)(2)	Reliant Energy Savings Trust between Reliant Energy and The Northern Trust Company, as Trustee, as amended and restated effective April 1, 1999	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	10(u)(7)
	*10(t)(3)	First Amendment to Exhibit		

CenterPoint Energy's Form 10-K 1-31447 10(u)(8) 10(t)(2) effective September for the year ended December 31, 30, 2002 2002 *10(t)(4) -- Second Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(u)(9) 10(t)(2) effective January 6, for the year ended December 31, 2003 2003 *10(t) (5) -- Third Amendment to Exhibit CenterPoint Energy's Form 10-Q 1-31447 99.1 10(t) (2) effective October 7, for the quarter ended September 2004, 30, 2005 *10(t) (6) -- Reliant Energy Retirement CenterPoint Energy's Form 10-K 1-31447 10(u)(10) Plan, as amended and restated for the year ended December 31, effective January 1, 1999 2002 *10(t)(7) -- First Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(u)(11) 10(t)(6) effective as of for the year ended December 31, January 1, 1995 2002 *10(t) (8) -- Second Amendment to Exhibit CenterPoint

Energy's Form 10-K 1-31447 10(u)(12) 10(t)(6) effective as of for the year ended December 31, January 1, 1995
2002 *10(t) (9) -- Third Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(u)(13) 10(t)(6) effective as of for the year ended December 31, January 1, 2001
2002 *10(t) (10) -- Fourth Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(u)(14) 10(t)(6) effective as of for the year ended December 31, January 1, 2001
2002 *10(t) (11) -- Fifth Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(u)(15) 10(t)(6) effective as of for the year ended December 31, November 15, 2002, and as 2002 renamed effective October 2,
2002 *10(t) (12) -- Sixth Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(u)(16) 10(t)(6) effective as of for the year ended December 31, January 1, 2002
2002 *10(t)

(13) -- Seventh Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(u)(18) 10(t)(6) effective December for the year ended December 31, 1, 2003 2003	*10(t)	(14) -- Eighth Amendment to Exhibit CenterPoint Energy's Form 10-Q 1-31447 10.7 10(t) (6) effective as of for the quarter ended June 30, January 1, 2004 2004	*10(t)	(15) -- Ninth Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(t)(20) 10(t)(6) effective as of for the year ended December 31, October 27, 2004 2004					

SEC FILE OR REGISTRATION NUMBER	EXHIBIT NUMBER	EXHIBIT DESCRIPTION	REPORT OR REGISTRATION STATEMENT REFERENCE
-	*10(t)(16)	-- Tenth Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(t)(21) 10(t)(6) effective as of for the year ended December 31, January 1, 2005 2004	
*10(t)(17)	-- Eleventh Amendment to Exhibit CenterPoint Energy's Form 10-Q 1-31447 99.1 10(t)(6) effective as of May for the quarter ended June 30, 1, 2005 2005		
*10(t)(18)	-- Twelfth Amendment to Exhibit CenterPoint Energy's Form 10-Q 1-31447 99.2 10(t)(6) effective as of June for the quarter ended June 30, 1, 2005 2005		
+*10(t)(19)	-- Thirteenth Amendment to Exhibit 10(t)(6) effective as of January 1, 2006		
*10(t)(20)	-- Reliant Energy, Incorporated Reliant Energy's Form 10-K for 1-3187 10(u)(3) Master Retirement Trust (as the year ended December 31, 1999 amended		

and restated effective January 1, 1999 and renamed effective May 5, 1999) 10(t)(21) -- Contribution and Registration Reliant Energy's Form 10-K for 1-3187 10(u)(4) Agreement dated December 18, the year ended December 31, 2001 2001 among Reliant Energy, CenterPoint Energy and the Northern Trust Company, trustee under the Reliant Energy, Incorporated Master Retirement Trust 10(u) (1) -- Stockholder's Agreement dated Schedule 13-D dated July 6, 1995 5-19351 2 as of July 6, 1995 between Houston Industries Incorporated and Time Warner Inc. 10(u)(2) -- Amendment to Exhibit 10(u)(1) HI's Form 10-K for the year 1-7629 10(x)(4) dated November 18, 1996 ended December 31, 1996 *10(v) (1) -- Houston Industries HI's Form 10-K for the year 1-7629 10(7) Incorporated Executive ended December 31, 1995 Deferred Compensation Trust effective as of December 19, 1995 *10(v)(2) -- First Amendment to Exhibit HI's Form 10-Q

			for the quarter	1-3187 10
			10(v)(1) effective as	of ended June 30, 1998 August
			6, 1997	
*10(w) --	Letter Agreement dated	CenterPoint Energy's	Form 8-K	1-31447 10.1
December 9, 2004 between	dated December 9, 2004	CenterPoint Energy and	Milton Carroll	
*10(x)(1) --	Reliant Energy, Incorporated	Reliant Energy's	Form 10-K for	1-3187 10(y) and
Subsidiaries Common Stock	the year ended	December 31, 2000		
Participation Plan for	Designated New Employees and Non-Officer	Employees effective as	of March 4, 1998	

SEC FILE OR REGISTRATION NUMBER	EXHIBIT NUMBER	EXHIBIT DESCRIPTION	REPORT OR REGISTRATION STATEMENT	REFERENCE
-	*10(x)(2)	-- Reliant Energy, Incorporated CenterPoint Energy's Form 10-K 1-31447 10(y) (2) and Subsidiaries Common Stock for the year ended December 31, Participation Plan for 2002 Designated New Employees and Non-Officer Employees, as amended and restated effective January 1, 2001 *10(y) -- Reliant Energy, Incorporated Reliant Energy's Definitive 1-3187 Exhibit A Annual Incentive Compensation Proxy Statement for 2000 Annual Plan, as amended and restated Meeting of Shareholders effective January 1, 1999 *10(z) (1) -- Long-Term Incentive Plan of Reliant Energy's Registration 333-60260 4.6 Reliant Energy, Incorporated Statement on Form S-8 dated May effective as of January 1, 4, 2001 2001 *10(z) (2) -- First Amendment to		

Exhibit Reliant Energy's Registration 333-60260 4.7 10(z)(1) effective as of Statement on Form S-8 dated May January 1, 2001 4, 2001 *10(z)(3) -- Second Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(aa)(3) 10(z)(1) effective November for the year ended December 31, 5, 2003 2003 *10(z)(4) -- Long-Term Incentive Plan of CenterPoint Energy's Form 10-Q 1-31447 10.5 CenterPoint Energy, Inc. for the quarter ended June 30, (amended and restated 2004 effective as of May 1, 2004) *10(z)(5) -- Form of Performance Share CenterPoint Energy's Form 8-K 1-31447 10.2 Award Agreement for the dated February 22, 2006 20XX-20XX Performance Cycle under Exhibit 10(z)(4) *10(z)(6) -- Form of Stock Award Agreement CenterPoint Energy's Form 8-K 1-31447 10.3 (with Performance Goals) dated February 22, 2006 under Exhibit 10(z)(4) 10(aa)(1) -- Master Separation Agreement Reliant Energy's Form 10-Q for 1-3187 10.1 entered into as of

December the quarter ended March 31, 2001 31, 2000 between Reliant Energy, Incorporated and Reliant Resources, Inc. 10(aa)(2) -- First Amendment to Exhibit CenterPoint Energy's Form 10-K 1-31447 10(bb)(5) 10(aa)(1) effective as of for the year ended December 31, February 1, 2003 2002 10(aa)(3) -- Employee Matters Agreement, Reliant Energy's Form 10-Q for 1-3187 10.5 entered into as of December the quarter ended March 31, 2001 31, 2000, between Reliant Energy, Incorporated and Reliant Resources, Inc. 10(aa)(4) -- Retail Agreement, entered Reliant Energy's Form 10-Q for 1-3187 10.6 into as of December 31, 2000, the quarter ended March 31, 2001 between Reliant Energy, Incorporated and Reliant Resources, Inc. 10(aa)(5) -- Tax Allocation Agreement, Reliant Energy's Form 10-Q for 1-3187 10.8 entered into as of December the quarter ended March 31, 2001 31, 2000, between Reliant Energy, Incorporated and Reliant Resources, Inc.

SEC FILE OR REGISTRATION NUMBER REFERENCE	EXHIBIT NUMBER	DESCRIPTION	REPORT OR STATEMENT	EXHIBIT NUMBER
10(bb)(1)	--	Separation Agreement entered into as of August 31, 2002 between CenterPoint Energy and Texas Genco	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447 10(cc)(1)
10(bb)(2)	--	Transition Services Agreement, dated as of August 31, 2002, between CenterPoint Energy and Texas Genco	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447 10(cc)(2)
10(bb)(3)	--	Tax Allocation Agreement, dated as of August 31, 2002, between CenterPoint Energy and Texas Genco	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447 10(cc)(3)
*10(cc)	--	Retention Agreement effective October 15, 2001 between Reliant Energy and David G. Tees	Reliant Energy's Form 10-K for the year ended December 31, 2001	1-3187 10(jj)
*10(dd)	--			

Retention Agreement effective Reliant Energy's Form 10-K for 1-3187 10(kk) October 15, 2001 between the year ended December 31, 2001 Reliant Energy and Michael A. Reed *10(ee)(1) -- Non-Qualified Executive CenterPoint Energy's Form 10-K 1-31447 10(ff)(1) Disability Income Plan of for the year ended December 31, Arkla, Inc. effective as of 2002 August 1, 1983 *10(ee)(2) -- Executive Disability Income CenterPoint Energy's Form 10-K 1-31447 10(ff)(2) Agreement effective July 1, for the year ended December 31, 1984 between Arkla, Inc. and 2002 T. Milton Honea *10(ff) -- Non-Qualified Unfunded CenterPoint Energy's Form 10-K 1-31447 10(gg) Executive Supplemental Income for the year ended December 31, Retirement Plan of Arkla, 2002 Inc. effective as of August 1, 1983 *10(gg)(1) -- Deferred Compensation Plan CenterPoint Energy's Form 10-K 1-31447 10(hh)(1) for Directors of Arkla, Inc. for the year ended December 31, effective as of November 10, 2002 1988 *10(gg)(2) -- First Amendment to

	Exhibit	CenterPoint Energy's Form	10-K 1-31447
	10(hh)(2)	10(hh)(1) effective as of for the year ended	December 31, August 6, 1997 2002
	10(hh) -- Pledge Agreement	dated as of CenterPoint Energy's Form	10-Q 1-31447
	10.1 May 28, 2003 by	Utility for the quarter ended June	30, Holding, LLC in favor of JP 2003
	Morgan Chase Bank, as	administrative agent *10(ii) --	CenterPoint Energy Deferred
	CenterPoint Energy's Form	10-Q 1-31447	10.2
	Compensation Plan, as amended for	the quarter ended June	30, and restated effective
	2003 January 1, 2003	*10(jj)(1) -- CenterPoint Energy Short Term	CenterPoint Energy's Form
	10-Q 1-31447	10.3 Incentive Plan, as	amended for the quarter ended
	September and restated	effective 30, 2003 January	1, 2003
	*10(jj)(2) -- Summary of	2006 Performance	CenterPoint Energy's Form
	8-K 1-31447	10.1 Goals and	Objectives under dated
	February 22, 2006 Exhibit	10(jj)(1)	

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	REPORT OR REGISTRATION STATEMENT NUMBER	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
*10(kk)	CenterPoint Energy Stock Plan	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	10(ll)
10(ll)	City of Houston Franchise Ordinance	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2005	1-31447	10.1
+10(mm)	Summary of non-employee director compensation			
+10(nn)	Summary of named executive officer compensation			
+12	Computation of Ratios of Earnings to Fixed Charges			
+21	Subsidiaries of CenterPoint Energy			
+23	Consent of Deloitte & Touche LLP			
+31.1	Rule 13a-14(a)/15d-14(a) Certification of David M. McClanahan			
+31.2	Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			

+32.1 -- Section 1350 Certification of David M. McClanahan	
+32.2 -- Section 1350 Certification of Gary L. Whitlock	

EXHIBIT 4(e)(16)

CenterPoint Energy Houston Electric, LLC
1111 Louisiana
Houston, TX 77002

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

TO

JPMORGAN CHASE BANK
Trustee

THIRTEENTH SUPPLEMENTAL INDENTURE

Dated as of February 6, 2004

Supplementing the General Mortgage Indenture
Dated as of October 10, 2002

THIS INSTRUMENT GRANTS A SECURITY INTEREST BY A PUBLIC UTILITY

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS

This instrument is being filed pursuant to Chapter 35 of the Texas Business and Commerce Code

==========

THIRTEENTH SUPPLEMENTAL INDENTURE, dated as of February 6, 2004, between CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a limited liability company organized and existing under the laws of the State of Texas (herein called the "Company"), having its principal office at 1111 Louisiana, Houston, Texas 77002, and JPMORGAN CHASE BANK, a banking corporation duly organized and existing under the laws of the State of New York, as Trustee (herein called the "Trustee"), the office of the Trustee at which on the date hereof its corporate trust business is administered being 600 Travis Street, Suite 1150, Houston, Texas 77002.

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore executed and delivered to the Trustee a General Mortgage Indenture dated as of October 10, 2002 (the "Indenture") providing for the issuance by the Company from time to time of its bonds, notes or other evidence of indebtedness to be issued in one or more series (in the Indenture and herein called the "Securities") and to provide security for the payment of the principal of and premium, if any, and interest, if any, on the Securities; and

WHEREAS, the Company, in the exercise of the power and authority conferred upon and reserved to it under the provisions of the Indenture and pursuant to appropriate resolutions of the Manager, has duly determined to make, execute and deliver to the Trustee this Thirteenth Supplemental Indenture to the Indenture as permitted by Sections 201, 301, 403(2) and 1401 of the Indenture in order to establish the form or terms of, and to provide for the creation and issuance of, a fourteenth series of Securities under the Indenture in an aggregate principal amount of $56,095,000 (such fourteenth series being hereinafter referred to as the "Fourteenth Series"); and

WHEREAS, all things necessary to make the Securities of the Fourteenth Series, when executed by the Company and authenticated and delivered by the Trustee or any Authenticating Agent and issued upon the terms and subject to the conditions hereinafter and in the Indenture set forth against payment therefor the valid, binding and legal obligations of the Company and to make this Thirteenth Supplemental Indenture a valid, binding and legal agreement of the Company, have been done;

NOW, THEREFORE, THIS THIRTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that, in order to establish the terms of a series of Securities, and for and in consideration of the premises and of the covenants contained in the Indenture and in this Thirteenth Supplemental Indenture and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, it is mutually covenanted and agreed as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. Definitions. Each capitalized term that is used herein and is defined in the Indenture shall have the meaning specified in the Indenture unless such term is otherwise defined herein.

ARTICLE TWO

TITLE, FORM AND TERMS OF THE BONDS

Section 201. Title of the Bonds. This Thirteenth Supplemental Indenture hereby creates a series of Securities designated as the "General Mortgage Bonds, Series N, due March 1, 2027" of the Company (collectively referred to herein as the "Bonds"). For purposes of the Indenture, the Bonds shall constitute a single series of Securities and, subject to the provisions, including, but not limited to Article Four of the Indenture, the Bonds shall be issued in an aggregate principal amount of $56,095,000.

Section 202. Form and Terms of the Bonds. The form and terms of the Bonds will be set forth in an Officer's Certificate delivered by the Company to the Trustee pursuant to the authority granted by this Thirteenth Supplemental Indenture in accordance with Sections 201 and 301 of the Indenture.

Section 203. Treatment of Proceeds of Title Insurance Policy. Any moneys received by the Trustee as proceeds of any title insurance policy on Mortgaged Property of the Company shall be subject to and treated in accordance with the provisions of Section 607(2) of the Indenture (other than the last paragraph thereof).

ARTICLE THREE

MISCELLANEOUS PROVISIONS

The Trustee makes no undertaking or representations in respect of, and shall not be responsible in any manner whatsoever for and in respect of, the validity or sufficiency of this Thirteenth Supplemental Indenture or the proper authorization or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as expressly amended and supplemented hereby, the Indenture shall continue in full force and effect in accordance with the provisions thereof and the Indenture is in all respects hereby ratified and confirmed. This Thirteenth Supplemental Indenture and all of its provisions shall be deemed a part of the Indenture in the manner and to the extent herein and therein provided.

This Thirteenth Supplemental Indenture shall be governed by, and construed in accordance with, the law of the State of New York.

This Thirteenth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Thirteenth Supplemental Indenture to be duly executed as of the day and year first above written.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: /s/ Linda Geiger

Name: Linda Geiger
Title: Assistant Treasurer

JPMORGAN CHASE BANK, as Trustee

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President and Trust Officer

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

On the 4th day of February, 2004, before me personally came Linda Geiger, to me known, who, being by me duly sworn, did depose and say that he resides in Houston, Texas; that he is the Assistant Treasurer of CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, the limited liability company described in and which executed the foregoing instrument; and that he signed his name thereto by authority of the sole manager of said limited liability company.

/s/ Lena Arleen Williams

Notary Public

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

On the 4th day of February, 2004, before me personally came Carol Logan, to me known, who, being by me duly sworn, did depose and say that she resides in Houston, Texas; that she is a Vice President of JPMorgan Chase Bank, a banking corporation organized under the State of New York, the corporation described in and which executed the foregoing instrument; and that she signed her name thereto by authority of the board of directors of said corporation.

/s/ Jeanette C. Dunn

Notary Public

EXHIBIT 4(e)(17)

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

OFFICER'S CERTIFICATE

February 6, 2004

I, the undersigned officer of CenterPoint Energy Houston Electric, LLC, a Texas limited liability company (the "Company"), do hereby certify that I am an Authorized Officer of the Company as such term is defined in the Indenture (as defined herein). I am delivering this certificate pursuant to the authority granted in the Resolutions adopted by written consents of the Manager of the Company dated June 3, 2003 and January 31, 2004, and Sections 105, 201, 301, 401(1), 401(5), 403(2)(A), 403(2)(B) and 1403 of the General Mortgage Indenture dated as of October 10, 2002, as heretofore supplemented to the date hereof (as heretofore supplemented, the "Indenture"), between the Company and JPMorgan Chase Bank, as Trustee (the "Trustee"). Terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Indenture unless the context clearly requires otherwise. Based upon the foregoing, I hereby certify on behalf of the Company as follows:

1. The terms and conditions of the Securities of the series described in this Officer's Certificate are as follows (the numbered subdivisions set forth in this Paragraph 1 corresponding to the numbered subdivisions of Section 301 of the Indenture):

(1) The Securities of the fourteenth series to be issued under the Indenture shall be designated "General Mortgage Bonds, Series N, due March 1, 2027" (the "Series N Bonds").

(2) The Series N Bonds shall be authenticated and delivered in the aggregate principal amount of $56,095,000.

(3) Not applicable.

(4) The Series N Bonds shall mature and the principal thereof shall be due and payable together with all accrued and unpaid interest thereon on March 1, 2027. Principal and premium, if any, are payable on the Series N Bonds on such date or dates (subject to the terms of subsection 8(b) hereof), and in such amounts, as principal and premium, if any, are payable (whether at maturity, redemption or otherwise) on the Series 2004 Matagorda Bonds (as defined below). The obligation of the Company to make any payment of principal on the Series N Bonds shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Matagorda Trustee (as defined below) the Installment Payment (as defined below) in respect of the principal then due and payable on the Bonds, as such term is defined in the Trust Indenture dated as of February 1, 2004 (as amended and supplemented, the "Matagorda Indenture") between Matagorda County Navigation District Number One (the "Issuer") and JPMorgan Chase Bank, a New York banking organization, as trustee (the "Matagorda Trustee"). The Bonds (as defined in the Matagorda Indenture) shall hereinafter be referred to as the "Series 2004 Matagorda Bonds".

(5) The Series N Bonds shall bear interest from the date on which the Series 2004 Matagorda Bonds commence to bear interest at such rate or rates per annum as shall cause the amount of interest payable on each Interest Payment Date (as defined below) on the Series N Bonds to equal the amount of interest payable on such Interest Payment Date in respect of the Series 2004 Matagorda Bonds under the Matagorda Indenture. Such interest on the Series N Bonds shall be payable on the same dates as interest is payable from time to time in respect of the Series 2004 Matagorda Bonds pursuant to the Matagorda Indenture (each such date herein called an "Interest Payment Date"), until the maturity of the Series N Bonds, or, in the case of any default by the Company in the payment of the principal due on the Series N Bonds, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture. The amount of interest payable from time to time in respect of the Series 2004 Matagorda Bonds under the Matagorda Indenture, the basis on which such interest is computed and the dates on which such interest is payable are set forth in the Matagorda Indenture. The obligation of the Company to make any payment of interest on the Series N Bonds shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Matagorda Trustee the Installment Payment (as defined below) in respect of the interest then due and payable on the Series 2004 Matagorda Bonds. The Regular Record Date and Special Record Date provisions of the Indenture shall not apply to the Series N Bonds.

(6) The Corporate Trust Office of the Trustee in Dallas, Texas shall be the place at which (i) the principal of, premium, if any, and interest on, the Series N Bonds shall be payable, and (ii) registration of transfer of the Series N Bonds may be effected; and the Corporate Trust Office of the Trustee in Houston, Texas shall be the place at which notices and demands to or upon the Company in respect of the Series N Bonds and the Indenture may be served; and the Trustee shall be the Security Registrar for the Series N Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such place or the Security Registrar; and provided, further, that the Company reserves the right to designate, by one or more Officer's Certificates, its principal office in Houston, Texas as any such place or itself as the Security Registrar; provided, however, that there shall be only a single Security Registrar for the Series N Bonds.

(7) Not applicable.

(8) The Series N bonds will not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Mortgage Indenture, provided however that (a) in the event that the redemption of Series 2004 Matagorda Bonds is required under the Matagorda Indenture due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of Series 2004 Matagorda Bonds set forth in Exhibit A to the Matagorda Indenture, the Company will redeem Series N Bonds equal in principal amount to the Series 2004 Matagorda Bonds to be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to such date fixed for redemption, and (b) upon receipt by the Trustee of a written demand from the Matagorda Trustee stating that the principal amount of all Series 2004

Matagorda Bonds then outstanding under the Matagorda Indenture has been declared immediately due and payable, the Company, subject to the terms and provisions of the Series N Bonds, will redeem the Series N Bonds not more than 180 days after receipt by the Trustee of such written demand, the notice provisions of Article Five of the Indenture not being applicable under the foregoing circumstances.

(9) The Series N Bonds are issuable only in denominations of $56,095,000.

(10) Not applicable.

(11) Not applicable.

(12) Not applicable.

(13) Not applicable.

(14) Not applicable.

(15) Not applicable.

(16) Not applicable.

(17) The Series N Bonds shall be evidenced by a single registered Series N Bond in the principal amount and denomination of $56,095,000. The Series N Bonds shall be executed by the Company and delivered to the Trustee for authentication and delivery.

The single Series N Bond shall be identified by the number N-1 and shall upon issuance be delivered by the Company to, and registered in the name of, the Trustee, and shall be transferable only as required to effect an assignment thereof to a successor or an assign of the Trustee under the Indenture. The Series N Bonds are to be issued by the Company to the Matagorda Trustee in order that the Matagorda Trustee shall have the benefit as a holder of the Series N Bonds of the lien of the Indenture in the event of the non-payment by the Company of the Installment Payments (the "Installment Payments"), as defined in, and pursuant to the Installment Payment and Bond Amortization Agreement (the "Installment Payment Agreement"), dated as of February 1, 2004, by and between the Issuer and the Company.

Series N Bonds issued upon transfer shall be numbered consecutively from N-2 upwards and issued in the authorized denominations set forth in subsection (9) above. See also subsection (19) below.

(18) Not applicable.

(19) The holder of the Series N Bonds by acceptance of the Series N Bonds agrees to restrictions on transfer and to waivers of certain rights of exchange as set forth herein. The Series N Bonds have not been registered under the Securities Act of 1933 and may not be offered, sold or otherwise transferred in the absence of such registration or an

applicable exemption therefrom. No service charge shall be made for the registration of transfer or exchange of the Series N Bonds.

(20) For purposes of the Series N Bonds, "Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, Houston, Texas, or the city in which the principal corporate trust office of the Indenture Trustee is located, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

(21) Not applicable.

(22) The Trustee may conclusively presume that the obligation of the Company to pay the principal of, premium, if any, and interest on the Series N Bonds shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Matagorda Trustee, signed by an authorized officer of the Matagorda Trustee and attested by the Secretary or an Assistant Secretary of the Matagorda Trustee, stating that the payment of principal of, premium, if any, or interest on the Series N Bonds has not been fully paid when due and specifying the amount of funds required to make such payment.

The obligation of the Company to make any payment of the principal of, premium, if any, or interest on the Series N Bonds, whether at maturity, upon redemption (including any redemption due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of the Series 2004 Matagorda Bonds set forth in Exhibit A of the Matagorda Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal of, premium, if any, or interest on the Series 2004 Matagorda Bonds which corresponds to such amounts under the Series N Bonds shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of, premium, if any, or interest on the Series N Bonds at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of, premium, if any, or interest on the Series N Bonds exceeds the obligation of the Company at that time to make any Installment Payment.

The Series N Bonds shall have such other terms and provisions as are provided in the form thereof attached hereto as Exhibit A, and shall be issued in substantially such form.

2. The undersigned has read all of the covenants and conditions contained in the Indenture, and the definitions in the Indenture relating thereto, relating to the issuance of the Series N Bonds and the execution of the Thirteenth Supplemental Indenture to the Indenture in respect of compliance with which this certificate is made.

3. The statements contained in this certificate are based upon the familiarity of the undersigned with the Indenture, the documents accompanying this certificate, and upon discussions by the undersigned with officers and employees of the Company familiar with the matters set forth herein.

4. In the opinion of the undersigned, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenants and conditions have been complied with.

In the opinion of the undersigned, such conditions and covenants have been complied with.

5. To the knowledge of the undersigned, no Event of Default has occurred and is continuing.

6. The execution of the Thirteenth Supplemental Indenture, dated as of the date hereof, between the Company and the Trustee is authorized or permitted by the Indenture.

7. First Mortgage Bonds, 7 3/4% Series due March 15, 2023, having an aggregate principal amount of $56,095,000 (collectively, the "First Mortgage Bonds"), have heretofore been authenticated and delivered. The First Mortgage Bonds have been returned to and cancelled by the trustee under the First Mortgage prior to the date hereof, constitute Retired Securities and are the basis for the authentication and delivery of the Series N Bonds. The maximum Stated Interest Rate on the First Mortgage Bonds at the time of their authentication and delivery was not less than the maximum Stated Interest Rate on the Series N Bonds to be in effect upon the initial authentication and delivery thereof.

IN WITNESS WHEREOF, the undersigned has executed this Officer's Certificate as of the date first above written.

By: /s/ Marc Kilbride

Name: Marc Kilbride
Title: Vice President and Treasurer

Acknowledged and Received on
February 6, 2004

JPMORGAN CHASE BANK,
as Trustee

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President and Trust Officer

EXHIBIT A

FORM OF SERIES N BOND

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS AS SET FORTH BELOW. IN ADDITION, THE BOND REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND SUCH BOND MAY NOT BE TRANSFERRED WITHOUT COMPLIANCE WITH APPLICABLE SECURITIES LAWS.

THIS BOND IS NOT TRANSFERABLE EXCEPT, AS FURTHER PROVIDED HEREIN, TO A SUCCESSOR OR ASSIGN OF THE TRUSTEE UNDER THE TRUST INDENTURE REFERRED TO HEREIN BETWEEN THE ISSUER AND SUCH TRUSTEE.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
General Mortgage Bonds, Series N, due March 1, 2027

Original Interest Accrual Date:	February 6, 2004
Stated Maturity:	March 1, 2027
Interest Rate:	See below
Interest Payment Dates:	See below
Regular Record Dates:	N/A
Redeemable by Company:	Yes X No
Redemption Date:	See below
Redemption Price:	See below

This Security is not an Original Discount Security within the meaning of the within-mentioned Indenture.

Principal Amount
$56,095,000 No. N-1

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a corporation duly organized and existing under the laws of the State of Texas (herein called the "Company," which term includes any successor under the Indenture referred to below), for value received, hereby promises to pay to JPMORGAN CHASE BANK, a New York banking organization, as Trustee under the Matagorda Indenture (as herein defined) or its registered assigns (the "Matagorda Trustee"), the principal sum of FIFTY-SIX MILLION NINETY-FIVE THOUSAND DOLLARS, in whole or in installments on such date or dates (subject to the tenth paragraph hereof) and in such amounts, and to pay to the Matagorda Trustee premium, if any, in whole or in installments on such date or dates and in such amounts, as the Issuer (as defined herein) has any obligations under the Trust Indenture (as amended and supplemented, the "Matagorda Indenture"), dated as of February 1, 2004, between the Matagorda County Navigation District Number One (the "Issuer") and the Matagorda Trustee to repay any principal or to pay premium, if any, in respect of the Bonds (as such term is defined in the Matagorda Indenture, and hereinafter referred to as the "Series 2004 Matagorda Bonds"), but not later than the Stated Maturity specified above. The obligation of the Company to make any payment of principal or premium, if any, on this Bond, whether at maturity or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Matagorda Trustee the Installment Payment (as defined below) in respect of the principal or premium, if any, then due and payable on the Series 2004 Matagorda Bonds.

Interest shall be payable on this Bond on the same dates as interest is payable from time to time in respect of the Series 2004 Matagorda Bonds pursuant to the Matagorda Indenture (each such date herein called an "Interest Payment Date"), at such rate or rates per annum as shall cause the amount of interest payable on such Interest Payment Date on this Bond to equal the amount of interest payable on such Interest Payment Date in respect of the Series 2004 Matagorda Bonds under the Matagorda Indenture. Such interest shall be payable until the maturity of this Bond, or, if the Company shall default in the payment of the principal due on this Bond, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture. The

amount of interest payable from time to time in respect of the Series 2004 Matagorda Bonds under the Matagorda Indenture, the basis on which such interest is computed and the dates on which such interest is payable are set forth in the Matagorda Indenture. This Bond shall bear interest from the Original Interest Accrual Date listed on the first page of this Bond. The obligation of the Company to make any payment of interest on this Bond shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Matagorda Trustee the Installment Payment (as defined below) in respect of the interest then due and payable on the Series 2004 Matagorda Bonds.

This Bond is issued to the Matagorda Trustee in order that the Matagorda Trustee shall have the benefit as a holder of this Bond of the lien of the Indenture (as defined below) in the event of the non-payment by the Company of the Installment Payments (the "Installment Payments"), as defined in and pursuant to the Installment Payment and Bond Amortization Agreement (as amended and supplemented, the "Installment Payment Agreement"), dated as of February 1, 2004, between the Issuer and the Company. Any capitalized terms used herein and not defined herein shall have the meanings specified in the Indenture (as defined below), unless otherwise noted.

THIS BOND SHALL NOT BE TRANSFERABLE EXCEPT AS REQUIRED TO EFFECT AN ASSIGNMENT HEREOF TO A SUCCESSOR OR AN ASSIGN OF THE MATAGORDA TRUSTEE UNDER THE MATAGORDA INDENTURE.

The Matagorda Trustee shall surrender this Bond to the Matagorda Trustee (as defined below) in accordance with Section 5.07(d) of the Installment Payment Agreement.

Payments of the principal of, premium, if any, and interest on this Bond shall be made at the Corporate Trust Administration of JPMorgan Chase Bank, as Trustee, located at 2001 Bryan Street, 9th Floor, Dallas, Texas 75201, or at such other office or agency as may be designated for such purpose by the Company from time to time. Payment of the principal of, premium, if any, and interest on this Bond, as aforesaid, shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under and equally secured by a General Mortgage Indenture, dated as of October 10, 2002 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Securities, being herein called the "Indenture"), between the Company and JPMorgan Chase Bank, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of the Securities thereunder and of the terms and conditions upon which the Securities are, and are to be, authenticated and delivered and secured. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture. This Bond is one of the series designated above.

The Bonds of this series will not be entitled to the benefit of any sinking fund or voluntary redemption provisions.

If an Event of Default, as defined in the Indenture, shall occur and be continuing, the principal of this Bond may be declared due and payable in the manner and with the effect provided in the Indenture.

This Bond will not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Indenture, provided however that (a) in the event of the required redemption of Series 2004 Matagorda Bonds due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of Series 2004 Matagorda Bonds set forth in Exhibit A to the Matagorda Indenture, the Company will redeem Bonds equal in principal amount to the Series 2004 Matagorda Bonds to be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, and (b) upon receipt by the Trustee of a written demand from the Matagorda Trustee stating that the principal amount of all Series 2004 Matagorda Bonds then outstanding under the Matagorda Indenture has been declared immediately due and payable, the Company, subject to the terms and provisions of the Bonds, will redeem the Bonds not more than 180 days after receipt by the Trustee of such written demand.

The Indenture permits, with certain exceptions as therein provided, the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under the Indenture, considered as one class; PROVIDED, HOWEVER, that if there shall be Securities of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and PROVIDED, FURTHER, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and PROVIDED, FURTHER, that the Indenture permits the Trustee to enter into one or more supplemental indentures for limited purposes without the consent of any Holders of Securities. The Indenture also contains provisions permitting the Holders of a majority in principal amount of the Securities then Outstanding, on behalf of the Holders of all Securities, to waive compliance by the Company with certain provisions of the Mortgage Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Security issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture and subject to certain limitations therein and herein set forth, the transfer of this Bond is registrable in the Security Register, upon surrender of this Bond for registration of transfer at the Corporate Trust Office of JPMorgan Chase Bank in Houston, Texas or such other office or agency as may be designated by the Company from time to time, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Bonds of this series of authorized denominations and of like tenor and aggregate principal amount, will be issued to the designated transferee or transferees.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the person in whose name this Bond shall be registered upon the Security Register for the Bonds of this series as the absolute owner of such Bond for the purpose of receiving payment of or on account of the principal of and interest on this Bond and for all other purposes, whether or not this Bond be overdue, and neither the Company nor the Trustee shall be affected by any notice to the contrary; and all such payments so made to such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums paid.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of, premium, if any, and interest on this Bond shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Matagorda Trustee, signed by an authorized officer of the Matagorda Trustee and attested by the Secretary or an Assistant Secretary of the Matagorda Trustee, stating that the payment of principal of, premium, if any, or interest on this Bond has not been fully paid when due and specifying the amount of funds required to make such payment.

The obligation of the Company to make any payment of the principal of, premium, if any, or interest on this Bond, whether at maturity, upon redemption (including any redemption due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of the Series 2004 Matagorda Bonds set forth in Exhibit A of the Matagorda Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal, premium, if any, or interest on the Series 2004 Matagorda Bonds which corresponds to such amounts under this Bond shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of, premium, if any, or interest on this Bond at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of, premium, if any, or interest on this Bond exceeds the obligation of the Company at that time to make any Installment Payment.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any Bond or coupon thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, member, manager, stockholder, officer, director or employee, as such, past, present or future, of the Company or any predecessor or successor corporation or company, either directly or through the Company or any predecessor or successor corporation or company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and the obligations thereby secured, are solely corporate obligations of the Company, and that no personal liability whatsoever shall attach to, or be incurred by, such incorporators, members, managers, stockholders, officers, directors or employees, as such, of the Company or of any predecessor or successor corporation or company, or any of them, because of the creation of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the Bonds or coupons thereby secured, or implied therefrom.

The holder of this Bond by acceptance of this Bond agrees to restrictions on transfer and to waivers of certain rights of exchange as set forth herein. THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. No service charge shall be made for the registration of transfer or exchange of this Bond.

This Bond shall be governed by and construed in accordance with the law of the State of New York except as provided in the Indenture.

Unless the certificate of authentication hereon has been executed by the Trustee or an Authenticating Agent by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

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IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By:

Name:

Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication:
February 6, 2004

JPMORGAN CHASE BANK,
Trustee

By:

Authorized Signatory

EXHIBIT 4(e)(18)

CenterPoint Energy Houston Electric, LLC
1111 Louisiana
Houston, TX 77002

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

TO

JPMORGAN CHASE BANK
Trustee

FOURTEENTH SUPPLEMENTAL INDENTURE

Dated as of February 11, 2004

Supplementing the General Mortgage Indenture
Dated as of October 10, 2002

THIS INSTRUMENT GRANTS A SECURITY INTEREST BY A PUBLIC UTILITY

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS

This instrument is being filed pursuant to Chapter 35 of the Texas Business and Commerce Code

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FOURTEENTH SUPPLEMENTAL INDENTURE, dated as of February 11, 2004, between CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a limited liability company organized and existing under the laws of the State of Texas (herein called the "Company"), having its principal office at 1111 Louisiana, Houston, Texas 77002, and JPMORGAN CHASE BANK, a banking corporation duly organized and existing under the laws of the State of New York, as Trustee (herein called the "Trustee"), the office of the Trustee at which on the date hereof its corporate trust business is administered being 600 Travis Street, Suite 1150, Houston, Texas 77002.

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore executed and delivered to the Trustee a General Mortgage Indenture dated as of October 10, 2002 (the "Indenture") providing for the issuance by the Company from time to time of its bonds, notes or other evidence of indebtedness to be issued in one or more series (in the Indenture and herein called the "Securities") and to provide security for the payment of the principal of and premium, if any, and interest, if any, on the Securities; and

WHEREAS, the Company, in the exercise of the power and authority conferred upon and reserved to it under the provisions of the Indenture and pursuant to appropriate resolutions of the Manager, has duly determined to make, execute and deliver to the Trustee this Fourteenth Supplemental Indenture to the Indenture as permitted by Sections 201, 301, 403(2) and 1401 of the Indenture in order to establish the form or terms of, and to provide for the creation and issuance of, a fifteenth series of Securities under the Indenture in an aggregate principal amount of $43,820,000 (such fifteenth series being hereinafter referred to as the "Fifteenth Series"); and

WHEREAS, all things necessary to make the Securities of the Fifteenth Series, when executed by the Company and authenticated and delivered by the Trustee or any Authenticating Agent and issued upon the terms and subject to the conditions hereinafter and in the Indenture set forth against payment therefor the valid, binding and legal obligations of the Company and to make this Fourteenth Supplemental Indenture a valid, binding and legal agreement of the Company, have been done;

NOW, THEREFORE, THIS FOURTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that, in order to establish the terms of a series of Securities, and for and in consideration of the premises and of the covenants contained in the Indenture and in this Fourteenth Supplemental Indenture and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, it is mutually covenanted and agreed as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. Definitions. Each capitalized term that is used herein and is defined in the Indenture shall have the meaning specified in the Indenture unless such term is otherwise defined herein.

ARTICLE TWO

TITLE, FORM AND TERMS OF THE BONDS

Section 201. Title of the Bonds. This Fourteenth Supplemental Indenture hereby creates a series of Securities designated as the "General Mortgage Bonds, Series O, due March 1, 2017" of the Company (collectively referred to herein as the "Bonds"). For purposes of the Indenture, the Bonds shall constitute a single series of Securities and, subject to the provisions, including, but not limited to Article Four of the Indenture, the Bonds shall be issued in an aggregate principal amount of $43,820,000.

Section 202. Form and Terms of the Bonds. The form and terms of the Bonds will be set forth in an Officer's Certificate delivered by the Company to the Trustee pursuant to the authority granted by this Fourteenth Supplemental Indenture in accordance with Sections 201 and 301 of the Indenture.

Section 203. Treatment of Proceeds of Title Insurance Policy. Any moneys received by the Trustee as proceeds of any title insurance policy on Mortgaged Property of the Company shall be subject to and treated in accordance with the provisions of Section 607(2) of the Indenture (other than the last paragraph thereof).

ARTICLE THREE

MISCELLANEOUS PROVISIONS

The Trustee makes no undertaking or representations in respect of, and shall not be responsible in any manner whatsoever for and in respect of, the validity or sufficiency of this Fourteenth Supplemental Indenture or the proper authorization or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as expressly amended and supplemented hereby, the Indenture shall continue in full force and effect in accordance with the provisions thereof and the Indenture is in all respects hereby ratified and confirmed. This Fourteenth Supplemental Indenture and all of its provisions shall be deemed a part of the Indenture in the manner and to the extent herein and therein provided.

This Fourteenth Supplemental Indenture shall be governed by, and construed in accordance with, the law of the State of New York.

This Fourteenth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Fourteenth Supplemental Indenture to be duly executed as of the day and year first above written.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: /s/ Marc Kilbride

Name: Marc Kilbride
Title: Vice President and Treasurer

JPMORGAN CHASE BANK, as Trustee

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

On the 9th day of February, 2004, before me personally came Marc Kilbride, to me known, who, being by me duly sworn, did depose and say that he resides in Houston, Texas; that he is the Vice President & Treasurer of CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, the limited liability company described in and which executed the foregoing instrument; and that he signed his name thereto by authority of the sole manager of said limited liability company.

/s/ Lena Arleen Williams

Notary Public

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

On the 9th day of February, 2004, before me personally came Carol Logan, to me known, who, being by me duly sworn, did depose and say that she resides in Houston, Texas; that she is Vice President of JPMorgan Chase Bank, a banking corporation organized under the State of New York, the corporation described in and which executed the foregoing instrument; and that she signed her name thereto by authority of the board of directors of said corporation.

/s/ Carolyn A. Frazier

Notary Public

EXHIBIT 4(e)(19)

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

OFFICER'S CERTIFICATE

February 11, 2004

I, the undersigned officer of CenterPoint Energy Houston Electric, LLC, a Texas limited liability company (the "Company"), do hereby certify that I am an Authorized Officer of the Company as such term is defined in the Indenture (as defined herein). I am delivering this certificate pursuant to the authority granted in the Resolutions adopted by written consent of the Manager of the Company dated January 31, 2004, and Sections 105, 201, 301, 401(1), 401(5), 403(2)(A), 403(2)(B) and 1403 of the General Mortgage Indenture dated as of October 10, 2002, as heretofore supplemented to the date hereof (as heretofore supplemented, the "Indenture"), between the Company and JPMorgan Chase Bank, as Trustee (the "Trustee"). Terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Indenture unless the context clearly requires otherwise. Based upon the foregoing, I hereby certify on behalf of the Company as follows:

1. The terms and conditions of the Securities of the series described in this Officer's Certificate are as follows (the numbered subdivisions set forth in this Paragraph 1 corresponding to the numbered subdivisions of Section 301 of the Indenture):

(1) The Securities of the fifteenth series to be issued under the Indenture shall be designated "General Mortgage Bonds, Series O, due March 1, 2017" (the "Series O Bonds").

(2) The Series O Bonds shall be authenticated and delivered in the aggregate principal amount of $43,820,000.

(3) Not applicable.

(4) The Series O Bonds shall mature and the principal thereof shall be due and payable together with all accrued and unpaid interest thereon on March 1, 2017. Principal and premium, if any, are payable on the Series O Bonds on such date or dates (subject to the terms of subsection 8(b) hereof), and in such amounts, as principal and premium, if any, are payable (whether at maturity, redemption or otherwise) on the Series 2004 Brazos River Bonds (as defined below). The obligation of the Company to make any payment of principal on the Series O Bonds shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Brazos River Trustee (as defined below) the Installment Payment (as defined below) in respect of the principal then due and payable on the Bonds, as such term is defined in the Trust Indenture dated as of February 1, 2004 (as amended and supplemented, the "Brazos River Indenture") between the Brazos River Authority (the "Issuer") and JPMorgan Chase Bank, a New York banking organization, as trustee (the "Brazos River Trustee"). The Bonds (as defined in the Brazos River Indenture) shall hereinafter be referred to as the "Series 2004 Brazos River Bonds".

(5) The Series O Bonds shall bear interest from the date on which the Series 2004 Brazos River Bonds commence to bear interest at such rate or rates per annum as shall cause the amount of interest payable on each Interest Payment Date (as defined below) on the Series O Bonds to equal the amount of interest payable on such Interest Payment Date in respect of the Series 2004 Brazos River Bonds under the Brazos River Indenture. Such interest on the Series O Bonds shall be payable on the same dates as interest is payable from time to time in respect of the Series 2004 Brazos River Bonds pursuant to the Brazos River Indenture (each such date herein called an "Interest Payment Date"), until the maturity of the Series O Bonds, or, in the case of any default by the Company in the payment of the principal due on the Series O Bonds, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture. The amount of interest payable from time to time in respect of the Series 2004 Brazos River Bonds under the Brazos River Indenture, the basis on which such interest is computed and the dates on which such interest is payable are set forth in the Brazos River Indenture. The obligation of the Company to make any payment of interest on the Series O Bonds shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Brazos River Trustee the Installment Payment (as defined below) in respect of the interest then due and payable on the Series 2004 Brazos River Bonds. The Regular Record Date and Special Record Date provisions of the Indenture shall not apply to the Series O Bonds.

(6) The Corporate Trust Office of the Trustee in Dallas, Texas shall be the place at which (i) the principal of, premium, if any, and interest on, the Series O Bonds shall be payable, and (ii) registration of transfer of the Series O Bonds may be effected; and the Corporate Trust Office of the Trustee in Houston, Texas shall be the place at which notices and demands to or upon the Company in respect of the Series O Bonds and the Indenture may be served; and the Trustee shall be the Security Registrar for the Series O Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such place or the Security Registrar; and provided, further, that the Company reserves the right to designate, by one or more Officer's Certificates, its principal office in Houston, Texas as any such place or itself as the Security Registrar; provided, however, that there shall be only a single Security Registrar for the Series O Bonds.

(7) Not applicable.

(8) The Series O bonds will not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Mortgage Indenture, provided however that (a) in the event that the redemption of Series 2004 Brazos River Bonds is required under the Brazos River Indenture due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of Series 2004 Brazos River Bonds set forth in Exhibit A to the Brazos River Indenture, the Company will redeem Series O Bonds equal in principal amount to the Series 2004 Brazos River Bonds to be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to such date fixed for redemption, and (b) upon receipt by the Trustee of a written demand from the Brazos River Trustee stating that the principal amount of all

Series 2004 Brazos River Bonds then outstanding under the Brazos River Indenture has been declared immediately due and payable, the Company, subject to the terms and provisions of the Series O Bonds, will redeem the Series O Bonds not more than 180 days after receipt by the Trustee of such written demand, the notice provisions of Article Five of the Indenture not being applicable under the foregoing circumstances.

(9) The Series O Bonds are issuable only in denominations of $43,820,000.

(10) Not applicable.

(11) Not applicable.

(12) Not applicable.

(13) Not applicable.

(14) Not applicable.

(15) Not applicable.

(16) Not applicable.

(17) The Series O Bonds shall be evidenced by a single registered Series O Bond in the principal amount and denomination of $43,820,000. The Series O Bonds shall be executed by the Company and delivered to the Trustee for authentication and delivery.

The single Series O Bond shall be identified by the number N-1 and shall upon issuance be delivered by the Company to, and registered in the name of, the Trustee, and shall be transferable only as required to effect an assignment thereof to a successor or an assign of the Trustee under the Indenture. The Series O Bonds are to be issued by the Company to the Brazos River Trustee in order that the Brazos River Trustee shall have the benefit as a holder of the Series O Bonds of the lien of the Indenture in the event of the non-payment by the Company of the Installment Payments (the "Installment Payments"), as defined in, and pursuant to the Installment Payment and Bond Amortization Agreement (the "Installment Payment Agreement"), dated as of February 1, 2004, by and between the Issuer and the Company.

Series O Bonds issued upon transfer shall be numbered consecutively from N-2 upwards and issued in the authorized denominations set forth in subsection (9) above. See also subsection (19) below.

(18) Not applicable.

(19) The holder of the Series O Bonds by acceptance of the Series O Bonds agrees to restrictions on transfer and to waivers of certain rights of exchange as set forth herein. The Series O Bonds have not been registered under the Securities Act of 1933 and may not be offered, sold or otherwise transferred in the absence of such registration or an

applicable exemption therefrom. No service charge shall be made for the registration of transfer or exchange of the Series O Bonds.

(20) For purposes of the Series O Bonds, "Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, Houston, Texas, or the city in which the principal corporate trust office of the Indenture Trustee is located, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

(21) Not applicable.

(22) The Trustee may conclusively presume that the obligation of the Company to pay the principal of, premium, if any, and interest on the Series O Bonds shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Brazos River Trustee, signed by an authorized officer of the Brazos River Trustee and attested by the Secretary or an Assistant Secretary of the Brazos River Trustee, stating that the payment of principal of, premium, if any, or interest on the Series O Bonds has not been fully paid when due and specifying the amount of funds required to make such payment.

The obligation of the Company to make any payment of the principal of, premium, if any, or interest on the Series O Bonds, whether at maturity, upon redemption (including any redemption due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of the Series 2004 Brazos River Bonds set forth in Exhibit A of the Brazos River Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal of, premium, if any, or interest on the Series 2004 Brazos River Bonds which corresponds to such amounts under the Series O Bonds shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of, premium, if any, or interest on the Series O Bonds at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of, premium, if any, or interest on the Series O Bonds exceeds the obligation of the Company at that time to make any Installment Payment.

The Series O Bonds shall have such other terms and provisions as are provided in the form thereof attached hereto as Exhibit A, and shall be issued in substantially such form.

2. The undersigned has read all of the covenants and conditions contained in the Indenture, and the definitions in the Indenture relating thereto, relating to the issuance of the Series O Bonds and the execution of the Fourteenth Supplemental Indenture to the Indenture in respect of compliance with which this certificate is made.

3. The statements contained in this certificate are based upon the familiarity of the undersigned with the Indenture, the documents accompanying this certificate, and upon

discussions by the undersigned with officers and employees of the Company familiar with the matters set forth herein.

4. In the opinion of the undersigned, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenants and conditions have been complied with.

In the opinion of the undersigned, such conditions and covenants have been complied with.

5. To the knowledge of the undersigned, no Event of Default has occurred and is continuing.

6. The execution of the Fourteenth Supplemental Indenture, dated as of the date hereof, between the Company and the Trustee is authorized or permitted by the Indenture.

7. First Mortgage Bonds, 7 3/4% Series due March 15, 2023, having an aggregate principal amount of $43,820,000 (collectively, the "First Mortgage Bonds"), have heretofore been authenticated and delivered. The First Mortgage Bonds have been returned to and cancelled by the trustee under the First Mortgage prior to the date hereof, constitute Retired Securities and are the basis for the authentication and delivery of the Series O Bonds. The maximum Stated Interest Rate on the First Mortgage Bonds at the time of their authentication and delivery was not less than the maximum Stated Interest Rate on the Series O Bonds to be in effect upon the initial authentication and delivery thereof.

IN WITNESS WHEREOF, the undersigned has executed this Officer's Certificate as of the date first above written.

By: /s/ Marc Kilbride

Name: Marc Kilbride
Title: Vice President and Treasurer

Acknowledged and Received on
February 11, 2004

JPMORGAN CHASE BANK,
as Trustee

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President

EXHIBIT A

FORM OF SERIES O BOND

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS AS SET FORTH BELOW. IN ADDITION, THE BOND REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND SUCH BOND MAY NOT BE TRANSFERRED WITHOUT COMPLIANCE WITH APPLICABLE SECURITIES LAWS.

THIS BOND IS NOT TRANSFERABLE EXCEPT, AS FURTHER PROVIDED HEREIN, TO A SUCCESSOR OR ASSIGN OF THE TRUSTEE UNDER THE TRUST INDENTURE REFERRED TO HEREIN BETWEEN THE ISSUER AND SUCH TRUSTEE.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
General Mortgage Bonds, Series O, due March 1, 2017

Original Interest Accrual Date:	February 11, 2004
Stated Maturity:	March 1, 2017
Interest Rate:	See below
Interest Payment Dates:	See below
Regular Record Dates:	N/A
Redeemable by Company:	Yes X No
Redemption Date:	See below
Redemption Price:	See below

This Security is not an Original Discount Security within the meaning of the within-mentioned Indenture.

Principal Amount
$43,820,000 No. O-1

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a corporation duly organized and existing under the laws of the State of Texas (herein called the "Company," which term includes any successor under the Indenture referred to below), for value received, hereby promises to pay to JPMORGAN CHASE BANK, a New York banking organization, as Trustee under the Brazos River Indenture (as herein defined) or its registered assigns (the "Brazos River Trustee"), the principal sum of FORTY-THREE MILLION EIGHT HUNDRED TWENTY THOUSAND DOLLARS, in whole or in installments on such date or dates (subject to the tenth paragraph hereof) and in such amounts, and to pay to the Brazos River Trustee premium, if any, in whole or in installments on such date or dates and in such amounts, as the Issuer (as defined herein) has any obligations under the Trust Indenture (as amended and supplemented, the "Brazos River Indenture"), dated as of February 1, 2004, between the Brazos River Authority (the "Issuer") and the Brazos River Trustee to repay any principal or to pay premium, if any, in respect of the Bonds (as such term is defined in the Brazos River Indenture, and hereinafter referred to as the "Series 2004 Brazos River Bonds"), but not later than the Stated Maturity specified above. The obligation of the Company to make any payment of principal or premium, if any, on this Bond, whether at maturity or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Brazos River Trustee the Installment Payment (as defined below) in respect of the principal or premium, if any, then due and payable on the Series 2004 Brazos River Bonds.

Interest shall be payable on this Bond on the same dates as interest is payable from time to time in respect of the Series 2004 Brazos River Bonds pursuant to the Brazos River Indenture (each such date herein called an "Interest Payment Date"), at such rate or rates per annum as shall cause the amount of interest payable on such Interest Payment Date on this Bond to equal the amount of interest payable on such Interest Payment Date in respect of the Series 2004 Brazos River Bonds under the Brazos River Indenture. Such interest shall be payable until the maturity of this Bond, or, if the Company shall default in the payment of the principal due on this Bond, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture. The

amount of interest payable from time to time in respect of the Series 2004 Brazos River Bonds under the Brazos River Indenture, the basis on which such interest is computed and the dates on which such interest is payable are set forth in the Brazos River Indenture. This Bond shall bear interest from the Original Interest Accrual Date listed on the first page of this Bond. The obligation of the Company to make any payment of interest on this Bond shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Brazos River Trustee the Installment Payment (as defined below) in respect of the interest then due and payable on the Series 2004 Brazos River Bonds.

This Bond is issued to the Brazos River Trustee in order that the Brazos River Trustee shall have the benefit as a holder of this Bond of the lien of the Indenture (as defined below) in the event of the non-payment by the Company of the Installment Payments (the "Installment Payments"), as defined in and pursuant to the Installment Payment and Bond Amortization Agreement (as amended and supplemented, the "Installment Payment Agreement"), dated as of February 1, 2004, between the Issuer and the Company. Any capitalized terms used herein and not defined herein shall have the meanings specified in the Indenture (as defined below), unless otherwise noted.

THIS BOND SHALL NOT BE TRANSFERABLE EXCEPT AS REQUIRED TO EFFECT AN ASSIGNMENT HEREOF TO A SUCCESSOR OR AN ASSIGN OF THE BRAZOS RIVER TRUSTEE UNDER THE BRAZOS RIVER INDENTURE.

The Brazos River Trustee shall surrender this Bond to the Brazos River Trustee (as defined below) in accordance with Section 5.07(d) of the Installment Payment Agreement.

Payments of the principal of, premium, if any, and interest on this Bond shall be made at the Corporate Trust Administration of JPMorgan Chase Bank, as Trustee, located at 2001 Bryan Street, 9th Floor, Dallas, Texas 75201, or at such other office or agency as may be designated for such purpose by the Company from time to time. Payment of the principal of, premium, if any, and interest on this Bond, as aforesaid, shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under and equally secured by a General Mortgage Indenture, dated as of October 10, 2002 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Securities, being herein called the "Indenture"), between the Company and JPMorgan Chase Bank, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of the Securities thereunder and of the terms and conditions upon which the Securities are, and are to be, authenticated and delivered and secured. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture. This Bond is one of the series designated above.

The Bonds of this series will not be entitled to the benefit of any sinking fund or voluntary redemption provisions.

If an Event of Default, as defined in the Indenture, shall occur and be continuing, the principal of this Bond may be declared due and payable in the manner and with the effect provided in the Indenture.

This Bond will not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Indenture, provided however that (a) in the event of the required redemption of Series 2004 Brazos River Bonds due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of Series 2004 Brazos River Bonds set forth in Exhibit A to the Brazos River Indenture, the Company will redeem Bonds equal in principal amount to the Series 2004 Brazos River Bonds to be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, and (b) upon receipt by the Trustee of a written demand from the Brazos River Trustee stating that the principal amount of all Series 2004 Brazos River Bonds then outstanding under the Brazos River Indenture has been declared immediately due and payable, the Company, subject to the terms and provisions of the Bonds, will redeem the Bonds not more than 180 days after receipt by the Trustee of such written demand.

The Indenture permits, with certain exceptions as therein provided, the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under the Indenture, considered as one class; PROVIDED, HOWEVER, that if there shall be Securities of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and PROVIDED, FURTHER, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and PROVIDED, FURTHER, that the Indenture permits the Trustee to enter into one or more supplemental indentures for limited purposes without the consent of any Holders of Securities. The Indenture also contains provisions permitting the Holders of a majority in principal amount of the Securities then Outstanding, on behalf of the Holders of all Securities, to waive compliance by the Company with certain provisions of the Mortgage Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Security issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture and subject to certain limitations therein and herein set forth, the transfer of this Bond is registrable in the Security Register, upon surrender of this Bond for registration of transfer at the Corporate Trust Office of JPMorgan Chase Bank in Houston, Texas or such other office or agency as may be designated by the Company from time to time, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Bonds of this series of authorized denominations and of like tenor and aggregate principal amount, will be issued to the designated transferee or transferees.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the person in whose name this Bond shall be registered upon the Security Register for the Bonds of this series as the absolute owner of such Bond for the purpose of receiving payment of or on account of the principal of and interest on this Bond and for all other purposes, whether or not this Bond be overdue, and neither the Company nor the Trustee shall be affected by any notice to the contrary; and all such payments so made to such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums paid.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of, premium, if any, and interest on this Bond shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Brazos River Trustee, signed by an authorized officer of the Brazos River Trustee and attested by the Secretary or an Assistant Secretary of the Brazos River Trustee, stating that the payment of principal of, premium, if any, or interest on this Bond has not been fully paid when due and specifying the amount of funds required to make such payment.

The obligation of the Company to make any payment of the principal of, premium, if any, or interest on this Bond, whether at maturity, upon redemption (including any redemption due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of the Series 2004 Brazos River Bonds set forth in Exhibit A of the Brazos River Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal, premium, if any, or interest on the Series 2004 Brazos River Bonds which corresponds to such amounts under this Bond shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of, premium, if any, or interest on this Bond at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of, premium, if any, or interest on this Bond exceeds the obligation of the Company at that time to make any Installment Payment.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any Bond or coupon thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, member, manager, stockholder, officer, director or employee, as such, past, present or future, of the Company or any predecessor or successor corporation or company, either directly or through the Company or any predecessor or successor corporation or company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and the obligations thereby secured, are solely corporate obligations of the Company, and that no personal liability whatsoever shall attach to, or be incurred by, such incorporators, members, managers, stockholders, officers, directors or employees, as such, of the Company or of any predecessor or successor corporation or company, or any of them, because of the creation of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the Bonds or coupons thereby secured, or implied therefrom.

The holder of this Bond by acceptance of this Bond agrees to restrictions on transfer and to waivers of certain rights of exchange as set forth herein. THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. No service charge shall be made for the registration of transfer or exchange of this Bond.

This Bond shall be governed by and construed in accordance with the law of the State of New York except as provided in the Indenture.

Unless the certificate of authentication hereon has been executed by the Trustee or an Authenticating Agent by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By:

Name:

Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication:
February 11, 2004

JPMORGAN CHASE BANK,
Trustee

By:

Authorized Signatory

EXHIBIT 4(e)(20)

CenterPoint Energy Houston Electric, LLC
1111 Louisiana
Houston, TX 77002

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

TO

JPMORGAN CHASE BANK
Trustee

FIFTEENTH SUPPLEMENTAL INDENTURE

Dated as of March 31, 2004

Supplementing the General Mortgage Indenture
Dated as of October 10, 2002

THIS INSTRUMENT GRANTS A SECURITY INTEREST BY A PUBLIC UTILITY

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS

This instrument is being filed pursuant to Chapter 35 of the Texas Business and Commerce Code

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FIFTEENTH SUPPLEMENTAL INDENTURE, dated as of March 31, 2004, between CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a limited liability company organized and existing under the laws of the State of Texas (herein called the "Company"), having its principal office at 1111 Louisiana, Houston, Texas 77002, and JPMORGAN CHASE BANK, a banking corporation duly organized and existing under the laws of the State of New York, as Trustee (herein called the "Trustee"), the office of the Trustee at which on the date hereof its corporate trust business is administered being 600 Travis Street, Suite 1150, Houston, Texas 77002.

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore executed and delivered to the Trustee a General Mortgage Indenture dated as of October 10, 2002 (the "Indenture") providing for the issuance by the Company from time to time of its bonds, notes or other evidence of indebtedness to be issued in one or more series (in the Indenture and herein called the "Securities") and to provide security for the payment of the principal of and premium, if any, and interest, if any, on the Securities; and

WHEREAS, the Company, in the exercise of the power and authority conferred upon and reserved to it under the provisions of the Indenture and pursuant to appropriate resolutions of the Manager, has duly determined to make, execute and deliver to the Trustee this Fifteenth Supplemental Indenture to the Indenture as permitted by Sections 201, 301, 403(2) and 1401 of the Indenture in order to establish the form or terms of, and to provide for the creation and issuance of, a sixteenth series of Securities under the Indenture in an aggregate principal amount of $33,470,000 (such sixteenth series being hereinafter referred to as the "Sixteenth Series"); and

WHEREAS, all things necessary to make the Securities of the Sixteenth Series, when executed by the Company and authenticated and delivered by the Trustee or any Authenticating Agent and issued upon the terms and subject to the conditions hereinafter and in the Indenture set forth against payment therefor the valid, binding and legal obligations of the Company and to make this Fifteenth Supplemental Indenture a valid, binding and legal agreement of the Company, have been done;

NOW, THEREFORE, THIS FIFTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that, in order to establish the terms of a series of Securities, and for and in consideration of the premises and of the covenants contained in the Indenture and in this Fifteenth Supplemental Indenture and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, it is mutually covenanted and agreed as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. Definitions. Each capitalized term that is used herein and is defined in the Indenture shall have the meaning specified in the Indenture unless such term is otherwise defined herein.

ARTICLE TWO

TITLE, FORM AND TERMS OF THE BONDS

Section 201. Title of the Bonds. This Fifteenth Supplemental Indenture hereby creates a series of Securities designated as the "General Mortgage Bonds, Series P, due April 1, 2012" of the Company (collectively referred to herein as the "Bonds"). For purposes of the Indenture, the Bonds shall constitute a single series of Securities and, subject to the provisions, including, but not limited to Article Four of the Indenture, the Bonds shall be issued in an aggregate principal amount of $33,470,000.

Section 202. Form and Terms of the Bonds. The form and terms of the Bonds will be set forth in an Officer's Certificate delivered by the Company to the Trustee pursuant to the authority granted by this Fifteenth Supplemental Indenture in accordance with Sections 201 and 301 of the Indenture.

Section 203. Treatment of Proceeds of Title Insurance Policy. Any moneys received by the Trustee as proceeds of any title insurance policy on Mortgaged Property of the Company shall be subject to and treated in accordance with the provisions of Section 607(2) of the Indenture (other than the last paragraph thereof).

ARTICLE THREE

MISCELLANEOUS PROVISIONS

The Trustee makes no undertaking or representations in respect of, and shall not be responsible in any manner whatsoever for and in respect of, the validity or sufficiency of this Fifteenth Supplemental Indenture or the proper authorization or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as expressly amended and supplemented hereby, the Indenture shall continue in full force and effect in accordance with the provisions thereof and the Indenture is in all respects hereby ratified and confirmed. This Fifteenth Supplemental Indenture and all of its provisions shall be deemed a part of the Indenture in the manner and to the extent herein and therein provided.

This Fifteenth Supplemental Indenture shall be governed by, and construed in accordance with, the law of the State of New York.

This Fifteenth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Fifteenth Supplemental Indenture to be duly executed as of the day and year first above written.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: /s/ Marc Kilbride

Name: Marc Kilbride
Title: Vice President and Treasurer

JPMORGAN CHASE BANK, as Trustee

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

On the 29th day of March, 2004, before me personally came Marc Kilbride, to me known, who, being by me duly sworn, did depose and say that he resides in Houston, Texas; that he is the Vice President and Treasurer of CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, the limited liability company described in and which executed the foregoing instrument; and that he signed his name thereto by authority of the sole manager of said limited liability company.

/s/ Lena Arleen Williams

Notary Public

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

On the 29th day of March, 2004, before me personally came Carol Logan, to me known, who, being by me duly sworn, did depose and say that she resides in Houston, Texas; that she is Vice President of JPMorgan Chase Bank, a banking corporation organized under the State of New York, the corporation described in and which executed the foregoing instrument; and that she signed her name thereto by authority of the board of directors of said corporation.

/s/ Jeanette C. Dunn

Notary Public

EXHIBIT 4(e)(21)

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

OFFICER'S CERTIFICATE

March 31, 2004

I, the undersigned officer of CenterPoint Energy Houston Electric, LLC, a Texas limited liability company (the "Company"), do hereby certify that I am an Authorized Officer of the Company as such term is defined in the Indenture (as defined herein). I am delivering this certificate pursuant to the authority granted in the Resolutions adopted by written consent of the Manager of the Company dated March 29, 2004, and Sections 105, 201, 301, 401(1), 401(5), 403(2)(A), 403(2)(B) and 1403 of the General Mortgage Indenture dated as of October 10, 2002, as heretofore supplemented to the date hereof (as heretofore supplemented, the "Indenture"), between the Company and JPMorgan Chase Bank, as Trustee (the "Trustee"). Terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Indenture unless the context clearly requires otherwise. Based upon the foregoing, I hereby certify on behalf of the Company as follows:

1. The terms and conditions of the Securities of the series described in this Officer's Certificate are as follows (the numbered subdivisions set forth in this Paragraph 1 corresponding to the numbered subdivisions of Section 301 of the Indenture):

(1) The Securities of the sixteenth series to be issued under the Indenture shall be designated "General Mortgage Bonds, Series P, due April 1, 2012" (the "Series P Bonds").

(2) The Series P Bonds shall be authenticated and delivered in the aggregate principal amount of $33,470,000.

(3) Not applicable.

(4) The Series P Bonds shall mature and the principal thereof shall be due and payable together with all accrued and unpaid interest thereon on April 1, 2012. Principal and premium, if any, are payable on the Series P Bonds on such date or dates (subject to the terms of subsection 8(b) hereof), and in such amounts, as principal and premium, if any, are payable (whether at maturity, redemption or otherwise) on the Series 2004A Brazos River Bonds (as defined below). The obligation of the Company to make any payment of principal on the Series P Bonds shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Brazos River Trustee (as defined below) the Installment Payment (as defined below) in respect of the principal then due and payable on the Collateralized Revenue Refunding Bonds (CenterPoint Energy Houston Electric, LLC Project) Series 2004A (the "Series 2004A Brazos River Bonds") issued under that certain Trust Indenture dated as of March 1, 2004 (as amended and supplemented, the "Brazos River Indenture") between the Brazos River Authority (the "Issuer") and JPMorgan Chase Bank, a New York banking organization, as trustee (the "Brazos River Trustee").

(5) The Series P Bonds shall bear interest from the date on which the Series 2004A Brazos River Bonds commence to bear interest at such rate or rates per annum as shall cause the amount of interest payable on each Interest Payment Date (as defined below) on the Series P Bonds to equal the amount of interest payable on such Interest Payment Date in respect of the Series 2004A Brazos River Bonds under the Brazos River Indenture. Such interest on the Series P Bonds shall be payable on the same dates as interest is payable from time to time in respect of the Series 2004A Brazos River Bonds pursuant to the Brazos River Indenture (each such date herein called an "Interest Payment Date"), until the maturity of the Series P Bonds, or, in the case of any default by the Company in the payment of the principal due on the Series P Bonds, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture. The amount of interest payable from time to time in respect of the Series 2004A Brazos River Bonds under the Brazos River Indenture, the basis on which such interest is computed and the dates on which such interest is payable are set forth in the Brazos River Indenture. The obligation of the Company to make any payment of interest on the Series P Bonds shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Brazos River Trustee the Installment Payment (as defined below) in respect of the interest then due and payable on the Series 2004A Brazos River Bonds. The Regular Record Date and Special Record Date provisions of the Indenture shall not apply to the Series P Bonds.

(6) The Corporate Trust Office of the Trustee in Dallas, Texas shall be the place at which (i) the principal of, premium, if any, and interest on, the Series P Bonds shall be payable, and (ii) registration of transfer of the Series P Bonds may be effected; and the Corporate Trust Office of the Trustee in Houston, Texas shall be the place at which notices and demands to or upon the Company in respect of the Series P Bonds and the Indenture may be served; and the Trustee shall be the Security Registrar for the Series P Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such place or the Security Registrar; and provided, further, that the Company reserves the right to designate, by one or more Officer's Certificates, its principal office in Houston, Texas as any such place or itself as the Security Registrar; provided, however, that there shall be only a single Security Registrar for the Series P Bonds.

(7) Not applicable.

(8) The Series P bonds will not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Indenture, provided however that (a) in the event that the redemption of Series 2004A Brazos River Bonds is required under the Brazos River Indenture due to the occurrence of a Determination of Taxability, as such term is defined in subsection (d) of Section 8 of the Form of Series 2004A Brazos River Bonds set forth in Exhibit A to the Brazos River Indenture, the Company will redeem Series P Bonds equal in principal amount to the Series 2004A Brazos River Bonds to be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to such date fixed for redemption, and (b) upon receipt by the Trustee of a written demand from the Brazos River Trustee stating that the principal amount of all

Series 2004A Brazos River Bonds then outstanding under the Brazos River Indenture has been declared immediately due and payable, the Company, subject to the terms and provisions of the Series P Bonds, will redeem the Series P Bonds not more than 180 days after receipt by the Trustee of such written demand, the notice provisions of Article Five of the Indenture not being applicable under the foregoing circumstances.

(9) The Series P Bonds are issuable only in denominations of $33,470,000.

(10) Not applicable.

(11) Not applicable.

(12) Not applicable.

(13) Not applicable.

(14) Not applicable.

(15) Not applicable.

(16) Not applicable.

(17) The Series P Bonds shall be evidenced by a single registered Series P Bond in the principal amount and denomination of $33,470,000. The Series P Bonds shall be executed by the Company and delivered to the Trustee for authentication and delivery.

The single Series P Bond shall be identified by the number P-1 and shall upon issuance be delivered by the Company to, and registered in the name of, the Trustee, and shall be transferable only as required to effect an assignment thereof to a successor or an assign of the Trustee under the Indenture. The Series P Bonds are to be issued by the Company to the Brazos River Trustee in order that the Brazos River Trustee shall have the benefit as a holder of the Series P Bonds of the lien of the Indenture in the event of the non-payment by the Company of the Installment Payments (the "Installment Payments"), as defined in, and pursuant to the Installment Payment and Bond Amortization Agreement (the "Installment Payment Agreement"), dated as of March 1, 2004, by and between the Issuer and the Company entered into with respect to the Series 2004A Brazos River Bonds.

Series P Bonds issued upon transfer shall be numbered consecutively from P-2 upwards and issued in the authorized denominations set forth in subsection (9) above. See also subsection (19) below.

(18) Not applicable.

(19) The holder of the Series P Bonds by acceptance of the Series P Bonds agrees to restrictions on transfer and to waivers of certain rights of exchange as set forth herein. The Series P Bonds have not been registered under the Securities Act of 1933 and may not be offered, sold or otherwise transferred in the absence of such registration or an

applicable exemption therefrom. No service charge shall be made for the registration of transfer or exchange of the Series P Bonds.

(20) For purposes of the Series P Bonds, "Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, Houston, Texas, or the city in which the principal corporate trust office of the Indenture Trustee is located, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

(21) Not applicable.

(22) The Trustee may conclusively presume that the obligation of the Company to pay the principal of, premium, if any, and interest on the Series P Bonds shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Brazos River Trustee, signed by an authorized officer of the Brazos River Trustee and attested by the Secretary or an Assistant Secretary of the Brazos River Trustee, stating that the payment of principal of, premium, if any, or interest on the Series P Bonds has not been fully paid when due and specifying the amount of funds required to make such payment.

The obligation of the Company to make any payment of the principal of, premium, if any, or interest on the Series P Bonds, whether at maturity, upon redemption (including any redemption due to the occurrence of a Determination of Taxability, as such term is defined in subsection (d) of Section 8 of the Form of the Series 2004A Brazos River Bonds set forth in Exhibit A of the Brazos River Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal of, premium, if any, or interest on the Series 2004A Brazos River Bonds which corresponds to such amounts under the Series P Bonds shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of, premium, if any, or interest on the Series P Bonds at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of, premium, if any, or interest on the Series P Bonds exceeds the obligation of the Company at that time to make any Installment Payment.

In the event the Company is required under Section 6.05 of the Installment Payment Agreement to, and does, issue First Mortgage Securities to secure its obligations under the Installment Payment Agreement, as provided in Section 6.05 of the Installment Payment Agreement, the Company shall no longer be required to maintain outstanding, and the Brazos River Trustee shall surrender to the Trustee, the Series P Bonds in accordance with Section 5.03 of the Brazos River Indenture.

The Series P Bonds shall have such other terms and provisions as are provided in the form thereof attached hereto as Exhibit A, and shall be issued in substantially such form.

2. The undersigned has read all of the covenants and conditions contained in the Indenture, and the definitions in the Indenture relating thereto, relating to the issuance of the Series P Bonds and the execution of the Fifteenth Supplemental Indenture to the Indenture in respect of compliance with which this certificate is made.

3. The statements contained in this certificate are based upon the familiarity of the undersigned with the Indenture, the documents accompanying this certificate, and upon discussions by the undersigned with officers and employees of the Company familiar with the matters set forth herein.

4. In the opinion of the undersigned, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenants and conditions have been complied with.

In the opinion of the undersigned, such conditions and covenants have been complied with.

5. To the knowledge of the undersigned, no Event of Default has occurred and is continuing.

6. The execution of the Fifteenth Supplemental Indenture, dated as of the date hereof, between the Company and the Trustee is authorized or permitted by the Indenture.

7. First Mortgage Bonds, Pollution Control 6.70% Series due March 1, 2017, having an aggregate principal amount of $33,470,000 (collectively, the "First Mortgage Bonds"), have heretofore been authenticated and delivered. The First Mortgage Bonds have been returned to and cancelled by the trustee under the First Mortgage prior to the date hereof, constitute Retired Securities and are the basis for the authentication and delivery of the Series P Bonds. The maximum Stated Interest Rate on the First Mortgage Bonds at the time of their authentication and delivery was not less than the maximum Stated Interest Rate on the Series P Bonds to be in effect upon the initial authentication and delivery thereof.

IN WITNESS WHEREOF, the undersigned has executed this Officer's Certificate as of the date first above written.

By: /s/ Marc Kilbride

Name: Marc Kilbride
Title: Vice President and Treasurer

Acknowledged and Received on
March 31, 2004

JPMORGAN CHASE BANK,
as Trustee

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President

EXHIBIT A

FORM OF SERIES P BOND

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS AS SET FORTH BELOW. IN ADDITION, THE BOND REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND SUCH BOND MAY NOT BE TRANSFERRED WITHOUT COMPLIANCE WITH APPLICABLE SECURITIES LAWS.

THIS BOND IS NOT TRANSFERABLE EXCEPT, AS FURTHER PROVIDED HEREIN, TO A SUCCESSOR OR ASSIGN OF THE TRUSTEE UNDER THE TRUST INDENTURE REFERRED TO HEREIN BETWEEN THE ISSUER AND SUCH TRUSTEE.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
General Mortgage Bonds, Series P, due April 1, 2012

Original Interest Accrual Date:	March 31, 2004
Stated Maturity:	April 1, 2012
Interest Rate:	See below
Interest Payment Dates:	See below
Regular Record Dates:	N/A
Redeemable by Company:	Yes X No
Redemption Date:	See below
Redemption Price:	See below

This Security is not an Original Discount Security
within the meaning of the within-mentioned Indenture.

Principal Amount
$33,470,000 No. P-1

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a corporation duly organized and existing under the laws of the State of Texas (herein called the "Company," which term includes any successor under the Indenture referred to below), for value received, hereby promises to pay to JPMORGAN CHASE BANK, a New York banking organization, as Trustee under the Brazos River Indenture (as herein defined) or its registered assigns (the "Brazos River Trustee"), the principal sum of THIRTY-THREE MILLION FOUR HUNDRED SEVENTY THOUSAND DOLLARS, in whole or in installments on such date or dates (subject to the tenth paragraph hereof) and in such amounts, and to pay to the Brazos River Trustee premium, if any, in whole or in installments on such date or dates and in such amounts, as the Issuer (as defined herein) has any obligations under the Trust Indenture (as amended and supplemented, the "Brazos River Indenture"), dated as of March 1, 2004, between the Brazos River Authority (the "Issuer") and the Brazos River Trustee to repay any principal or to pay premium, if any, in respect of the Collateralized Revenue Refunding Bonds (CenterPoint Energy Houston Electric, LLC Project) Series 2004A issued under the Brazos River Indenture (hereinafter referred to as the "Series 2004A Brazos River Bonds"), but not later than the Stated Maturity specified above. The obligation of the Company to make any payment of principal or premium, if any, on this Bond, whether at maturity or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the

Company has paid or caused to be paid to the Brazos River Trustee the Installment Payment (as defined below) in respect of the principal or premium, if any, then due and payable on the Series 2004A Brazos River Bonds.

Interest shall be payable on this Bond on the same dates as interest is payable from time to time in respect of the Series 2004A Brazos River Bonds pursuant to the Brazos River Indenture (each such date herein called an "Interest Payment Date"), at such rate or rates per annum as shall cause the amount of interest payable on such Interest Payment Date on this Bond to equal the amount of interest payable on such Interest Payment Date in respect of the Series 2004A Brazos River Bonds under the Brazos River Indenture. Such interest shall be payable until the maturity of this Bond, or, if the Company shall default in the payment of the principal due on this Bond, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture. The amount of interest payable from time to time in respect of the Series 2004A Brazos River Bonds under the Brazos River Indenture, the basis on which such interest is computed and the dates on which such interest is payable are set forth in the Brazos River Indenture. This Bond shall bear interest from the Original Interest Accrual Date listed on the first page of this Bond. The obligation of the Company to make any payment of interest on this Bond shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Brazos River Trustee the Installment Payment (as defined below) in respect of the interest then due and payable on the Series 2004A Brazos River Bonds.

This Bond is issued to the Brazos River Trustee in order that the Brazos River Trustee shall have the benefit as a holder of this Bond of the lien of the Indenture (as defined below) in the event of the non-payment by the Company of the Installment Payments (the "Installment Payments"), as defined in and pursuant to the Installment Payment and Bond Amortization Agreement (as amended and supplemented, the "Installment Payment Agreement"), dated as of March 1, 2004, between the Issuer and the Company entered into with respect to the Series 2004A Brazos River Bonds. Any capitalized terms used herein and not defined herein shall have the meanings specified in the Indenture (as defined below), unless otherwise noted.

THIS BOND SHALL NOT BE TRANSFERABLE EXCEPT AS REQUIRED TO EFFECT AN ASSIGNMENT HEREOF TO A SUCCESSOR OR AN ASSIGN OF THE BRAZOS RIVER TRUSTEE UNDER THE BRAZOS RIVER INDENTURE.

The Brazos River Trustee shall surrender this Bond to the Trustee (as defined below) in accordance with Section 5.07(d) of the Installment Payment Agreement.

Payments of the principal of, premium, if any, and interest on this Bond shall be made at the Corporate Trust Administration of JPMorgan Chase Bank, as Trustee, located at 2001 Bryan Street, 9th Floor, Dallas, Texas 75201, or at such other office or agency as may be designated for such purpose by the Company from time to time. Payment of the principal of, premium, if any, and interest on this Bond, as aforesaid, shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under and equally secured by a General Mortgage Indenture, dated as of October 10, 2002 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Securities, being herein called the "Indenture"), between the Company and JPMorgan Chase Bank, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of the Securities thereunder and of the terms and conditions upon which the Securities are, and are to be, authenticated and delivered and secured. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture. This Bond is one of the series designated above.

The Bonds of this series will not be entitled to the benefit of any sinking fund or voluntary redemption provisions.

If an Event of Default, as defined in the Indenture, shall occur and be continuing, the principal of this Bond may be declared due and payable in the manner and with the effect provided in the Indenture.

This Bond will not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Indenture, provided however that (a) in the event of the required redemption of Series 2004A Brazos River Bonds due to the occurrence of a Determination of Taxability, as such term is defined in subsection (d) of Section 8 of the Form of Series 2004A Brazos River Bonds set forth in Exhibit A to the Brazos River Indenture, the Company will redeem Bonds equal in principal amount to the Series 2004A Brazos River Bonds to be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, and (b) upon receipt by the Trustee of a written demand from the Brazos River Trustee stating that the principal amount of

all Series 2004A Brazos River Bonds then outstanding under the Brazos River Indenture has been declared immediately due and payable, the Company, subject to the terms and provisions of the Bonds, will redeem the Bonds not more than 180 days after receipt by the Trustee of such written demand.

The Indenture permits, with certain exceptions as therein provided, the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under the Indenture, considered as one class; PROVIDED, HOWEVER, that if there shall be Securities of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and PROVIDED, FURTHER, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and PROVIDED, FURTHER, that the Indenture permits the Trustee to enter into one or more supplemental indentures for limited purposes without the consent of any Holders of Securities. The Indenture also contains provisions permitting the Holders of a majority in principal amount of the Securities then Outstanding, on behalf of the Holders of all Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Security issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture and subject to certain limitations therein and herein set forth, the transfer of this Bond is registrable in the Security Register, upon surrender of this Bond for registration of transfer at the Corporate Trust Office of JPMorgan Chase Bank in Houston, Texas or such other office or agency as may be designated by the Company from time to time, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Bonds of this series of authorized denominations and of like tenor and aggregate principal amount, will be issued to the designated transferee or transferees.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the person in whose name this Bond shall be registered upon the Security Register for the Bonds of this series as the absolute owner of such Bond for the purpose of receiving payment of or on account of the principal of and interest on this Bond and for all other purposes, whether or not this Bond be overdue, and neither the Company nor the Trustee shall be affected by any notice to the contrary; and all such payments so made to such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums paid.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of, premium, if any, and interest on this Bond shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Brazos River Trustee, signed by an authorized officer of the Brazos River Trustee and attested by the Secretary or an Assistant Secretary of the Brazos River Trustee, stating that the payment of principal of, premium, if any, or interest on this Bond has not been fully paid when due and specifying the amount of funds required to make such payment.

The obligation of the Company to make any payment of the principal of, premium, if any, or interest on this Bond, whether at maturity, upon redemption (including any redemption due to the occurrence of a Determination of Taxability, as such term is defined in subsection (d) of Section 8 of the Form of the Series 2004A Brazos River Bonds set forth in Exhibit A of the Brazos River Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal, premium, if any, or interest on the Series 2004A Brazos River Bonds which corresponds to such amounts under this Bond shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of, premium,

if any, or interest on this Bond at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of, premium, if any, or interest on this Bond exceeds the obligation of the Company at that time to make any Installment Payment.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any Bond or coupon thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, member, manager, stockholder, officer, director or employee, as such, past, present or future, of the Company or any predecessor or successor corporation or company, either directly or through the Company or any predecessor or successor corporation or company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and the obligations thereby secured, are solely corporate obligations of the Company, and that no personal liability whatsoever shall attach to, or be incurred by, such incorporators, members, managers, stockholders, officers, directors or employees, as such, of the Company or of any predecessor or successor corporation or company, or any of them, because of the creation of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the Bonds or coupons thereby secured, or implied therefrom.

The holder of this Bond by acceptance of this Bond agrees to restrictions on transfer and to waivers of certain rights of exchange as set forth herein. THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. No service charge shall be made for the registration of transfer or exchange of this Bond.

This Bond shall be governed by and construed in accordance with the law of the State of New York except as provided in the Indenture.

Unless the certificate of authentication hereon has been executed by the Trustee or an Authenticating Agent by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: ----------
Name: ----------
Title: ----------

Attest:

- ----------
Name: ----------
Title: ----------

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication: March 31, 2004

JPMORGAN CHASE BANK,
Trustee

By: ----------
Authorized Signatory

EXHIBIT 4(e)(22)

CenterPoint Energy Houston Electric, LLC
1111 Louisiana
Houston, TX 77002

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

TO

JPMORGAN CHASE BANK
Trustee

SIXTEENTH SUPPLEMENTAL INDENTURE

Dated as of March 31, 2004

Supplementing the General Mortgage Indenture
Dated as of October 10, 2002

THIS INSTRUMENT GRANTS A SECURITY INTEREST BY A PUBLIC UTILITY

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS

This instrument is being filed pursuant to Chapter 35
of the Texas Business and Commerce Code

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SIXTEENTH SUPPLEMENTAL INDENTURE, dated as of March 31, 2004, between CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a limited liability company organized and existing under the laws of the State of Texas (herein called the "Company"), having its principal office at 1111 Louisiana, Houston, Texas 77002, and JPMORGAN CHASE BANK, a banking corporation duly organized and existing under the laws of the State of New York, as Trustee (herein called the "Trustee"), the office of the Trustee at which on the date hereof its corporate trust business is administered being 600 Travis Street, Suite 1150, Houston, Texas 77002.

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore executed and delivered to the Trustee a General Mortgage Indenture dated as of October 10, 2002 (the "Indenture") providing for the issuance by the Company from time to time of its bonds, notes or other evidence of indebtedness to be issued in one or more series (in the Indenture and herein called the "Securities") and to provide security for the payment of the principal of and premium, if any, and interest, if any, on the Securities; and

WHEREAS, the Company, in the exercise of the power and authority conferred upon and reserved to it under the provisions of the Indenture and pursuant to appropriate resolutions of the Manager, has duly determined to make, execute and deliver to the Trustee this Sixteenth Supplemental Indenture to the Indenture as permitted by Sections 201, 301, 403(2) and 1401 of the Indenture in order to establish the form or terms of, and to provide for the creation and issuance of, a seventeenth series of Securities under the Indenture in an aggregate principal amount of $83,565,000 (such seventeenth series being hereinafter referred to as the "Seventeenth Series"); and

WHEREAS, all things necessary to make the Securities of the Seventeenth Series, when executed by the Company and authenticated and delivered by the Trustee or any Authenticating Agent and issued upon the terms and subject to the conditions hereinafter and in the Indenture set forth against payment therefor the valid, binding and legal obligations of the Company and to make this Sixteenth Supplemental Indenture a valid, binding and legal agreement of the Company, have been done;

NOW, THEREFORE, THIS SIXTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that, in order to establish the terms of a series of Securities, and for and in consideration of the premises and of the covenants contained in the Indenture and in this Sixteenth Supplemental Indenture and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, it is mutually covenanted and agreed as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. Definitions. Each capitalized term that is used herein and is defined in the Indenture shall have the meaning specified in the Indenture unless such term is otherwise defined herein.

ARTICLE TWO

TITLE, FORM AND TERMS OF THE BONDS

Section 201. Title of the Bonds. This Sixteenth Supplemental Indenture hereby creates a series of Securities designated as the "General Mortgage Bonds, Series Q, due December 1, 2017" of the Company (collectively referred to herein as the "Bonds"). For purposes of the Indenture, the Bonds shall constitute a single series of Securities and, subject to the provisions, including, but not limited to Article Four of the Indenture, the Bonds shall be issued in an aggregate principal amount of $83,565,000.

Section 202. Form and Terms of the Bonds. The form and terms of the Bonds will be set forth in an Officer's Certificate delivered by the Company to the Trustee pursuant to the authority granted by this Sixteenth Supplemental Indenture in accordance with Sections 201 and 301 of the Indenture.

Section 203. Treatment of Proceeds of Title Insurance Policy. Any moneys received by the Trustee as proceeds of any title insurance policy on Mortgaged Property of the Company shall be subject to and treated in accordance with the provisions of Section 607(2) of the Indenture (other than the last paragraph thereof).

ARTICLE THREE

MISCELLANEOUS PROVISIONS

The Trustee makes no undertaking or representations in respect of, and shall not be responsible in any manner whatsoever for and in respect of, the validity or sufficiency of this Sixteenth Supplemental Indenture or the proper authorization or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as expressly amended and supplemented hereby, the Indenture shall continue in full force and effect in accordance with the provisions thereof and the Indenture is in all respects hereby ratified and confirmed. This Sixteenth Supplemental Indenture and all of its provisions shall be deemed a part of the Indenture in the manner and to the extent herein and therein provided.

This Sixteenth Supplemental Indenture shall be governed by, and construed in accordance with, the law of the State of New York.

This Sixteenth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Sixteenth Supplemental Indenture to be duly executed as of the day and year first above written.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: /s/ Marc Kilbride

Name: Marc Kilbride
Title: Vice President and Treasurer

JPMORGAN CHASE BANK, as Trustee

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

On the 29th day of March, 2004, before me personally came Marc Kilbride, to me known, who, being by me duly sworn, did depose and say that he resides in Houston, Texas; that he is the Vice President and Treasurer of CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, the limited liability company described in and which executed the foregoing instrument; and that he signed his name thereto by authority of the sole manager of said limited liability company.

/s/ Lena Arleen Williams

Notary Public

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

On the 29th day of March, 2004, before me personally came Carol Logan, to me known, who, being by me duly sworn, did depose and say that she resides in Houston, Texas; that she is Vice President of JPMorgan Chase Bank, a banking corporation organized under the State of New York, the corporation described in and which executed the foregoing instrument; and that she signed her name thereto by authority of the board of directors of said corporation.

/s/ Jeanette C. Dunn

Notary Public

EXHIBIT 4(e)(23)

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

OFFICER'S CERTIFICATE

March 31, 2004

I, the undersigned officer of CenterPoint Energy Houston Electric, LLC, a Texas limited liability company (the "Company"), do hereby certify that I am an Authorized Officer of the Company as such term is defined in the Indenture (as defined herein). I am delivering this certificate pursuant to the authority granted in the Resolutions adopted by written consent of the Manager of the Company dated March 29, 2004, and Sections 105, 201, 301, 401(1), 401(5), 403(2)(A), 403(2)(B) and 1403 of the General Mortgage Indenture dated as of October 10, 2002, as heretofore supplemented to the date hereof (as heretofore supplemented, the "Indenture"), between the Company and JPMorgan Chase Bank, as Trustee (the "Trustee"). Terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Indenture unless the context clearly requires otherwise. Based upon the foregoing, I hereby certify on behalf of the Company as follows:

1. The terms and conditions of the Securities of the series described in this Officer's Certificate are as follows (the numbered subdivisions set forth in this Paragraph 1 corresponding to the numbered subdivisions of Section 301 of the Indenture):

(1) The Securities of the seventeenth series to be issued under the Indenture shall be designated "General Mortgage Bonds, Series Q, due December 1, 2017" (the "Series Q Bonds").

(2) The Series Q Bonds shall be authenticated and delivered in the aggregate principal amount of $83,565,000.

(3) Not applicable.

(4) The Series Q Bonds shall mature and the principal thereof shall be due and payable together with all accrued and unpaid interest thereon on December 1, 2017. Principal and premium, if any, are payable on the Series Q Bonds on such date or dates (subject to the terms of subsection 8(b) hereof), and in such amounts, as principal and premium, if any, are payable (whether at maturity, redemption or otherwise) on the Series 2004B Brazos River Bonds (as defined below). The obligation of the Company to make any payment of principal on the Series Q Bonds shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Brazos River Trustee (as defined below) the Installment Payment (as defined below) in respect of the principal then due and payable on the Collateralized Revenue Refunding Bonds (CenterPoint Energy Houston Electric, LLC Project) Series 2004B (the "Series 2004B Brazos River Bonds") issued under that certain Trust Indenture dated as of March 1, 2004 (as amended and supplemented, the "Brazos River Indenture") between the Brazos River Authority (the "Issuer") and JPMorgan Chase Bank, a New York banking organization, as trustee (the "Brazos River Trustee").

(5) The Series Q Bonds shall bear interest from the date on which the Series 2004B Brazos River Bonds commence to bear interest at such rate or rates per annum as shall cause the amount of interest payable on each Interest Payment Date (as defined below) on the Series Q Bonds to equal the amount of interest payable on such Interest Payment Date in respect of the Series 2004B Brazos River Bonds under the Brazos River Indenture. Such interest on the Series Q Bonds shall be payable on the same dates as interest is payable from time to time in respect of the Series 2004B Brazos River Bonds pursuant to the Brazos River Indenture (each such date herein called an "Interest Payment Date"), until the maturity of the Series Q Bonds, or, in the case of any default by the Company in the payment of the principal due on the Series Q Bonds, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture. The amount of interest payable from time to time in respect of the Series 2004B Brazos River Bonds under the Brazos River Indenture, the basis on which such interest is computed and the dates on which such interest is payable are set forth in the Brazos River Indenture. The obligation of the Company to make any payment of interest on the Series Q Bonds shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Brazos River Trustee the Installment Payment (as defined below) in respect of the interest then due and payable on the Series 2004B Brazos River Bonds. The Regular Record Date and Special Record Date provisions of the Indenture shall not apply to the Series Q Bonds.

(6) The Corporate Trust Office of the Trustee in Dallas, Texas shall be the place at which (i) the principal of, premium, if any, and interest on, the Series Q Bonds shall be payable, and (ii) registration of transfer of the Series Q Bonds may be effected; and the Corporate Trust Office of the Trustee in Houston, Texas shall be the place at which notices and demands to or upon the Company in respect of the Series Q Bonds and the Indenture may be served; and the Trustee shall be the Security Registrar for the Series Q Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such place or the Security Registrar; and provided, further, that the Company reserves the right to designate, by one or more Officer's Certificates, its principal office in Houston, Texas as any such place or itself as the Security Registrar; provided, however, that there shall be only a single Security Registrar for the Series Q Bonds.

(7) Not applicable.

(8) The Series Q bonds will not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Indenture, provided however that (a) in the event that the redemption of Series 2004B Brazos River Bonds is required under the Brazos River Indenture due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of Series 2004B Brazos River Bonds set forth in Exhibit A to the Brazos River Indenture, the Company will redeem Series Q Bonds equal in principal amount to the Series 2004B Brazos River Bonds to be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to such date fixed for redemption, and (b) upon receipt by the Trustee of a written demand from the Brazos River Trustee stating that the principal amount of all

Series 2004B Brazos River Bonds then outstanding under the Brazos River Indenture has been declared immediately due and payable, the Company, subject to the terms and provisions of the Series Q Bonds, will redeem the Series Q Bonds not more than 180 days after receipt by the Trustee of such written demand, the notice provisions of Article Five of the Indenture not being applicable under the foregoing circumstances.

(9) The Series Q Bonds are issuable only in denominations of $83,565,000.

(10) Not applicable.

(11) Not applicable.

(12) Not applicable.

(13) Not applicable.

(14) Not applicable.

(15) Not applicable.

(16) Not applicable.

(17) The Series Q Bonds shall be evidenced by a single registered Series Q Bond in the principal amount and denomination of $83,565,000. The Series Q Bonds shall be executed by the Company and delivered to the Trustee for authentication and delivery.

The single Series Q Bond shall be identified by the number Q-1 and shall upon issuance be delivered by the Company to, and registered in the name of, the Trustee, and shall be transferable only as required to effect an assignment thereof to a successor or an assign of the Trustee under the Indenture. The Series Q Bonds are to be issued by the Company to the Brazos River Trustee in order that the Brazos River Trustee shall have the benefit as a holder of the Series Q Bonds of the lien of the Indenture in the event of the non-payment by the Company of the Installment Payments (the "Installment Payments"), as defined in, and pursuant to the Installment Payment and Bond Amortization Agreement (the "Installment Payment Agreement"), dated as of March 1, 2004, by and between the Issuer and the Company entered into with respect to the Series 2004B Brazos River Bonds.

Series Q Bonds issued upon transfer shall be numbered consecutively from Q-2 upwards and issued in the authorized denominations set forth in subsection (9) above. See also subsection (19) below.

(18) Not applicable.

(19) The holder of the Series Q Bonds by acceptance of the Series Q Bonds agrees to restrictions on transfer and to waivers of certain rights of exchange as set forth herein. The Series Q Bonds have not been registered under the Securities Act of 1933 and may not be offered, sold or otherwise transferred in the absence of such registration or an

applicable exemption therefrom. No service charge shall be made for the registration of transfer or exchange of the Series Q Bonds.

(20) For purposes of the Series Q Bonds, "Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, Houston, Texas, or the city in which the principal corporate trust office of the Indenture Trustee is located, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

(21) Not applicable.

(22) The Trustee may conclusively presume that the obligation of the Company to pay the principal of, premium, if any, and interest on the Series Q Bonds shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Brazos River Trustee, signed by an authorized officer of the Brazos River Trustee and attested by the Secretary or an Assistant Secretary of the Brazos River Trustee, stating that the payment of principal of, premium, if any, or interest on the Series Q Bonds has not been fully paid when due and specifying the amount of funds required to make such payment.

The obligation of the Company to make any payment of the principal of, premium, if any, or interest on the Series Q Bonds, whether at maturity, upon redemption (including any redemption due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of the Series 2004B Brazos River Bonds set forth in Exhibit A of the Brazos River Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal of, premium, if any, or interest on the Series 2004B Brazos River Bonds which corresponds to such amounts under the Series Q Bonds shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of, premium, if any, or interest on the Series Q Bonds at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of, premium, if any, or interest on the Series Q Bonds exceeds the obligation of the Company at that time to make any Installment Payment.

In the event the Company is required under Section 6.05 of the Installment Payment Agreement to, and does, issue First Mortgage Securities to secure its obligations under the Installment Payment Agreement, as provided in Section 6.05 of the Installment Payment Agreement, the Company shall no longer be required to maintain outstanding, and the Brazos River Trustee shall surrender to the Trustee, the Series Q Bonds in accordance with Section 5.03 of the Brazos River Indenture.

The Series Q Bonds shall have such other terms and provisions as are provided in the form thereof attached hereto as Exhibit A, and shall be issued in substantially such form.

2. The undersigned has read all of the covenants and conditions contained in the Indenture, and the definitions in the Indenture relating thereto, relating to the issuance of the Series Q Bonds and the execution of the Sixteenth Supplemental Indenture to the Indenture in respect of compliance with which this certificate is made.

3. The statements contained in this certificate are based upon the familiarity of the undersigned with the Indenture, the documents accompanying this certificate, and upon discussions by the undersigned with officers and employees of the Company familiar with the matters set forth herein.

4. In the opinion of the undersigned, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenants and conditions have been complied with.

In the opinion of the undersigned, such conditions and covenants have been complied with.

5. To the knowledge of the undersigned, no Event of Default has occurred and is continuing.

6. The execution of the Sixteenth Supplemental Indenture, dated as of the date hereof, between the Company and the Trustee is authorized or permitted by the Indenture.

7. First Mortgage Bonds, Pollution Control 6.70% Series due March 1, 2017 having an aggregate principal amount of $10,350,000, First Mortgage Bonds, Pollution Control 6.70% Series due March 1, 2027 having an aggregate principal amount of $56,095,000, and First Mortgage Bonds, 7.75% Series due March 15, 2023 having an aggregate principal amount of $17,120,000, and collectively having an aggregate principal amount of $83,565,000 (collectively, the "First Mortgage Bonds"), have heretofore been authenticated and delivered. The First Mortgage Bonds have been returned to and cancelled by the trustee under the First Mortgage prior to the date hereof, constitute Retired Securities and are the basis for the authentication and delivery of the Series Q Bonds. The maximum Stated Interest Rate on the First Mortgage Bonds of each series included in the First Mortgage Bonds (as herein defined) at the time of their authentication and delivery was not less than the maximum Stated Interest Rate on the Series Q Bonds to be in effect upon the initial authentication and delivery thereof.

IN WITNESS WHEREOF, the undersigned has executed this Officer's Certificate as of the date first above written.

By: /s/ Marc Kilbride

Name: Marc Kilbride
Title: Vice President and Treasurer

Acknowledged and Received on
March 31, 2004

JPMORGAN CHASE BANK,
as Trustee

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President

EXHIBIT A

FORM OF SERIES Q BOND

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS AS SET FORTH BELOW. IN ADDITION, THE BOND REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND SUCH BOND MAY NOT BE TRANSFERRED WITHOUT COMPLIANCE WITH APPLICABLE SECURITIES LAWS.

THIS BOND IS NOT TRANSFERABLE EXCEPT, AS FURTHER PROVIDED HEREIN, TO A SUCCESSOR OR ASSIGN OF THE TRUSTEE UNDER THE TRUST INDENTURE REFERRED TO HEREIN BETWEEN THE ISSUER AND SUCH TRUSTEE.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
General Mortgage Bonds, Series Q, due December 1, 2017

Original Interest Accrual Date:	March 31, 2004
Stated Maturity:	December 1, 2017
Interest Rate:	See below
Interest Payment Dates:	See below
Regular Record Dates:	N/A
Redeemable by Company:	Yes X No
Redemption Date:	See below
Redemption Price:	See below

This Security is not an Original Discount Security within the meaning of the within-mentioned Indenture.

Principal Amount
$83,565,000 No. Q-1

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a corporation duly organized and existing under the laws of the State of Texas (herein called the "Company," which term includes any successor under the Indenture referred to below), for value received, hereby promises to pay to JPMORGAN CHASE BANK, a New York banking organization, as Trustee under the Brazos River Indenture (as herein defined) or its registered assigns (the "Brazos River Trustee"), the principal sum of EIGHTY-THREE MILLION FIVE HUNDRED SIXTY-FIVE THOUSAND DOLLARS, in whole or in installments on such date or dates (subject to the tenth paragraph hereof) and in such amounts, and to pay to the Brazos River Trustee premium, if any, in whole or in installments on such date or dates and in such amounts, as the Issuer (as defined herein) has any obligations under the Trust Indenture (as amended and supplemented, the "Brazos River Indenture"), dated as of March 1, 2004, between the Brazos River Authority (the "Issuer") and the Brazos River Trustee to repay any principal or to pay premium, if any, in respect of the Collateralized Revenue Refunding Bonds (CenterPoint Energy Houston Electric, LLC Project) Series 2004B issued under the Brazos River Indenture (hereinafter referred to as the "Series 2004B Brazos River Bonds"), but not later than the Stated Maturity specified above. The obligation of the Company to make any payment of principal or premium, if any, on this Bond, whether at maturity or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the

Company has paid or caused to be paid to the Brazos River Trustee the Installment Payment (as defined below) in respect of the principal or premium, if any, then due and payable on the Series 2004B Brazos River Bonds.

Interest shall be payable on this Bond on the same dates as interest is payable from time to time in respect of the Series 2004B Brazos River Bonds pursuant to the Brazos River Indenture (each such date herein called an "Interest Payment Date"), at such rate or rates per annum as shall cause the amount of interest payable on such Interest Payment Date on this Bond to equal the amount of interest payable on such Interest Payment Date in respect of the Series 2004B Brazos River Bonds under the Brazos River Indenture. Such interest shall be payable until the maturity of this Bond, or, if the Company shall default in the payment of the principal due on this Bond, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture. The amount of interest payable from time to time in respect of the Series 2004B Brazos River Bonds under the Brazos River Indenture, the basis on which such interest is computed and the dates on which such interest is payable are set forth in the Brazos River Indenture. This Bond shall bear interest from the Original Interest Accrual Date listed on the first page of this Bond. The obligation of the Company to make any payment of interest on this Bond shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Brazos River Trustee the Installment Payment (as defined below) in respect of the interest then due and payable on the Series 2004B Brazos River Bonds.

This Bond is issued to the Brazos River Trustee in order that the Brazos River Trustee shall have the benefit as a holder of this Bond of the lien of the Indenture (as defined below) in the event of the non-payment by the Company of the Installment Payments (the "Installment Payments"), as defined in and pursuant to the Installment Payment and Bond Amortization Agreement (as amended and supplemented, the "Installment Payment Agreement"), dated as of March 1, 2004, between the Issuer and the Company entered into with respect to the Series 2004B Brazos River Bonds. Any capitalized terms used herein and not defined herein shall have the meanings specified in the Indenture (as defined below), unless otherwise noted.

THIS BOND SHALL NOT BE TRANSFERABLE EXCEPT AS REQUIRED TO EFFECT AN ASSIGNMENT HEREOF TO A SUCCESSOR OR AN ASSIGN OF THE BRAZOS RIVER TRUSTEE UNDER THE BRAZOS RIVER INDENTURE.

The Brazos River Trustee shall surrender this Bond to the Trustee (as defined below) in accordance with Section 5.07(d) of the Installment Payment Agreement.

Payments of the principal of, premium, if any, and interest on this Bond shall be made at the Corporate Trust Administration of JPMorgan Chase Bank, as Trustee, located at 2001 Bryan Street, 9th Floor, Dallas, Texas 75201, or at such other office or agency as may be designated for such purpose by the Company from time to time. Payment of the principal of, premium, if any, and interest on this Bond, as aforesaid, shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under and equally secured by a General Mortgage Indenture, dated as of October 10, 2002 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Securities, being herein called the "Indenture"), between the Company and JPMorgan Chase Bank, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of the Securities thereunder and of the terms and conditions upon which the Securities are, and are to be, authenticated and delivered and secured. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture. This Bond is one of the series designated above.

The Bonds of this series will not be entitled to the benefit of any sinking fund or voluntary redemption provisions.

If an Event of Default, as defined in the Indenture, shall occur and be continuing, the principal of this Bond may be declared due and payable in the manner and with the effect provided in the Indenture.

This Bond will not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Indenture, provided however that (a) in the event of the required redemption of Series 2004B Brazos River Bonds due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of Series 2004B Brazos River Bonds set forth in Exhibit A to the Brazos River Indenture, the Company will redeem Bonds equal in principal amount to the Series 2004B Brazos River Bonds to be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, and (b) upon receipt by the Trustee of a written demand from the Brazos River Trustee stating that the principal amount of

all Series 2004B Brazos River Bonds then outstanding under the Brazos River Indenture has been declared immediately due and payable, the Company, subject to the terms and provisions of the Bonds, will redeem the Bonds not more than 180 days after receipt by the Trustee of such written demand.

The Indenture permits, with certain exceptions as therein provided, the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under the Indenture, considered as one class; PROVIDED, HOWEVER, that if there shall be Securities of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and PROVIDED, FURTHER, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and PROVIDED, FURTHER, that the Indenture permits the Trustee to enter into one or more supplemental indentures for limited purposes without the consent of any Holders of Securities. The Indenture also contains provisions permitting the Holders of a majority in principal amount of the Securities then Outstanding, on behalf of the Holders of all Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Security issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture and subject to certain limitations therein and herein set forth, the transfer of this Bond is registrable in the Security Register, upon surrender of this Bond for registration of transfer at the Corporate Trust Office of JPMorgan Chase Bank in Houston, Texas or such other office or agency as may be designated by the Company from time to time, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Bonds of this series of authorized denominations and of like tenor and aggregate principal amount, will be issued to the designated transferee or transferees.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the person in whose name this Bond shall be registered upon the Security Register for the Bonds of this series as the absolute owner of such Bond for the purpose of receiving payment of or on account of the principal of and interest on this Bond and for all other purposes, whether or not this Bond be overdue, and neither the Company nor the Trustee shall be affected by any notice to the contrary; and all such payments so made to such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums paid.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of, premium, if any, and interest on this Bond shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Brazos River Trustee, signed by an authorized officer of the Brazos River Trustee and attested by the Secretary or an Assistant Secretary of the Brazos River Trustee, stating that the payment of principal of, premium, if any, or interest on this Bond has not been fully paid when due and specifying the amount of funds required to make such payment.

The obligation of the Company to make any payment of the principal of, premium, if any, or interest on this Bond, whether at maturity, upon redemption (including any redemption due to the occurrence of a Determination of Taxability, as such term is defined in subsection (e) of Section 8 of the Form of the Series 2004B Brazos River Bonds set forth in Exhibit A of the Brazos River Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal, premium, if any, or interest on the Series 2004B Brazos River Bonds which corresponds to such amounts under this Bond shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of, premium,

if any, or interest on this Bond at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of, premium, if any, or interest on this Bond exceeds the obligation of the Company at that time to make any Installment Payment.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any Bond or coupon thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, member, manager, stockholder, officer, director or employee, as such, past, present or future, of the Company or any predecessor or successor corporation or company, either directly or through the Company or any predecessor or successor corporation or company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and the obligations thereby secured, are solely corporate obligations of the Company, and that no personal liability whatsoever shall attach to, or be incurred by, such incorporators, members, managers, stockholders, officers, directors or employees, as such, of the Company or of any predecessor or successor corporation or company, or any of them, because of the creation of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the Bonds or coupons thereby secured, or implied therefrom.

The holder of this Bond by acceptance of this Bond agrees to restrictions on transfer and to waivers of certain rights of exchange as set forth herein. THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. No service charge shall be made for the registration of transfer or exchange of this Bond.

This Bond shall be governed by and construed in accordance with the law of the State of New York except as provided in the Indenture.

Unless the certificate of authentication hereon has been executed by the Trustee or an Authenticating Agent by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: ----------

Name: ----------

Title: ----------

Attest:

- ----------

Name: ----------

Title: ----------

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication: March 31, 2004

JPMORGAN CHASE BANK,
Trustee

By: ----------

Authorized Signatory

EXHIBIT 4(e)(24)

CenterPoint Energy Houston Electric, LLC
1111 Louisiana
Houston, TX 77002

==========

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

TO

JPMORGAN CHASE BANK
Trustee

SEVENTEENTH SUPPLEMENTAL INDENTURE

Dated as of March 31, 2004

Supplementing the General Mortgage Indenture
Dated as of October 10, 2002

THIS INSTRUMENT GRANTS A SECURITY INTEREST BY A PUBLIC UTILITY

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS

This instrument is being filed pursuant to Chapter 35 of the Texas Business and Commerce Code

==========

SEVENTEENTH SUPPLEMENTAL INDENTURE, dated as of March 31, 2004, between CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a limited liability company organized and existing under the laws of the State of Texas (herein called the "Company"), having its principal office at 1111 Louisiana, Houston, Texas 77002, and JPMORGAN CHASE BANK, a banking corporation duly organized and existing under the laws of the State of New York, as Trustee (herein called the "Trustee"), the office of the Trustee at which on the date hereof its corporate trust business is administered being 600 Travis Street, Suite 1150, Houston, Texas 77002.

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore executed and delivered to the Trustee a General Mortgage Indenture dated as of October 10, 2002 (the "Indenture") providing for the issuance by the Company from time to time of its bonds, notes or other evidence of indebtedness to be issued in one or more series (in the Indenture and herein called the "Securities") and to provide security for the payment of the principal of and premium, if any, and interest, if any, on the Securities; and

WHEREAS, the Company, in the exercise of the power and authority conferred upon and reserved to it under the provisions of the Indenture and pursuant to appropriate resolutions of the Manager, has duly determined to make, execute and deliver to the Trustee this Seventeenth Supplemental Indenture to the Indenture as permitted by Sections 201, 301, 403(2) and 1401 of the Indenture in order to establish the form or terms of, and to provide for the creation and issuance of, a eighteenth series of Securities under the Indenture in an aggregate principal amount of $12,100,000 (such eighteenth series being hereinafter referred to as the "Eighteenth Series"); and

WHEREAS, all things necessary to make the Securities of the Eighteenth Series, when executed by the Company and authenticated and delivered by the Trustee or any Authenticating Agent and issued upon the terms and subject to the conditions hereinafter and in the Indenture set forth against payment therefor the valid, binding and legal obligations of the Company and to make this Seventeenth Supplemental Indenture a valid, binding and legal agreement of the Company, have been done;

NOW, THEREFORE, THIS SEVENTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that, in order to establish the terms of a series of Securities, and for and in consideration of the premises and of the covenants contained in the Indenture and in this Seventeenth Supplemental Indenture and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, it is mutually covenanted and agreed as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. Definitions. Each capitalized term that is used herein and is defined in the Indenture shall have the meaning specified in the Indenture unless such term is otherwise defined herein.

ARTICLE TWO

TITLE, FORM AND TERMS OF THE BONDS

Section 201. Title of the Bonds. This Seventeenth Supplemental Indenture hereby creates a series of Securities designated as the "General Mortgage Bonds, Series R, due April 1, 2012" of the Company (collectively referred to herein as the "Bonds"). For purposes of the Indenture, the Bonds shall constitute a single series of Securities and, subject to the provisions, including, but not limited to Article Four of the Indenture, the Bonds shall be issued in an aggregate principal amount of $12,100,000.

Section 202. Form and Terms of the Bonds. The form and terms of the Bonds will be set forth in an Officer's Certificate delivered by the Company to the Trustee pursuant to the authority granted by this Seventeenth Supplemental Indenture in accordance with Sections 201 and 301 of the Indenture.

Section 203. Treatment of Proceeds of Title Insurance Policy. Any moneys received by the Trustee as proceeds of any title insurance policy on Mortgaged Property of the Company shall be subject to and treated in accordance with the provisions of Section 607(2) of the Indenture (other than the last paragraph thereof).

ARTICLE THREE

MISCELLANEOUS PROVISIONS

The Trustee makes no undertaking or representations in respect of, and shall not be responsible in any manner whatsoever for and in respect of, the validity or sufficiency of this Seventeenth Supplemental Indenture or the proper authorization or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as expressly amended and supplemented hereby, the Indenture shall continue in full force and effect in accordance with the provisions thereof and the Indenture is in all respects hereby ratified and confirmed. This Seventeenth Supplemental Indenture and all of its provisions shall be deemed a part of the Indenture in the manner and to the extent herein and therein provided.

This Seventeenth Supplemental Indenture shall be governed by, and construed in accordance with, the law of the State of New York.

This Seventeenth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Seventeenth Supplemental Indenture to be duly executed as of the day and year first above written.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: /s/ Marc Kilbride

Name: Marc Kilbride
Title: Vice President and Treasurer

JPMORGAN CHASE BANK, as Trustee

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

On the 29th day of March, 2004, before me personally came Marc Kilbride, to me known, who, being by me duly sworn, did depose and say that he resides in Houston, Texas; that he is the Vice President and Treasurer of CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, the limited liability company described in and which executed the foregoing instrument; and that he signed his name thereto by authority of the sole manager of said limited liability company.

/s/ Lena Arleen Williams

Notary Public

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

On the 29th day of March, 2004, before me personally came Carol Logan, to me known, who, being by me duly sworn, did depose and say that she resides in Houston, Texas; that she is Vice President of JPMorgan Chase Bank, a banking corporation organized under the State of New York, the corporation described in and which executed the foregoing instrument; and that she signed her name thereto by authority of the board of directors of said corporation.

/s/ Jeanette C. Dunn

Notary Public

EXHIBIT 4(e)(25)

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

OFFICER'S CERTIFICATE

March 31, 2004

I, the undersigned officer of CenterPoint Energy Houston Electric, LLC, a Texas limited liability company (the "Company"), do hereby certify that I am an Authorized Officer of the Company as such term is defined in the Indenture (as defined herein). I am delivering this certificate pursuant to the authority granted in the Resolutions adopted by written consent of the Manager of the Company dated March 29, 2004, and Sections 105, 201, 301, 401(1), 401(5), 403(2)(A), 403(2)(B) and 1403 of the General Mortgage Indenture dated as of October 10, 2002, as heretofore supplemented to the date hereof (as heretofore supplemented, the "Indenture"), between the Company and JPMorgan Chase Bank, as Trustee (the "Trustee"). Terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Indenture unless the context clearly requires otherwise. Based upon the foregoing, I hereby certify on behalf of the Company as follows:

1. The terms and conditions of the Securities of the series described in this Officer's Certificate are as follows (the numbered subdivisions set forth in this Paragraph 1 corresponding to the numbered subdivisions of Section 301 of the Indenture):

(1) The Securities of the eighteenth series to be issued under the Indenture shall be designated "General Mortgage Bonds, Series R, due April 1, 2012" (the "Series R Bonds").

(2) The Series R Bonds shall be authenticated and delivered in the aggregate principal amount of $12,100,000.

(3) Not applicable.

(4) The Series R Bonds shall mature and the principal thereof shall be due and payable together with all accrued and unpaid interest thereon on April 1, 2012. Principal and premium, if any, are payable on the Series R Bonds on such date or dates (subject to the terms of subsection 8(b) hereof), and in such amounts, as principal and premium, if any, are payable (whether at maturity, redemption or otherwise) on the Series 2004 Gulf Coast Bonds (as defined below). The obligation of the Company to make any payment of principal on the Series R Bonds shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Gulf Coast Trustee (as defined below) the Installment Payment (as defined below) in respect of the principal then due and payable on the Collateralized Revenue Refunding Bonds (CenterPoint Energy Houston Electric, LLC Project) Series 2004 (the "Series 2004 Gulf Coast Bonds") issued under that certain Trust Indenture dated as of March 1, 2004 (as amended and supplemented, the "Gulf Coast Indenture") between the Gulf Coast Waste Disposal Authority (the "Issuer") and JPMorgan Chase Bank, a New York banking organization, as trustee (the "Gulf Coast Trustee").

(5) The Series R Bonds shall bear interest from the date on which the Series 2004 Gulf Coast Bonds commence to bear interest at such rate or rates per annum as shall cause the amount of interest payable on each Interest Payment Date (as defined below) on the Series R Bonds to equal the amount of interest payable on such Interest Payment Date in respect of the Series 2004 Gulf Coast Bonds under the Gulf Coast Indenture. Such interest on the Series R Bonds shall be payable on the same dates as interest is payable from time to time in respect of the Series 2004 Gulf Coast Bonds pursuant to the Gulf Coast Indenture (each such date herein called an "Interest Payment Date"), until the maturity of the Series R Bonds, or, in the case of any default by the Company in the payment of the principal due on the Series R Bonds, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture. The amount of interest payable from time to time in respect of the Series 2004 Gulf Coast Bonds under the Gulf Coast Indenture, the basis on which such interest is computed and the dates on which such interest is payable are set forth in the Gulf Coast Indenture. The obligation of the Company to make any payment of interest on the Series R Bonds shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Gulf Coast Trustee the Installment Payment (as defined below) in respect of the interest then due and payable on the Series 2004 Gulf Coast Bonds. The Regular Record Date and Special Record Date provisions of the Indenture shall not apply to the Series R Bonds.

(6) The Corporate Trust Office of the Trustee in Dallas, Texas shall be the place at which (i) the principal of, premium, if any, and interest on, the Series R Bonds shall be payable, and (ii) registration of transfer of the Series R Bonds may be effected; and the Corporate Trust Office of the Trustee in Houston, Texas shall be the place at which notices and demands to or upon the Company in respect of the Series R Bonds and the Indenture may be served; and the Trustee shall be the Security Registrar for the Series R Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such place or the Security Registrar; and provided, further, that the Company reserves the right to designate, by one or more Officer's Certificates, its principal office in Houston, Texas as any such place or itself as the Security Registrar; provided, however, that there shall be only a single Security Registrar for the Series R Bonds.

(7) Not applicable.

(8) The Series R bonds will not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Indenture, provided however that (a) in the event that the redemption of Series 2004 Gulf Coast Bonds is required under the Gulf Coast Indenture due to the occurrence of a Determination of Taxability, as such term is defined in subsection (d) of Section 8 of the Form of Series 2004 Gulf Coast Bonds set forth in Exhibit A to the Gulf Coast Indenture, the Company will redeem Series R Bonds equal in principal amount to the Series 2004 Gulf Coast Bonds to be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to such date fixed for redemption, and (b) upon receipt by the Trustee of a written demand from the Gulf Coast Trustee stating that the principal amount of all Series 2004 Gulf Coast Bonds then outstanding under the Gulf Coast Indenture has been declared

immediately due and payable, the Company, subject to the terms and provisions of the Series R Bonds, will redeem the Series R Bonds not more than 180 days after receipt by the Trustee of such written demand, the notice provisions of Article Five of the Indenture not being applicable under the foregoing circumstances.

(9) The Series R Bonds are issuable only in denominations of $12,100,000.

(10) Not applicable.

(11) Not applicable.

(12) Not applicable.

(13) Not applicable.

(14) Not applicable.

(15) Not applicable.

(16) Not applicable.

(17) The Series R Bonds shall be evidenced by a single registered Series R Bond in the principal amount and denomination of $12,100,000. The Series R Bonds shall be executed by the Company and delivered to the Trustee for authentication and delivery.

The single Series R Bond shall be identified by the number R-1 and shall upon issuance be delivered by the Company to, and registered in the name of, the Trustee, and shall be transferable only as required to effect an assignment thereof to a successor or an assign of the Trustee under the Indenture. The Series R Bonds are to be issued by the Company to the Gulf Coast Trustee in order that the Gulf Coast Trustee shall have the benefit as a holder of the Series R Bonds of the lien of the Indenture in the event of the non-payment by the Company of the Installment Payments (the "Installment Payments"), as defined in, and pursuant to the Installment Payment and Bond Amortization Agreement (the "Installment Payment Agreement"), dated as of March 1, 2004, by and between the Issuer and the Company entered into with respect to the Series 2004 Gulf Coast Bonds.

Series R Bonds issued upon transfer shall be numbered consecutively from R-2 upwards and issued in the authorized denominations set forth in subsection (9) above. See also subsection (19) below.

(18) Not applicable.

(19) The holder of the Series R Bonds by acceptance of the Series R Bonds agrees to restrictions on transfer and to waivers of certain rights of exchange as set forth herein. The Series R Bonds have not been registered under the Securities Act of 1933 and may not be offered, sold or otherwise transferred in the absence of such registration or an applicable exemption therefrom. No service charge shall be made for the registration of transfer or exchange of the Series R Bonds.

(20) For purposes of the Series R Bonds, "Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, Houston, Texas, or the city in which the principal corporate trust office of the Indenture Trustee is located, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

(21) Not applicable.

(22) The Trustee may conclusively presume that the obligation of the Company to pay the principal of, premium, if any, and interest on the Series R Bonds shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Gulf Coast Trustee, signed by an authorized officer of the Gulf Coast Trustee and attested by the Secretary or an Assistant Secretary of the Gulf Coast Trustee, stating that the payment of principal of, premium, if any, or interest on the Series R Bonds has not been fully paid when due and specifying the amount of funds required to make such payment.

The obligation of the Company to make any payment of the principal of, premium, if any, or interest on the Series R Bonds, whether at maturity, upon redemption (including any redemption due to the occurrence of a Determination of Taxability, as such term is defined in subsection (d) of Section 8 of the Form of the Series 2004 Gulf Coast Bonds set forth in Exhibit A of the Gulf Coast Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal of, premium, if any, or interest on the Series 2004 Gulf Coast Bonds which corresponds to such amounts under the Series R Bonds shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of, premium, if any, or interest on the Series R Bonds at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of, premium, if any, or interest on the Series R Bonds exceeds the obligation of the Company at that time to make any Installment Payment.

In the event the Company is required under Section 6.05 of the Installment Payment Agreement to, and does, issue First Mortgage Securities to secure its obligations under the Installment Payment Agreement, as provided in Section 6.05 of the Installment Payment Agreement, the Company shall no longer be required to maintain outstanding, and the Gulf Coast Trustee shall surrender to the Trustee, the Series R Bonds in accordance with Section 5.03 of the Gulf Coast Indenture.

The Series R Bonds shall have such other terms and provisions as are provided in the form thereof attached hereto as Exhibit A, and shall be issued in substantially such form.

2. The undersigned has read all of the covenants and conditions contained in the Indenture, and the definitions in the Indenture relating thereto, relating to the issuance of the Series R Bonds and the execution of the Seventeenth Supplemental Indenture to the Indenture in respect of compliance with which this certificate is made.

3. The statements contained in this certificate are based upon the familiarity of the undersigned with the Indenture, the documents accompanying this certificate, and upon discussions by the undersigned with officers and employees of the Company familiar with the matters set forth herein.

4. In the opinion of the undersigned, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenants and conditions have been complied with.

In the opinion of the undersigned, such conditions and covenants have been complied with.

5. To the knowledge of the undersigned, no Event of Default has occurred and is continuing.

6. The execution of the Seventeenth Supplemental Indenture, dated as of the date hereof, between the Company and the Trustee is authorized or permitted by the Indenture.

7. First Mortgage Bonds, 7.75% Series due March 15, 2023, having an aggregate principal amount of $12,100,000 (collectively, the "First Mortgage Bonds"), have heretofore been authenticated and delivered. The First Mortgage Bonds have been returned to and cancelled by the trustee under the First Mortgage prior to the date hereof, constitute Retired Securities and are the basis for the authentication and delivery of the Series R Bonds. The maximum Stated Interest Rate on the First Mortgage Bonds at the time of their authentication and delivery was not less than the maximum Stated Interest Rate on the Series R Bonds to be in effect upon the initial authentication and delivery thereof.

IN WITNESS WHEREOF, the undersigned has executed this Officer's Certificate as of the date first above written.

By: /s/ Marc Kilbride

Name: Marc Kilbride
Title: Vice President and Treasurer

Acknowledged and Received on
March 31, 2004

JPMORGAN CHASE BANK,
as Trustee

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President

EXHIBIT A

FORM OF SERIES R BOND

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS AS SET FORTH BELOW. IN ADDITION, THE BOND REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND SUCH BOND MAY NOT BE TRANSFERRED WITHOUT COMPLIANCE WITH APPLICABLE SECURITIES LAWS.

THIS BOND IS NOT TRANSFERABLE EXCEPT, AS FURTHER PROVIDED HEREIN, TO A SUCCESSOR OR ASSIGN OF THE TRUSTEE UNDER THE TRUST INDENTURE REFERRED TO HEREIN BETWEEN THE ISSUER AND SUCH TRUSTEE.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
General Mortgage Bonds, Series R, due April 1, 2012

Original Interest Accrual Date:	March 31, 2004
Stated Maturity:	April 1, 2012
Interest Rate:	See below
Interest Payment Dates:	See below
Regular Record Dates:	N/A
Redeemable by Company:	Yes X No
Redemption Date:	See below
Redemption Price:	See below

This Security is not an Original Discount Security within the meaning of the within-mentioned Indenture.

Principal Amount
$12,100,000 No. R-1

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a corporation duly organized and existing under the laws of the State of Texas (herein called the "Company," which term includes any successor under the Indenture referred to below), for value received, hereby promises to pay to JPMORGAN CHASE BANK, a New York banking organization, as Trustee under the Gulf Coast Indenture (as herein defined) or its registered assigns (the "Gulf Coast Trustee"), the principal sum of TWELVE MILLION ONE HUNDRED THOUSAND DOLLARS, in whole or in installments on such date or dates (subject to the tenth paragraph hereof) and in such amounts, and to pay to the Gulf Coast Trustee premium, if any, in whole or in installments on such date or dates and in such amounts, as the Issuer (as defined herein) has any obligations under the Trust Indenture (as amended and supplemented, the "Gulf Coast Indenture"), dated as of March 1, 2004, between the Gulf Coast Waste Disposal Authority (the "Issuer") and the Gulf Coast Trustee to repay any principal or to pay premium, if any, in respect of the Collateralized Revenue Refunding Bonds (CenterPoint Energy Houston Electric, LLC Project) Series 2004 issued under the Gulf Coast Indenture (hereinafter referred to as the "Series 2004 Gulf Coast Bonds"), but not later than the Stated Maturity specified above. The obligation of the Company to make any payment of principal or premium, if any, on this Bond, whether at maturity or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid

or caused to be paid to the Gulf Coast Trustee the Installment Payment (as defined below) in respect of the principal or premium, if any, then due and payable on the Series 2004 Gulf Coast Bonds.

Interest shall be payable on this Bond on the same dates as interest is payable from time to time in respect of the Series 2004 Gulf Coast Bonds pursuant to the Gulf Coast Indenture (each such date herein called an "Interest Payment Date"), at such rate or rates per annum as shall cause the amount of interest payable on such Interest Payment Date on this Bond to equal the amount of interest payable on such Interest Payment Date in respect of the Series 2004 Gulf Coast Bonds under the Gulf Coast Indenture. Such interest shall be payable until the maturity of this Bond, or, if the Company shall default in the payment of the principal due on this Bond, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture. The amount of interest payable from time to time in respect of the Series 2004 Gulf Coast Bonds under the Gulf Coast Indenture, the basis on which such interest is computed and the dates on which such interest is payable are set forth in the Gulf Coast Indenture. This Bond shall bear interest from the Original Interest Accrual Date listed on the first page of this Bond. The obligation of the Company to make any payment of interest on this Bond shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that the Company has paid or caused to be paid to the Gulf Coast Trustee the Installment Payment (as defined below) in respect of the interest then due and payable on the Series 2004 Gulf Coast Bonds.

This Bond is issued to the Gulf Coast Trustee in order that the Gulf Coast Trustee shall have the benefit as a holder of this Bond of the lien of the Indenture (as defined below) in the event of the non-payment by the Company of the Installment Payments (the "Installment Payments"), as defined in and pursuant to the Installment Payment and Bond Amortization Agreement (as amended and supplemented, the "Installment Payment Agreement"), dated as of March 1, 2004, between the Issuer and the Company entered into with respect to the Series 2004 Gulf Coast Bonds. Any capitalized terms used herein and not defined herein shall have the meanings specified in the Indenture (as defined below), unless otherwise noted.

THIS BOND SHALL NOT BE TRANSFERABLE EXCEPT AS REQUIRED TO EFFECT AN ASSIGNMENT HEREOF TO A SUCCESSOR OR AN ASSIGN OF THE GULF COAST TRUSTEE UNDER THE GULF COAST INDENTURE.

The Gulf Coast Trustee shall surrender this Bond to the Trustee (as defined below) in accordance with Section 5.07(d) of the Installment Payment Agreement.

Payments of the principal of, premium, if any, and interest on this Bond shall be made at the Corporate Trust Administration of JPMorgan Chase Bank, as Trustee, located at 2001 Bryan Street, 9th Floor, Dallas, Texas 75201, or at such other office or agency as may be designated for such purpose by the Company from time to time. Payment of the principal of, premium, if any, and interest on this Bond, as aforesaid, shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under and equally secured by a General Mortgage Indenture, dated as of October 10, 2002 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Securities, being herein called the "Indenture"), between the Company and JPMorgan Chase Bank, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of the Securities thereunder and of the terms and conditions upon which the Securities are, and are to be, authenticated and delivered and secured. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture. This Bond is one of the series designated above.

The Bonds of this series will not be entitled to the benefit of any sinking fund or voluntary redemption provisions.

If an Event of Default, as defined in the Indenture, shall occur and be continuing, the principal of this Bond may be declared due and payable in the manner and with the effect provided in the Indenture.

This Bond will not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Indenture, provided however that (a) in the event of the required redemption of Series 2004 Gulf Coast Bonds due to the occurrence of a Determination of Taxability, as such term is defined in subsection (d) of Section 8 of the Form of Series 2004 Gulf Coast Bonds set forth in Exhibit A to the Gulf Coast Indenture, the Company will redeem Bonds equal in principal amount to the Series 2004 Gulf Coast Bonds to be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, and (b) upon receipt by the Trustee of a written demand from the Gulf Coast Trustee stating that the principal amount of all Series 2004 Gulf Coast Bonds then outstanding under the Gulf Coast Indenture has been declared immediately due and payable, the Company, subject to the terms and provisions of the Bonds, will redeem the Bonds not more than 180 days after receipt by the Trustee of such written demand.

The Indenture permits, with certain exceptions as therein provided, the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under the Indenture, considered as one class; PROVIDED, HOWEVER, that if there shall be Securities of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and PROVIDED, FURTHER, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and PROVIDED, FURTHER, that the Indenture permits the Trustee to enter into one or more supplemental indentures for limited purposes without the consent of any Holders of Securities. The Indenture also contains provisions permitting the Holders of a majority in principal amount of the Securities then Outstanding, on behalf of the Holders of all Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Security issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture and subject to certain limitations therein and herein set forth, the transfer of this Bond is registrable in the Security Register, upon surrender of this Bond for registration of transfer at the Corporate Trust Office of JPMorgan Chase Bank in Houston, Texas or such other office or agency as may be designated by the Company from time to time, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Bonds of this series of authorized denominations and of like tenor and aggregate principal amount, will be issued to the designated transferee or transferees.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the person in whose name this Bond shall be registered upon the Security Register for the Bonds of this series as the absolute owner of such Bond for the purpose of receiving payment of or on account of the principal of and interest on this Bond and for all other purposes, whether or not this Bond be overdue, and neither the Company nor the Trustee shall be affected by any notice to the contrary; and all such payments so made to such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums paid.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of, premium, if any, and interest on this Bond shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Gulf Coast Trustee, signed by an authorized officer of the Gulf Coast Trustee and attested by the Secretary or an Assistant Secretary of the Gulf Coast Trustee, stating that the payment of principal of, premium, if any, or interest on this Bond has not been fully paid when due and specifying the amount of funds required to

make such payment.

The obligation of the Company to make any payment of the principal of, premium, if any, or interest on this Bond, whether at maturity, upon redemption (including any redemption due to the occurrence of a Determination of Taxability, as such term is defined in subsection (d) of Section 8 of the Form of the Series 2004 Gulf Coast Bonds set forth in Exhibit A of the Gulf Coast Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal, premium, if any, or interest on the Series 2004 Gulf Coast Bonds which corresponds to such amounts under this Bond shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of, premium, if any, or interest on this Bond at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of, premium, if any, or interest on this Bond exceeds the obligation of the Company at that time to make any Installment Payment.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any Bond or coupon thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, member, manager, stockholder, officer, director or employee, as such, past, present or future, of the Company or any predecessor or successor corporation or company, either directly or through the Company or any predecessor or successor corporation or company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and the obligations thereby secured, are solely corporate obligations of the Company, and that no personal liability whatsoever shall attach to, or be incurred by, such incorporators, members, managers, stockholders, officers, directors or employees, as such, of the Company or of any predecessor or successor corporation or company, or any of them, because of the creation of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the Bonds or coupons thereby secured, or implied therefrom.

The holder of this Bond by acceptance of this Bond agrees to restrictions on transfer and to waivers of certain rights of exchange as set forth herein. THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. No service charge shall be made for the registration of transfer or exchange of this Bond.

This Bond shall be governed by and construed in accordance with the law of the State of New York except as provided in the Indenture.

Unless the certificate of authentication hereon has been executed by the Trustee or an Authenticating Agent by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: ----------
Name: ----------
Title: ----------

Attest:

- ----------
Name: ----------
Title: ----------

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication: March 31, 2004

JPMORGAN CHASE BANK,
Trustee

By: ----------
Authorized Signatory

EXHIBIT 4(f)(9)

CENTERPOINT ENERGY RESOURCES CORP.
(Successor to NorAm Energy Corp.)

To

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
(Successor to Chase Bank of Texas, National Association)

Trustee

SUPPLEMENTAL INDENTURE No. 8

Dated as of December 28, 2005

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6 1/2% Debentures due February 1, 2008

CENTERPOINT ENERGY RESOURCES CORP.

SUPPLEMENTAL INDENTURE NO. 8

6 1/2% Debentures due February 1, 2008

SUPPLEMENTAL INDENTURE No. 8, dated as of December 28, 2005, between CENTERPOINT ENERGY RESOURCES CORP. (successor to NorAm Energy Corp.), a Delaware corporation (the "Company"), and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (successor to Chase Bank of Texas, National Association), a national banking association, as Trustee (the "Trustee").

RECITALS

The Company has heretofore executed and delivered to the Trustee an Indenture, dated as of February 1, 1998 (the "Original Indenture" and, as previously and hereby supplemented and amended, the "Indenture"), providing for the issuance from time to time of one or more series of the Company's Securities.

Pursuant to the terms of the Indenture, the Company provided for the establishment of a series of Securities designated as the "6 1/2% Debentures due February 1, 2008" (the "Debentures"), the form and substance of the Debentures and the terms, provisions and conditions thereof in Supplemental Indenture No. 1, dated as of February 1, 1998, between the Company and the Trustee.

Section 307 of the Indenture provides that the Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agent.

Subparagraph (5) of Section 901 of the Indenture provides that the Company and the Trustee may enter into an indenture supplemental to the Indenture to add to, change or eliminate any of the provisions of the Indenture if such action does not adversely affect the interests of any Holders.

For and in consideration of the premises and the issuance of the series of Securities provided for herein, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders of the Securities of such series, as follows:

ARTICLE ONE

Relation to the Indenture

Section 101. Relation to the Indenture. This Supplemental Indenture No. 8 constitutes an integral part of the Indenture.

ARTICLE TWO

Designation of Paying Agent

Section 201. Designation of Paying Agent. JPMorgan Chase Bank, National Association is hereby designated as the Paying Agent on the Debentures. The designation of CenterPoint Energy, Inc. as the Paying Agent on the Debentures is hereby rescinded.

ARTICLE THREE

Miscellaneous Provisions

Section 301. The Indenture, as supplemented and amended by this Supplemental Indenture No. 8, is in all respects hereby adopted, ratified and confirmed.

Section 302. This Supplemental Indenture No. 8 may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. This Supplemental Indenture No. 8 shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

Section 303. THIS SUPPLEMENTAL INDENTURE NO. 8 AND EACH DEBENTURE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 8 to be duly executed, as of the day and year first written above.

CENTERPOINT ENERGY RESOURCES CORP.

By: /s/ Marc Kilbride
Name: Marc Kilbride
Title: Vice President and Treasurer

Attest: /s/ Richard B. Dauphin
Name: Richard B. Dauphin
Title: Assistant Secretary

(SEAL)

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Mary Jane Henson
Name: Mary Jane Henson
Title: Authorized Signature

(SEAL)

EXHIBIT 4(g)(7)

CENTERPOINT ENERGY, INC.

To

JPMORGAN CHASE BANK,
NATIONAL ASSOCIATION

Trustee

SUPPLEMENTAL INDENTURE NO. 6

Dated as of August 23, 2005

3.75% Convertible Senior Notes, Series B due 2023

CENTERPOINT ENERGY, INC.

SUPPLEMENTAL INDENTURE NO. 6

3.75% Convertible Senior Notes, Series B due 2023

SUPPLEMENTAL INDENTURE No. 6 dated as of August 23, 2005, between CENTERPOINT ENERGY, INC., a Texas corporation (the "Company"), and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (formerly named JPMorgan Chase Bank), as Trustee (the "Trustee").

RECITALS

The Company has heretofore executed and delivered to the Trustee an Indenture, dated as of May 19, 2003, as amended and supplemented by the Supplemental Indenture No. 1 dated as of May 19, 2003, the Supplemental Indenture No. 2 dated as of May 27, 2003, the Supplemental Indenture No. 3 dated as of September 9, 2003, the Supplemental Indenture No. 4 dated as of December 17, 2003 and the Supplemental Indenture No. 5 dated as of December 13, 2004 (the "Original Indenture" and, as hereby supplemented and amended, the "Indenture"), providing for the issuance from time to time of one or more series of the Company's Securities.

Pursuant to the terms of the Indenture, the Company desires to provide for the establishment of one new series of Securities to be designated as the "3.75% Convertible Senior Notes, Series B due 2023 (the "Notes"), the form and substance of such Notes and the terms, provisions and conditions thereof to be set forth as provided in the Original Indenture and this Supplemental Indenture No. 6.

Section 301 of the Original Indenture provides that various matters with respect to any series of Securities issued under the Indenture may be established in an indenture supplemental to the Indenture.

Subparagraph (7) of Section 901 of the Original Indenture provides that the Company and the Trustee may enter into an indenture supplemental to the Indenture to establish the form or terms of Securities of any series as permitted by Sections 201 and 301 of the Original Indenture.

For and in consideration of the premises and the issuance of the series of Securities provided for herein, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders of the Securities of such series, as follows:

ARTICLE I

Relation to Indenture; Additional Definitions

Section 101 Relation to Indenture. This Supplemental Indenture No. 6 constitutes an integral part of the Indenture.

Section 102 Additional Definitions. For all purposes of this Supplemental Indenture No. 6:

Capitalized terms used herein shall have the meaning specified herein or in the Original Indenture, as the case may be;

"Affiliate" of, or a Person "affiliated" with, a specific Person means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified. For purposes of this definition, "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting shares, by contract, or otherwise;

"Beneficial Owner" or "Beneficial Ownership" shall be determined in accordance with Rule 13d-3 promulgated by the Commission under the Exchange Act;

"Bid Solicitation Agent" has the meaning set forth in Section 212 hereof;

"Business Day" means, with respect to any Note, any day other than a Saturday, a Sunday or a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close. If any Interest Payment Date, Maturity Date, Redemption Date, Purchase Date or Fundamental Change Purchase Date of a Note falls on a day that is not a Business Day, the required payment will be made on the next succeeding Business Day with the same force and effect as if made on the relevant date that the payment was due and no interest will accrue on such payment for the period from and after the Interest Payment Date, Maturity Date, Redemption Date, Purchase Date or Fundamental Change Purchase Date, as the case may be, to the date of that payment on the next succeeding Business Day. The definition of "Business Day" in this Supplemental Indenture and the provisions described in the preceding sentence shall supersede the definition of Business Day in the Original Indenture and Section 113 of the Original Indenture;

"Capital Lease" means a lease that, in accordance with accounting principles generally accepted in the United States of America, would be recorded as a capital lease on the balance sheet of the lessee;

"Cash" or "cash" means U.S. legal tender;

"CenterPoint Houston" means CenterPoint Energy Houston Electric, LLC, a Texas limited liability company;

"CERC" means CenterPoint Energy Resources Corp., a Delaware corporation;

"Common Equity" of any Person means capital stock of such Person that is generally entitled to (1) vote in the election of directors of such Person or (2) if such Person is not a corporation, vote or otherwise participate in the selection of the governing

body, partners, managers or others that will control the management or policies of such Person;

"Common Stock" means the common stock, par value $.01 per share, of the Company;

"Company Notice" has the meaning provided in Section 701 hereof;

"Company Notice Date" has the meaning provided in Section 701 hereof;

"Contingent Interest" has the meaning provided in Section 204(a) hereof;

"Continuing Director" means a director who either was a member of the Board of Directors on May 13, 2003 or who becomes a member of the Board of Directors subsequent to that date and whose appointment, election or nomination for election by the Company's shareholders is duly approved by a majority of the Continuing Directors on the Board of Directors at the time of such approval, either by a specific vote or by approval of the proxy statement issued by the Company on behalf of the Board of Directors in which such individual is named as nominee for director;

"Conversion Agent" means the office or agency designated by the Company where Notes may be presented for conversion;

"Conversion Date" has the meaning provided in Section 802 hereof;

"Conversion Price" means $1,000 divided by the Conversion Rate;

"Conversion Rate" has the meaning provided in Section 801(a) hereof;

"Conversion Value" has the meaning specified in Section 801(b) hereof;

"CPDI Regulations" has the meaning provided in Section 213 hereof;

"Determination Date" has the meaning provided in Section 801(e) hereof;

"Distributed Assets or Securities" has the meaning provided in Section 806(c) hereof;

"Effective Date" has the meaning provided in Section 501(b);

"Equity Interests" means any capital stock, partnership, joint venture, member or limited liability or unlimited liability company interest, beneficial interest in a trust or similar entity or other equity interest or investment of whatever nature;

"ex-date" has the meaning provided in the definition of Spin-off Market Price;

"Exchange Property" has the meaning provided in Section 812 hereof;

"Exchange Property Average Price" has the meaning provided in Section 812 hereof;

"Exchange Property Value" has the meaning provided in Section 812 hereof;

"Fair Market Value" means the amount which a willing buyer would pay a willing seller in an arm's length transaction;

A "Fundamental Change" shall be deemed to have occurred at such time after the original issuance of the Notes as any of the following occurs: (a) the Common Stock or other common stock into which the Notes are convertible is neither listed for trading on a United States national securities exchange nor approved for trading on the Nasdaq National Market or another established automated over-the-counter trading market in the United States; (b) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act, other than the Company, any Subsidiary of the Company or any employee benefit plan of the Company or any such Subsidiary, files a Schedule TO (or any other schedule, form or report under the Exchange Act) disclosing that such person or group has become the direct or indirect ultimate Beneficial Owner of Common Equity of the Company representing more than 50% of the voting power of the Company's Common Equity; (c) consummation of any share exchange, consolidation or merger of the Company pursuant to which the Common Stock will be converted into Cash, securities or other property or any sale, lease or other transfer (in one transaction or a series of transactions) of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any Person (other than the Company or one or more of the Company's Subsidiaries); provided, however, that a transaction where the holders of the Company's Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of the aggregate voting power of all classes of Common Equity of the continuing or surviving corporation or transferee immediately after such event shall not be a Fundamental Change; or (d) Continuing Directors cease to constitute at least a majority of the Board of Directors; provided, however, that a Fundamental Change shall not be deemed to have occurred in respect of any of the foregoing if either (i) the Last Reported Sale Price of Common Stock for any five Trading Days within the period of ten consecutive Trading Days ending immediately before the later of the Fundamental Change or the public announcement thereof shall equal or exceed 105% of the Conversion Price of the Notes in effect immediately before the Fundamental Change or the public announcement thereof (the "105% Trading Exception"); or (ii) at least 90% of the consideration (excluding cash payments for fractional shares) in the transaction or transactions constituting the Fundamental Change consists of shares of Capital Stock traded on a national securities exchange or quoted on the Nasdaq National Market (or which shall be so traded or quoted when issued or exchanged in connection with such Fundamental Change) (such securities being referred to as "Publicly Traded Securities") and as a result of such transaction or transactions the Notes become convertible into such Publicly Traded Securities (excluding cash payments for fractional shares). For purposes of the foregoing the term "Capital Stock" of any Person means any and all shares (including ordinary shares or American Depositary Shares), interests, participations or other equivalents however designated of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person and any rights

(other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such Person;

"Fundamental Change Purchase Date" has the meaning provided in Section 501 hereof;

"Fundamental Change Purchase Notice" has the meaning provided in Section 503 hereof;

"Fundamental Change Purchase Price" has the meaning provided in Section 501 hereof;

"Global Notes" has the meaning set forth in Section 208(a) hereof;

The term "Indebtedness" as applied to any Person, means bonds, debentures, notes and other instruments or arrangements representing obligations created or assumed by any such Person, in respect of: (i) obligations for money borrowed (other than unamortized debt discount or premium); (ii) obligations evidenced by a note or similar instrument given in connection with the acquisition of any business, properties or assets of any kind; (iii) obligations as lessee under a Capital Lease; and (iv) any amendments, renewals, extensions, modifications and refundings of any such indebtedness or obligations listed in clause (i), (ii) or (iii) above. All indebtedness of such type secured by a lien upon property owned by such Person, although such Person has not assumed or become liable for the payment of such indebtedness, shall also for all purposes hereof be deemed to be indebtedness of such Person. All indebtedness for borrowed money incurred by any other Persons which is directly guaranteed as to payment of principal by such Person shall for all purposes hereof be deemed to be indebtedness of any such Person, but no other contingent obligation of such Person in respect of indebtedness incurred by any other Persons shall for any purpose be deemed to be indebtedness of such Person;

"Interest Payment Date" has the meaning set forth in Section 204(a) hereof;

"Last Reported Sale Price" means, with respect to Common Stock or any other Equity Interest, on any date, the closing sale price per share or other applicable unit (or, if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. securities exchange on which the Common Stock or such Equity Interest is traded or, if the Common Stock or such Equity Interest is not listed on a U.S. national or regional securities exchange, as reported by the Nasdaq National Market. If the Common Stock or such Equity Interest is not listed for trading on a U.S. national or regional securities exchange and not reported by the Nasdaq National Market on the relevant date, the "Last Reported Sale Price" with respect thereto shall be the last quoted bid price for Common Stock or such Equity Interest in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization. If the Common Stock or such Equity Interest is not so quoted, the "Last Reported Sale Price" with respect thereto will be the average of the mid-point of

the last bid and ask prices for the Common Stock or such Equity Interest on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose;

"Make-Whole Premium" has the meaning provided in Section 501(b);

"Market Price per share of Common Stock" means the average of the Last Reported Sale Prices of Common Stock for the 20 Trading Day period ending on the applicable date of determination (if the applicable date of determination is a Trading Day or, if not, then on the last Trading Day prior to such applicable date of determination), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the Trading Days during such 20 Trading Day period and ending on the applicable date of determination, of any event that would result in an adjustment of the Conversion Rate under this Supplemental Indenture;

"Maturity Date" has the meaning set forth in Section 203 hereof;

"Maximum Conversion Rate" has the meaning set forth in Section 806(h) hereof;

"Net Exchange Property Amount" has the meaning provided in Section 812(d)(ii) hereof;

"Net Share Amount" has the meaning provided in Section 801(c) hereof;

"Net Shares" has the meaning provided in Section 801(c) hereof;

"Non-Electing Share" has the meaning provided in Section 812(b) hereof;

"Notes" has the meaning set forth in the second paragraph of the Recitals hereof;

"105% Trading Exception" has the meaning provided in the definition of a Fundamental Change;

"Original Indenture" has the meaning set forth in the first paragraph of the Recitals hereof;

"Original Issue Date" means the first date on which any Notes are issued under this Supplemental Indenture;

"Principal Return" has the meaning provided in Section 801(c) hereof;

"Prior Notes" means the 3.75% Convertible Senior Subordinated Notes due 2023 issued by the Company pursuant to the Original Indenture;

"Public Acquirer Change of Control" has the meaning provided in Section 501(c);

"Public Acquirer Common Stock" has the meaning provided in Section 501(c);

"Purchase Date" has the meaning provided in Section 601(a) hereof;

"Purchase Notice" has the meaning provided in Section 601(a)(i) hereof;

"Purchase Price" has the meaning provided in paragraph 8 of the Notes;

"Redemption Price" has the meaning set forth in paragraph 6 of the Notes;

"Regular Record Date" has the meaning set forth in Section 204(a) hereof;

"Rights Plan" means that certain Rights Agreement dated January 1, 2002, between the Company and JPMorgan Chase Bank, National Association (formerly JPMorgan Chase Bank) as rights agent, as amended from time to time;

"Significant Subsidiary" means CERC and CenterPoint Houston, and any other Subsidiary which, at the time of the creation of a pledge, mortgage, security interest or other lien upon any Equity Interests of such Subsidiary, has consolidated gross assets (having regard to the Company's beneficial interest in the shares, or the like, of that Subsidiary) that represents at least 25% of the Company's consolidated gross assets appearing in the Company's most recent audited consolidated financial statements;

"Spin-off Market Price" per share of Common Stock or per share or other applicable unit of Equity Interests in a subsidiary or other business unit of the Company on any day means the average of the Last Reported Sale Price with respect thereto for each of the ten consecutive Trading Days commencing on and including the fifth Trading Day after the "ex date" with respect to the issuance or distribution requiring such computations. As used herein, the term "ex date," when used with respect to any issuance or distribution, shall mean the first date on which the security trades regular way on the New York Stock Exchange or such other national regional exchange or market in which the security trades without the right to receive such issuance or distribution;

"Stock Price" has the meaning provided in Section 501(b);

"Subsidiary" of any entity means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (i) the issued and outstanding Equity Interests having ordinary voting power to elect a majority of the Board of Directors or comparable governing body of such corporation or entity (irrespective of whether at the time capital stock of any other class or classes of such corporation or other entity shall or might have voting power upon the occurrence of any contingency), (ii) the interest in the capital or profits of such limited liability company, partnership, joint venture or other entity, or (iii) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such entity, by such entity and one or more of its other Subsidiaries, or by one or more of such entity's other Subsidiaries;

"Ten-Day Average Price" has the meaning provided in Section 801(b);

"Trading Day" means (a) if the applicable security is listed, admitted for trading or quoted on the New York Stock Exchange, the Nasdaq National Market or another national security exchange, a day on which the New York Stock Exchange, the Nasdaq

National Market or another national security exchange is open for business or (b) if the applicable security is not so listed, admitted for trading or quoted, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law, regulation or executive order to close;

"Trading Price" of the Notes on any date of determination means the average of the secondary market bid quotations per $1,000 principal amount of Notes obtained by the Bid Solicitation Agent for $10 million principal amount of Notes at approximately 4:00 p.m., New York City time, on such determination date from three unaffiliated, nationally recognized securities dealers the Company selects, provided that if: (i) at least three such bids are not obtained by the Bid Solicitation Agent, or (ii) in the Company's reasonable judgment, the bid quotations are not indicative of the secondary market value of the Notes, then the Trading Price of the Notes will equal (a) the then applicable Conversion Rate of the Notes multiplied by (b) the average of the Last Reported Sale Price of Common Stock for each of the five Trading Days ending on such determination date, appropriately adjusted to take into account the occurrence, during the period commencing on the first of such Trading Days during such five Trading Day period and ending on such determination date, of any event described in Section 806 of this Supplemental Indenture;

All references herein to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Supplemental Indenture; and

The terms "herein," "hereof," "hereunder" and other words of similar import refer to this Supplemental Indenture.

ARTICLE II

The Series of Securities

Section 201 Title of the Securities. The Notes shall be designated as the "3.75% Convertible Senior Notes, Series B due 2023." The Notes shall be treated for all purposes under the Indenture as a single class or series of Securities.

Section 202 Limitation on Aggregate Principal Amount. The Trustee shall authenticate and deliver Notes for original issue on the Original Issue Date up to the aggregate principal amount of $575,000,000 upon a Company Order for the authentication and delivery thereof and satisfaction of Sections 301 and 303 of the Original Indenture. Such order shall specify the amount of the Notes to be authenticated, the date on which the original issue of Notes is to be authenticated and the name or names of the initial Holder or Holders. Additional notes may be issued by the Company within 13 days after the Original Issue Date without the consent of the existing Holders of the Notes and shall be part of the same series as the Notes, but the aggregate principal amount of Notes that may be outstanding shall not exceed $575,000,000.

Section 203 Stated Maturity. The Stated Maturity of the Notes shall be May 15, 2023 (the "Maturity Date"). The principal amount of the Notes shall be payable on the Maturity Date

unless the Notes are earlier redeemed, purchased or converted in accordance with the terms of the Indenture.

Section 204 Interest and Interest Rates.

(a) The Notes shall bear interest at a rate of 3.75% per year, from May 15, 2005 or from the most recent Interest Payment Date (as defined below) to which payment has been made or duly provided for, payable semiannually in arrears on May 15 and November 15 of each year (each an "Interest Payment Date"), beginning November 15, 2005, to the persons in whose names the Notes are registered at the close of business on May 1 and November 1 (each a "Regular Record Date") (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date. The Notes shall also provide for payment of contingent interest ("Contingent Interest") in certain circumstances as specified in paragraph 5 of the Notes.

(b) Holders of Notes at the close of business on a Regular Record Date will receive payment of interest, including Contingent Interest, if any, payable on the corresponding Interest Payment Date notwithstanding the conversion of such Notes at any time after the close of business on such Regular Record Date. Notes surrendered for conversion by a Holder during the period from the close of business on any Regular Record Date to the opening of business on the immediately following Interest Payment Date must be accompanied by payment of an amount equal to the interest, including Contingent Interest, if any, that the Holder is to receive on the Notes; provided, however, that no such payment need be made if (1) the Company has specified a Redemption Date that is after a Regular Record Date and on or prior to the immediately following Interest Payment Date, (2) the Company has specified a Purchase Date following a Fundamental Change that is during such period or (3) any overdue interest (including overdue Contingent Interest, if any) exists at the time of conversion with respect to such Notes to the extent of such overdue interest.

(c) Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and shall either (i) be paid to the Person in whose name such Note (or one or more Predecessor Securities) is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of the Notes not less than ten days prior to such Special Record Date, or (ii) be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or traded, and upon such notice as may be required by such exchange or automated quotation system, all as more fully provided in the Indenture.

(d) The amount of interest, including Contingent Interest, if any, payable for any period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest, including Contingent Interest, if any, payable for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the days elapsed in any partial month. In the event that any date on which interest is payable on a Note is not a Business Day, then a payment of the interest, including Contingent Interest, if any, payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally payable.

(e) If any principal of the Notes or any portion of such principal is not paid when due (whether upon acceleration, upon the date set for payment of the Redemption Price pursuant to paragraph 6 of the Notes, upon the date set for payment of a Purchase Price or Fundamental Change Purchase Price pursuant to paragraph 8 of the Notes or upon the Stated Maturity) or if interest (including Contingent Interest, if any) due hereon or any portion of such interest is not paid when due in accordance with paragraph 1 or paragraph 5 or 11 of the Note, then in each such case the overdue amount shall bear interest at the rate of 3.75% per annum, compounded semiannually (to the extent that the payment of such interest shall be legally enforceable), which interest shall accrue from the date such overdue amount was due to the date payment of such amount, including interest thereon, has been made or duly provided for. All such interest shall be payable on demand.

Section 205 Paying Agent and Conversion Agent; Place of Payment. The Trustee shall initially serve as the Paying Agent and Conversion Agent for the Notes. The Company may appoint and change any Paying Agent or Conversion Agent or approve a change in the office through which any Paying Agent acts without notice, other than notice to the Trustee. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent or Conversion Agent. The Place of Payment where the Notes may be presented or surrendered for payment shall be the Corporate Trust Office of the Trustee.

Section 206 Place of Registration or Exchange; Notices and Demands With Respect to the Notes. The place where the Holders of the Notes may present the Notes for registration of transfer or exchange and may make notices and demands to or upon the Company in respect of the Notes shall be the Corporate Trust Office of the Trustee.

Section 207 Percentage of Principal Amount. The Notes shall be initially issued at 100% of their principal amount plus an amount equal to the accrued and unpaid interest, if any, from May 15, 2005.

Section 208 Global Notes.

(a) The Notes shall be issued initially in the form of one or more permanent Global Securities in definitive, fully registered, book-entry form, without interest coupons (collectively, the "Global Notes").

(b) Each of the Global Notes shall represent such of the Notes as shall be specified therein and shall each provide that it shall represent the aggregate principal amount of Notes from time to time endorsed thereon and that the aggregate principal amount of Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, redemptions, purchases or conversions. Any endorsement of a Global Note to reflect the amount, or any increase or decrease in the aggregate principal amount, of Notes represented thereby shall be reflected by the Trustee on Schedule A attached to the Note and made by the Trustee in accordance with written instructions or such other written form of instructions as is customary for the Depositary, from the Depositary or its nominee on behalf of any Person having a beneficial interest in the Global Note.

(c) The Depository Trust Company shall initially serve as Depositary with respect to the Global Notes. Such Global Notes shall bear the legends set forth in the form of Note attached as Exhibit A hereto.

Section 209 Form of Securities. The Global Notes shall be substantially in the form attached as Exhibit A hereto.

Section 210 Securities Registrar. The Trustee shall initially serve as the Security Registrar for the Notes.

Section 211 Sinking Fund Obligations. The Company shall have no obligation to redeem or purchase any Notes pursuant to any sinking fund or analogous requirement.

Section 212 Bid Solicitation Agent. The Trustee shall initially serve as the bid solicitation agent (the "Bid Solicitation Agent") for purposes of obtaining secondary market bid quotations for determining Trading Prices. The Company may change the Bid Solicitation Agent at any time; provided, however, the Bid Solicitation Agent shall not be an Affiliate of the Company. The Bid Solicitation Agent shall solicit bids from nationally recognized securities dealers that are believed by the Company to be willing to bid for the Notes.

Section 213 Tax Treatment of Notes The Company agrees, and by purchasing a beneficial ownership interest in the Notes each Holder, and any person (including an entity) that acquires a direct or indirect beneficial interest in the Notes, will be deemed to have agreed, unless otherwise required by applicable law, (i) for United States federal income tax purposes to treat the Notes as Indebtedness of the Company that is subject to the Contingent Payment Debt Instrument regulations under Treas. Reg. Sec. 1.1275-4 (the "CPDI Regulations"), (ii) for all tax purposes to treat the Notes as Indebtedness of the Company, (iii) for purposes of the CPDI Regulations, to treat the fair market value of any stock beneficially received by a beneficial holder upon any conversion of the Notes as a contingent payment, (iv) to be bound by the Company's determination that the Notes are contingent payment debt instruments subject to the "noncontingent bond method" of accruing original issue discount within the meaning of the CPDI Regulations with respect to the Notes, (v) to accrue original issue discount at the comparable yield as determined by the Company, and (vi) to be bound by the Company's projected payment schedule with respect to the Notes. In addition, unless otherwise required by applicable law, the Company will treat the exchange of Prior Notes for Notes as not constituting a significant modification for United States federal income tax purposes. The provisions of this Supplemental Indenture shall be interpreted to further this intention and agreement of the parties. The comparable yield and the schedule of projected payments are not determined for any purpose other than for the determination of interest accruals and adjustment thereof in respect of the Notes for United States federal income tax purposes. Consistent with the Company's treatment of the exchange of Prior Notes for Notes, as described above, the comparable yield and schedule of projected payments governing the Notes is identical to the comparable yield and schedule of projected payments that governed the Prior Notes. The comparable yield and the schedule of projected payments do not constitute a projection or representation regarding the future stock price or the amounts payable on the Notes. For purposes of the foregoing, the Company's determination of the "comparable yield" is 5.81% per annum, compounded semiannually. A Holder of Notes may obtain the amount of original issue discount, issue date,

comparable yield and projected payment schedule (which schedule is attached as Exhibit F) by telephoning the Company's Treasury Department at (713) 207-7019 or submitting a written request for such information to: CenterPoint Energy, Inc., 1111 Louisiana, Houston, Texas 77002, Attention: Treasury Department.

Section 214 Defeasance and Discharge; Covenant Defeasance.

(a) Article Fourteen of the Original Indenture, including without limitation, Sections 1402 and 1403 (as modified by Section 214(b) hereof) thereof, shall apply to the Notes.

(b) Notwithstanding Section 214(a), (i) the Company shall not be released from its obligations under Article VIII hereof, which obligations shall survive any defeasance and discharge under Section 1402 of the Original Indenture or covenant defeasance under Section 1403 of the Original Indenture, and (ii) the occurrence of any event specified in Section 501(4) of the Original Indenture with respect to Article VIII hereof shall be deemed to be or result in an Event of Default in accordance with the terms of Article Five of the Original Indenture.

(c) Notwithstanding Section 1403 of the Original Indenture, the occurrence of any event specified in Section 1001(d)(i) hereof shall be deemed not to be or result in an Event of Default with respect to the Notes on and after the date the conditions set forth in Section 1404 of the Original Indenture with respect to such Notes are satisfied and such covenant defeasance remains in full force and effect pursuant to Article Fourteen of the Original Indenture.

ARTICLE III

Additional Covenant

Section 301 Limitations on Liens. The Company shall not pledge, mortgage, hypothecate, or grant a security interest in, or permit any such mortgage, pledge, security interest or other lien upon any Equity Interests now or hereafter owned by the Company in any Significant Subsidiary to secure any Indebtedness, without making effective provisions whereby the outstanding Notes shall be equally and ratably secured with or prior to any and all such Indebtedness and any other Indebtedness similarly entitled to be equally and ratably secured; provided, however, that this provision shall not apply to or prevent the creation or existence of:

(a) [Reserved];

(b) any mortgage, pledge, security interest, lien or encumbrance upon the Equity Interests of CenterPoint Energy Transition Bond Company, LLC or any other special purpose Subsidiary created on or after the date of this Supplemental Indenture by the Company in connection with the issuance of securitization bonds for the economic value of generation-related regulatory assets and stranded costs;

(c) any mortgage, pledge, security interest, lien or encumbrance upon any Equity Interests in a Person which was not affiliated with the Company prior to one year before the grant of such mortgage, pledge, security interest, lien or encumbrance (or the Equity Interests of a holding company formed to acquire or hold such Equity Interests) created at the time of the Company's acquisition of the Equity Interests or within one year after such

time to secure all or a portion of the purchase price for such Equity Interests; provided that the principal amount of any Indebtedness secured by such mortgage, pledge, security interest, lien or encumbrance does not exceed 100% of such purchase price and the fees, expenses and costs incurred in connection with such acquisition and acquisition financing;

(d) any mortgage, pledge, security interest, lien or encumbrance existing upon Equity Interests in a Person which was not affiliated with the Company prior to one year before the grant of such mortgage, pledge, security interest, lien or encumbrance at the time of the Company's acquisition of such Equity Interests (whether or not the obligations secured thereby are assumed by the Company or such Subsidiary becomes a Significant Subsidiary); provided that (i) such mortgage, pledge, security interest, lien or encumbrance existed at the time such Person became a Significant Subsidiary and was not created in anticipation of the acquisition, and (ii) any such mortgage, pledge, security interest, lien or encumbrance does not by its terms secure any Indebtedness other than Indebtedness existing or committed immediately prior to the time such Person becomes a Significant Subsidiary;

(e) liens for taxes, assessments or governmental charges or levies to the extent not past due or which are being contested in good faith by appropriate proceedings diligently conducted and for which the Company has provided adequate reserves for the payment thereof in accordance with generally accepted accounting principles;

(f) pledges or deposits in the ordinary course of business to secure obligations under workers' compensation laws or similar legislation;

(g) materialmen's, mechanics', carriers', workers' and repairmen's liens imposed by law and other similar liens arising in the ordinary course of business for sums not yet due or currently being contested in good faith by appropriate proceedings diligently conducted;

(h) attachment, judgment or other similar liens, which have not been effectively stayed, arising in connection with court proceedings; provided that such liens, in the aggregate, shall not secure judgments which exceed $50,000,000 aggregate principal amount at any one time outstanding; provided further that the execution or enforcement of each such lien is effectively stayed within 30 days after entry of the corresponding judgment (or the corresponding judgment has been discharged within such 30 day period) and the claims secured thereby are being contested in good faith by appropriate proceedings timely commenced and diligently prosecuted;

(i) other liens not otherwise referred to in paragraphs (a) through (h) above, provided that the Indebtedness secured by such liens in the aggregate, shall not exceed 1% of the Company's consolidated gross assets appearing in the Company's most recent audited consolidated financial statements at any one time outstanding;

(j) any mortgage, pledge, security interest, lien or encumbrance on the Equity Interests of any Subsidiary that was otherwise permitted under this Section 301 if such Subsidiary subsequently becomes a Significant Subsidiary; or

(k) any extension, renewal or refunding of Indebtedness secured by any mortgage, pledge, security interest, lien or encumbrance described in paragraphs (a) through (j) above; provided that the principal amount of any such Indebtedness is not increased by an amount greater than the fees, expenses and costs incurred in connection with such extension, renewal or refunding.

ARTICLE IV

Optional Redemption of the Notes

Section 401 Right to Redeem; Notice to Trustee, Paying Agent and Holders. On or after May 15, 2008, the Company may, at its option, redeem the Notes in whole, or in part, at any time in accordance with the provisions of paragraph 6 of the Notes. If the Company elects to redeem Notes pursuant to paragraph 6 of the Notes, it shall notify in writing the Trustee, the Paying Agent and each Holder of Notes to be redeemed, as provided in Section 1104 of the Indenture and Section 404 hereof.

Section 402 Fewer Than All Outstanding Notes to Be Redeemed. If fewer than all of the outstanding Notes are to be redeemed, the Trustee shall select the Notes to be redeemed in principal amounts of $1,000 or integral multiples thereof. In the case that the Trustee shall select the Notes to be redeemed, the Trustee may effectuate such selection by lot, pro rata, or by any other method that the Trustee considers fair and appropriate. The Trustee will make such selection promptly following receipt of the notice of redemption from the Company provided pursuant to Section 404 hereof.

Section 403 Selection of Notes to Be Redeemed. If any Notes selected for partial redemption are thereafter surrendered for conversion in part before termination of the conversion right with respect to the portion of the Notes so selected, the converted portion of such Notes shall be deemed (so far as may be), solely for purposes of determining the aggregate principal amount of Notes to be redeemed by the Company, to be the portion selected for redemption. Notes which have been converted during a selection of Notes to be redeemed may be treated by the Trustee as outstanding for the purpose of such selection. Nothing in this Section 403 shall affect the right of any Holder to convert any Notes pursuant to Article VIII hereof before the termination of the conversion right with respect thereto.

Section 404 Notice of Redemption. In addition to those matters set forth in Section 1104 of the Indenture, a notice of redemption sent to Holders of Notes shall state:

(a) the then current Conversion Rate;

(b) the name and address of the Paying Agent and the Conversion Agent;

(c) that the Notes called for redemption may be converted at any time before the close of business on the Business Day immediately preceding the Redemption Date; and

(d) that Holders who wish to convert Notes must comply with the procedures in paragraph 10 of the Notes.

Section 405 Effect of Notice of Redemption. Once notice of redemption is mailed, Notes called for redemption become due and payable on the Redemption Date and at the Redemption Price, except for Notes that are converted in accordance with the provisions of Article VIII hereof and paragraph 10 of the Notes. Upon presentation and surrender to the Paying Agent, Notes called for redemption shall be paid at the Redemption Price as defined in paragraph 6 of the Notes.

Section 406 Deposit of Redemption Price. On or before 10:00 a.m. (New York City time) on the Redemption Date, the Company shall deposit with the Paying Agent (or if the Company or an Affiliate of the Company is acting as the Paying Agent, shall segregate and hold in trust) an amount of money sufficient to pay the aggregate Redemption Price of all the Notes to be redeemed on that date other than the Notes or portions thereof called for redemption which on or prior thereto have been delivered by the Company to the Security Registrar for cancellation or have been converted. The Trustee and Paying Agent shall, as promptly as practicable, return to the Company any money not required for that purpose because of conversion of the Notes in accordance with the provisions of Article VIII hereof. If such money is then held by the Company or a Subsidiary in trust and is not required for such purpose, it shall be discharged from such trust.

ARTICLE V

Purchase and Adjustments to Conversion Rate Upon a Fundamental Change

Section 501 Purchase at the Option of the Holder Upon a Fundamental Change.

(a) If a Fundamental Change shall occur at any time prior to May 15, 2008, each Holder shall have the right, at such Holder's option, to require the Company to purchase any or all of such Holder's Notes for cash on the date selected by the Company that is no later than 35 days after the date of the Company Notice of the occurrence of such Fundamental Change (subject to extension to comply with applicable law, as provided in Section 704) (the "Fundamental Change Purchase Date"). The Notes shall be repurchased in integral multiples of $1,000 of the principal amount. The Company shall purchase such Notes at a price (the "Fundamental Change Purchase Price") equal to 100% of the principal amount of the Notes to be purchased plus accrued and unpaid interest, including Contingent Interest, if any, to the Fundamental Change Purchase Date. No Notes may be purchased at the option of the Holders upon a Fundamental Change if there has occurred and is continuing an Event of Default (other than an Event of Default that is cured by the payment of the Fundamental Change Purchase Price of the Notes).

(b) Subject to Section 501(c), if a Holder elects to convert such Holder's Notes in connection with a Fundamental Change pursuant to clause (c) of the definition thereof set forth in Section 102 (or in connection with a transaction that would have been a Fundamental Change under such clause (c) but for the existence of the 105% Trading Price Exception), that occurs on or prior to May 15, 2008 pursuant to which 10% or more of the consideration for the Common Stock (other than cash payments for fractional shares) in such Fundamental Change transaction consists of cash or securities (or other property) that are not traded or scheduled to be traded

immediately following such transaction on a U.S. national securities exchange or the Nasdaq National Market, the Company will increase the Conversion Rate by the Make-Whole Premium.

The "Make-Whole Premium" will be determined by reference to the table below and is based on the date on which the Fundamental Change becomes effective (the "Effective Date") and the price (the "Stock Price") paid per share of Common Stock in the transaction constituting the Fundamental Change. If the holders of Common Stock receive only cash in the transaction, the Stock Price shall be the cash amount paid per share of Common Stock. Otherwise, the Stock Price shall be equal to the average of the Last Reported Sale Price of Common Stock for each of the five Trading Days ending on the Trading Day immediately preceding the Effective Date.

The following table shows what the Make-Whole Premium would be for each hypothetical Stock Price and Effective Date set forth below, expressed as the number of additional shares to be issuable per $1,000 of the principal amount of the Notes.

STOCK PRICE

EFFECTIVE DATE	$ 7.72	$ 8.25	$ 9.00	$10.00	$12.50	$15.00	$17.50	$20.00	$22.50	$25.00	$27.50	$30.00	$32.50	$35.00	$37.50	$40.00
November 15, 2005	43.18	35.00	26.51	19.44	9.38	4.72	2.50	1.40	0.88	0.58	0.39	0.27	0.18	0.12	0.07	0.00
May 15, 2006	43.18	34.98	26.37	18.97	8.66	4.12	2.04	1.08	0.66	0.43	0.29	0.20	0.13	0.08	0.00	0.00
November 15, 2006	43.18	34.95	26.27	18.18	7.24	2.81	0.98	0.80	0.40	0.19	0.11	0.08	0.01	0.00	0.00	0.00
May 15, 2007	43.18	34.93	26.03	17.64	6.72	2.53	0.65	0.20	0.22	0.13	0.07	0.02	0.00	0.00	0.00	0.00
November 15, 2007	43.18	34.90	25.57	17.13	5.36	1.48	0.36	0.14	0.09	0.05	0.03	0.01	0.00	0.00	0.00	0.00
May 15, 2008	43.18	34.88	25.31	16.40	3.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The Make-Whole Premiums set forth above are based upon a Stock Price of $7.72 at the time of the initial offer of the Prior Notes on May 15, 2003 and an initial Conversion Rate of 86.3558.

The actual Stock Price and Effective Date may not be set forth on the table, in which case:

(i) If the actual Stock Price on the Effective Date is between two Stock Prices on the table or the actual Effective Date is between two Effective Dates on the table, the Make-Whole Premium will be determined by a straight-line interpolation between the

Make-Whole Premiums set forth for the two Stock Prices and the two Effective Dates on the table based on a 365-day year, as applicable;

(ii) If the Stock Price on the Effective Date exceeds $40.00 per share (subject to adjustment described below), no Make-Whole Premium will be paid; and

(iii) If the Stock Price on the Effective Date is less than or equal to $7.72 per share (subject to adjustment described below), no Make-Whole Premium will be paid.

Notwithstanding the foregoing, in no event will the Conversion Rate exceed the Maximum Conversion Rate, subject to adjustments in the same manner as set forth in Section 806.

The Stock Prices set forth in the first row of the table above will be adjusted as of any date on which the Conversion Rate is adjusted. The adjusted Stock Prices will equal the Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment giving rise to the Stock Price adjustment and the denominator of which is the Conversion Rate so adjusted. The Make-Whole Premium will be correspondingly adjusted in the same manner as the adjustments described in Section 806.

(c) Notwithstanding the foregoing, in the case of a Public Acquirer Change of Control (as defined below), the Company may, in lieu of paying a Make-Whole Premium as described in Section 501(b), elect to adjust the Conversion Rate and the related conversion obligation such that from and after the effective date of such Public Acquirer Change of Control, Holders of the Notes will be entitled to convert the Notes into a number of shares of Public Acquirer Common Stock (as defined below) by multiplying the Conversion Rate in effect immediately before the Public Acquirer Change of Control by a fraction:

(i) the numerator of which will be (i) in the case of a share exchange, consolidation or merger, pursuant to which the Common Stock is converted into cash, securities or other property, the average value of all cash and any other consideration (as determined by the Board of Directors) paid or payable per share of Common Stock or (ii) in the case of any other Public Acquirer Change of Control, the average of the Last Reported Sale Price of the Common Stock for the five Trading Days prior to but excluding the effective date of such Public Acquirer Change of Control, and

(ii) the denominator of which will be the average Last Reported Sale Price of the Public Acquirer Common Stock for the five Trading Days commencing on the Trading Day next succeeding the effective date of such Public Acquirer Change of Control.

A "Public Acquirer Change of Control" means any event that would otherwise obligate the Company to pay a Make-Whole Premium as described in Section 501(b) and the acquirer (or any entity that directly or indirectly has Beneficial Ownership of more than 50% of the voting power of all shares of the acquirer's capital stock that are entitled to vote generally in the election of directors or that is a direct or indirect wholly-owned subsidiary of the acquirer) has a class of common stock traded on a national securities exchange or quoted on the Nasdaq

National Market or which will be so traded or quoted when issued or exchanged in connection with such event (the "Public Acquirer Common Stock").

After the adjustment of the Conversion Rate in connection with a Public Acquirer Change of Control, the Conversion Rate will be subject to further similar adjustments in the event that any of the events described in Section 806 occur thereafter.

Upon a Public Acquirer Change of Control, if the Company so elects, Holders may convert the Notes at the adjusted Conversion Rate described in the third preceding paragraph but will not be entitled to the Make-Whole Premium described under Section 501(b). The Company is required to notify Holders of its election in writing. In addition, the Holder can also, subject to this Section 501, require the Company to repurchase all or a portion of the Notes as described under Section 501(a).

Section 502 Notice of Fundamental Change. The Company, or at its request (which must be received by the Paying Agent at least five Business Days (or such lesser period as agreed to by the Paying Agent) prior to the date the Paying Agent is requested to give such notice as described below), the Paying Agent in the name of and at the expense of the Company, shall mail to all Holders and the Trustee and the Paying Agent a Company Notice of the occurrence of a Fundamental Change and of the purchase right arising as a result thereof, including the information required by Section 701 hereof, on or before the 30th day after the occurrence of such Fundamental Change.

Section 503 Exercise of Option. For a Note to be so purchased at the option of the Holder, the Paying Agent must receive such Note duly endorsed for transfer, together with a written notice of purchase (a "Fundamental Change Purchase Notice") in the form entitled "Form of Fundamental Change Purchase Notice" on the reverse thereof duly completed, on or before the 35th day after the date of the Company Notice of the occurrence of such Fundamental Change, subject to extension to comply with applicable law. The Fundamental Change Purchase Notice shall state:

(a) if certificated, the certificate numbers of the Notes which the Holder shall deliver to be purchased, or, if not certificated, the Fundamental Change Purchase Notice must comply with appropriate Depositary procedures;

(b) the portion of the principal amount of the Notes which the Holder shall deliver to be purchased, which portion must be $1,000 in principal amount or an integral multiple thereof; and

(c) that such Notes shall be purchased as of the Fundamental Change Purchase Date pursuant to the terms and conditions specified in paragraph 8 of the Notes and in this Supplemental Indenture.

Section 504 Procedures. The Company shall purchase from a Holder, pursuant to Article V hereof, Notes if the principal amount of such Notes is $1,000 or an integral multiple of $1,000 if so requested by such Holder.

Any purchase by the Company contemplated pursuant to the provisions of Article V hereof shall be consummated by the delivery of the Fundamental Change Purchase Price to be received by the Holder promptly following the later of the Fundamental Change Purchase Date or the time of book-entry transfer or delivery of the Notes.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Fundamental Change Purchase Notice contemplated by Section 503 shall have the right at any time prior to the close of business on the Business Day prior to the Fundamental Change Purchase Date to withdraw such Fundamental Change Purchase Notice (in whole or in part) by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 702.

The Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Purchase Notice or written notice of withdrawal thereof.

On or before 10:00 a.m. (New York City time) on the Fundamental Change Purchase Date, the Company shall deposit with the Paying Agent (or if the Company or an Affiliate of the Company is acting as the Paying Agent, shall segregate and hold in trust) money sufficient to pay the aggregate Fundamental Change Purchase Price of the Notes to be purchased pursuant to Article V hereof. Payment by the Paying Agent of the Fundamental Change Purchase Price for such Notes shall be made promptly following the later of the Fundamental Change Purchase Date or the time of book-entry transfer or delivery of such Notes. If the Paying Agent holds, in accordance with the terms of the Indenture, money sufficient to pay the Fundamental Change Purchase Price of such Notes on the Business Day following the Fundamental Change Purchase Date, then, on and after such Fundamental Change Purchase Date, such Notes shall cease to be outstanding and interest (including Contingent Interest, if any) on such Notes shall cease to accrue, whether or not book-entry transfer of such Notes is made or such Notes are delivered to the Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the Fundamental Change Purchase Price upon delivery or transfer of the Notes). Nothing herein shall preclude any withholding tax required by law.

The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of the Fundamental Change Purchase Price and shall notify the Trustee of any default by the Company in making any such payment. If the Company or an Affiliate of the Company acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to deliver all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon doing so, the Paying Agent shall have no further liability for the cash delivered to the Trustee.

All questions as to the validity, eligibility (including time of receipt) and acceptance of any Notes for redemption shall be determined by the Company, whose determination shall be final and binding.

ARTICLE VI

Optional Purchase

Section 601 Purchase of Notes by the Company at the Option of the Holder.

(a) On each of May 15, 2008, May 15, 2013 and May 15, 2018 (each, a "Purchase Date"), Holders shall have the option to require the Company to purchase any Notes at the Purchase Price specified in paragraph 8 of the Notes, upon:

(i) delivery to the Paying Agent by the Holder of a written notice of purchase (a "Purchase Notice") at any time from the opening of business on the date that is 20 Business Days prior to a Purchase Date until the close of business on the fifth Business Day prior to such Purchase Date, stating:

(1) if certificated, the certificate numbers of the Notes which the Holder will deliver to be purchased, or, if not certificated, the Purchase Notice must comply with appropriate Depositary procedures;

(2) the portion of the principal amount of the Notes which the Holder will deliver to be purchased, which portion must be $1,000 in principal amount or an integral multiple thereof; and

(3) that such Notes shall be purchased as of the Purchase Date pursuant to the terms and conditions specified in paragraph 8 of the Notes and in this Supplemental Indenture; and

(ii) delivery or book-entry transfer of such Notes to the Paying Agent prior to, on or after the Purchase Date (together with all necessary endorsements) at the offices of the Paying Agent, such delivery or transfer being a condition to receipt by the Holder of the Purchase Price therefor; provided, however, that such Purchase Price shall be so paid pursuant to this Section 601 only if the Notes so delivered or transferred to the Paying Agent shall conform in all respects to the description thereof in the related Purchase Notice.

(b) The Company shall purchase from a Holder, pursuant to the terms of this Section 601, Notes if the principal amount of such Notes is $1,000 or an integral multiple of $1,000 if so requested by such Holder.

(c) Any purchase by the Company contemplated pursuant to the provisions of this Section 601 shall be consummated by the delivery of the Purchase Price to be received by the Holder promptly following the later of the Purchase Date or the time of book-entry transfer or delivery of the Notes.

(d) Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Purchase Notice contemplated by this Section 601 shall have the right at any time prior to the close of business on the Business Day prior to the Purchase Date to withdraw

such Purchase Notice (in whole or in part) by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 702.

(e) The Paying Agent shall promptly notify the Company of the receipt by it of any Purchase Notice or written notice of withdrawal thereof.

(f) On or before 10:00 a.m. (New York City time) on the Purchase Date, the Company shall deposit with the Paying Agent (or if the Company or an Affiliate of the Company is acting as the Paying Agent, shall segregate and hold in trust) money sufficient to pay the aggregate Purchase Price of the Notes to be purchased pursuant to this Section 601. Payment by the Paying Agent of the Purchase Price for such Notes shall be made promptly following the later of the Purchase Date or the time of book-entry transfer or delivery of such Notes. If the Paying Agent holds, in accordance with the terms of the Indenture, money sufficient to pay the Purchase Price of such Notes on the Business Day following the Purchase Date, then, on and after such Purchase Date, such Notes shall cease to be outstanding and interest (including Contingent Interest, if any) on such Notes shall cease to accrue, whether or not book-entry transfer of such Notes is made or such Notes are delivered to the Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the Purchase Price upon delivery or transfer of the Notes).

(g) The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of the Purchase Price and shall notify the Trustee of any default by the Company in making any such payment. If the Company or an Affiliate of the Company acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to deliver all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon doing so, the Paying Agent shall have no further liability for the cash delivered to the Trustee.

ARTICLE VII

Conditions and Procedures for Purchases at Option of Holders

Section 701 Notice of Purchase Date or Fundamental Change. The Company shall send notices (each, a "Company Notice") to the Holders (and to beneficial owners as required by applicable law) at their addresses shown in the Security Register maintained by the Security Registrar, and delivered to the Trustee and Paying Agent, not less than 20 Business Days prior to each Purchase Date, or on or before the 30th day after the occurrence of the Fundamental Change, as the case may be (each such date of delivery, a "Company Notice Date"). Each Company Notice shall include a form of Purchase Notice or Fundamental Change Purchase Notice to be completed by a Holder and shall state:

(a) the applicable Purchase Price or Fundamental Change Purchase Price, excluding accrued and unpaid interest, Conversion Rate at the time of such notice (and any adjustments to the Conversion Rate) and, to the extent known at the time of such notice, the amount of interest (including Contingent Interest, if any), if any, that will be payable

with respect to the Notes on the applicable Purchase Date or Fundamental Change Purchase Date;

(b) if the notice relates to a Fundamental Change, the events causing the Fundamental Change and the date of the Fundamental Change;

(c) the Purchase Date or Fundamental Change Purchase Date;

(d) the last date on which a Holder may exercise its purchase right;

(e) the name and address of the Paying Agent and the Conversion Agent;

(f) that Notes must be surrendered to the Paying Agent to collect payment of the Purchase Price or Fundamental Change Purchase Price;

(g) that Notes as to which a Purchase Notice or Fundamental Change Purchase Notice has been given may be converted only if the applicable Purchase Notice or Fundamental Change Purchase Notice has been withdrawn in accordance with the terms of this Supplemental Indenture;

(h) that the Purchase Price or Fundamental Change Purchase Price for any Notes as to which a Purchase Notice or a Fundamental Change Purchase Notice, as applicable, has been given and not withdrawn shall be paid by the Paying Agent promptly following the later of the Purchase Date or Fundamental Change Purchase Date, as applicable, or the time of book-entry transfer or delivery of such Notes;

(i) the procedures the Holder must follow under Article V or VI hereof, as applicable, and Article VII hereof;

(j) briefly, the conversion rights of the Notes;

(k) that, unless the Company defaults in making payment of such Purchase Price or Fundamental Change Purchase Price on Notes covered by any Purchase Notice or Fundamental Change Purchase Notice, as applicable, interest (including Contingent Interest, if any) will cease to accrue on and after the Purchase Date or Fundamental Change Purchase Date, as applicable;

(l) the CUSIP or ISIN number of the Notes; and

(m) the procedures for withdrawing a Purchase Notice or Fundamental Change Purchase Notice.

In connection with providing such Company Notice, the Company will issue a press release and publish a notice containing the information in such Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company's then existing Web site or through such other public medium as the Company may use at the time.

At the Company's request, made at least five Business Days prior to the date upon which such notice is to be mailed (or such lesser period as agreed to by the Paying Agent), and at the Company's expense, the Paying Agent shall give the Company Notice in the Company's name; provided, however, that, in all cases, the text of the Company Notice shall be prepared by the Company.

Section 702 Effect of Purchase Notice or Fundamental Change Purchase Notice; Effect of Event of Default. Upon receipt by the Company of the Purchase Notice or Fundamental Change Purchase Notice specified in Section 601 or Section 503, as applicable, the Holder of the Notes in respect of which such Purchase Notice or Fundamental Change Purchase Notice, as the case may be, was given shall (unless such Purchase Notice or Fundamental Change Purchase Notice is withdrawn as specified in the following two paragraphs) thereafter be entitled to receive solely the Purchase Price or Fundamental Change Purchase Price with respect to such Notes. Such Purchase Price or Fundamental Change Purchase Price shall be paid by the Paying Agent to such Holder promptly following the later of (x) the Purchase Date or the Fundamental Change Purchase Date, as the case may be, with respect to such Notes (provided the conditions in Section 601 or Section 503, as applicable, have been satisfied) and (y) the time of delivery or book-entry transfer of such Notes to the Paying Agent by the Holder thereof in the manner required by Section 601 or Section 503, as applicable. Notes in respect of which a Purchase Notice or Fundamental Change Purchase Notice, as the case may be, has been given by the Holder thereof may not be converted for shares of Common Stock on or after the date of the delivery of such Purchase Notice or Fundamental Change Purchase Notice, as the case may be, unless such Purchase Notice or Fundamental Change Purchase Notice, as the case may be, has first been validly withdrawn as specified in the following two paragraphs.

A Purchase Notice or Fundamental Change Purchase Notice, as the case may be, may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent at any time prior to 5:00 p.m. New York City time on the Business Day prior to the Purchase Date or the Fundamental Change Purchase Date, as the case may be, to which it relates specifying:

(a) if certificated, the certificate number of the Notes in respect of which such notice of withdrawal is being submitted, or, if not certificated, the written notice of withdrawal must comply with appropriate Depositary procedures;

(b) the principal amount of the Notes with respect to which such notice of withdrawal is being submitted; and

(c) the principal amount, if any, of such Notes which remains subject to the original Purchase Notice or Fundamental Change Purchase Notice, as the case may be, and which has been or shall be delivered for purchase by the Company.

There shall be no purchase of any Notes pursuant to Article V or Article VI hereof if an Event of Default has occurred and is continuing (other than a default that is cured by the payment of the Purchase Price or Fundamental Change Purchase Price, as the case may be). The Paying Agent shall promptly return to the respective Holders thereof any Notes (x) with respect to which a Purchase Notice or Fundamental Change Purchase Notice, as the case may be, has

been withdrawn in compliance with this Supplemental Indenture, or (y) held by it during the continuance of an Event of Default (other than a default that is cured by the payment of the Purchase Price or Fundamental Change Purchase Price, as the case may be) in which case, upon such return, the Purchase Notice or Fundamental Change Purchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 703 Notes Purchased in Part. Any Notes that are to be purchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee or the Authenticating Agent shall authenticate and deliver to the Holder of such Notes, without service charge, a new Note or Notes, of any authorized denomination as requested by such Holder in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Notes so surrendered which is not purchased or redeemed.

Section 704 Covenant to Comply with Securities Laws Upon Purchase of Notes. In connection with any offer to purchase Notes under Article V or Article VI hereof, the Company shall, to the extent applicable, (a) comply with Rules 13e-4 and 14e-1 (and any successor provisions thereto) under the Exchange Act, if applicable; (b) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act, if applicable; and (c) otherwise comply with all applicable federal and state securities laws so as to permit the rights and obligations under Article V or Article VI hereof to be exercised in the time and in the manner specified in Article V or Article VI hereof.

Section 705 Repayment to the Company. The Trustee and the Paying Agent shall return to the Company any cash or property that remains unclaimed as provided in paragraph 14 of the Notes, together with interest that the Trustee or Paying Agent, as the case may be, has agreed to pay, if any, held by them for the payment of a Purchase Price or Fundamental Change Purchase Price, as the case may be; provided, however, that to the extent that the aggregate amount of cash or property deposited by the Company pursuant to Section 601(f) or 504, as applicable, exceeds the aggregate Purchase Price or Fundamental Change Purchase Price, as the case may be, of the Notes or portions thereof which the Company is obligated to purchase as of the Purchase Date or Fundamental Change Purchase Date, as the case may be, then promptly on and after the Business Day following the Purchase Date or Fundamental Change Purchase Date, as the case may be, the Trustee and the Paying Agent shall return any such excess to the Company together with interest that the Trustee or Paying Agent, as the case may be, has agreed to pay, if any.

Section 706 Officers' Certificate. At least five Business Days before the Company Notice Date, the Company shall deliver an Officers' Certificate to the Trustee (provided, that at the Company's option, the matters to be addressed in such Officers' Certificate may be divided among two such certificates) specifying:

(a) the manner of payment selected by the Company; and

(b) whether the Company desires the Trustee to give the Company Notice required by Section 701 herein.

ARTICLE VIII

Conversion of Notes

Section 801 Right to Convert; Conversion Value; Method of Payment.

(a) Subject to and in accordance with the provisions of the Indenture, a Holder may convert its Notes at any time during which any condition stated in paragraph 10 of the Notes is met into Cash and, if applicable, shares of Common Stock at a rate per $1,000 principal amount of Notes equivalent to 86.3558 shares of Common Stock, subject to adjustment as herein set forth (the "Conversion Rate"). A Holder may convert a portion of the principal amount of Notes if the portion is $1,000 or an integral multiple of $1,000.

(b) Once Notes are tendered for conversion, subject to this Section 801 and to Section 806, Holders tendering the Notes will be entitled to receive, per $1,000 principal amount of Notes, Cash and, if applicable, shares of Common Stock, the aggregate value of which per $1,000 principal amount of Notes (the "Conversion Value") will be equal to the product of (i) the Conversion Rate in effect on the Conversion Date, and (ii) the average of the Last Reported Sale Price of Common Stock for each of the ten consecutive Trading Days (appropriately adjusted to take into account the occurrence during such period of stock splits and similar events) beginning on the second Trading Day immediately following the day the Notes are tendered for conversion (the "Ten-Day Average Price").

(c) The Company will deliver the Conversion Value of the Notes surrendered for conversion to a converting Holder as follows:

(i) an amount in Cash (in the case of each such conversion, the "Principal Return") equal to the lesser of (A) the aggregate Conversion Value of those Notes and (B) the aggregate principal amount of those Notes;

(ii) if the aggregate Conversion Value of those Notes is greater than the Principal Return, a number of shares of Common Stock (in the case of each such conversion, the "Net Shares"), determined as set forth in clause (d) below, having a value equal to such aggregate Conversion Value less the Principal Return (in the case of each such conversion, the "Net Share Amount"); provided, however, that the Company may, at its option, deliver Cash or a combination of Cash and shares of Common Stock equal in value to the Net Share Amount. If and to the extent the Company makes such an election, references herein to "Net Shares" and "Net Share Amount" shall be deemed to be references to such amount in Cash or a combination of Cash and shares of Common Stock, as applicable.

(d) The Cash payment and the number of Net Shares to be issued, if any, will be determined by dividing the Net Share Amount by the Ten-Day Average Price.

(e) The Conversion Value, Principal Return, Net Share Amount and the number of Net Shares with respect to any Notes tendered by a Holder for conversion will be determined by the Company at the end of the ten consecutive Trading Day period beginning on the second Trading Day immediately following the day such Notes are tendered for conversion (in the case

of each such conversion, the "Determination Date"). The Company will pay the Cash and deliver the Net Shares, if any, with respect to such Notes as contemplated by Section 802.

Section 802 Conversion Procedures. To convert Notes, a Holder must satisfy the requirements in this Section 802 and in paragraph 10 of the Notes. The later of (a) the date on which the Holder satisfies all those requirements with respect to any Notes held by such Holder and (b) the Determination Date with respect to such conversion is herein referred to as the "Conversion Date". As soon as practicable, but in no event later than the fifth Business Day following the Conversion Date, the Company shall deliver to such Holder, through the Conversion Agent, the Principal Return, a certificate for (or book-entry transfer through the Depositary of) the number of Net Shares issuable upon the conversion and cash in lieu of any fractional Net Shares determined pursuant to Section 803. The Person in whose name any such shares of Common Stock are registered shall be treated as a stockholder of record on and after the Conversion Date; provided, however, that no surrender of Notes on any date when the stock transfer books of the Company shall be closed shall be effective to constitute the Person or Persons entitled to receive any shares of Common Stock upon such conversion as the record holder or holders of such shares of Common Stock on such date, but such surrender shall be effective to constitute the Person or Persons entitled to receive such shares of Common Stock as the record holder or holders thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open; such conversion shall be at the Conversion Rate in effect on the Conversion Date, as if the stock transfer books of the Company had not been closed. Upon conversion of Notes by a Holder, such Person shall no longer be a Holder of such Notes.

No payment or adjustment shall be made for dividends on, or other distributions with respect to, any Common Stock, except as provided in Section 806 or as otherwise provided in this Indenture.

On conversion of Notes, that portion of accrued interest including accrued Contingent Interest, if any, with respect to the converted Notes shall not be canceled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through delivery of the Principal Return and the Net Shares, if any (together with the cash payment, if any, in lieu of any fractional Net Shares), with respect to such Notes in exchange for the Notes being converted pursuant to the provisions hereof, and the Fair Market Value of any Net Shares (together with any such cash payment in lieu of any fractional Net Shares) shall be treated as issued, to the extent thereof, first in exchange for interest accrued and unpaid through the Conversion Date and accrued and unpaid Contingent Interest, and the balance, if any, of such Fair Market Value of such Net Shares (and any such cash payment) shall be treated as issued in exchange for the principal amount of the Notes being converted pursuant to the provisions hereof.

If a Holder converts more than one Note at the same time, the Principal Return and the number of Net Shares issuable upon the conversion shall be based on the total principal amount of the Notes converted.

Upon surrender of a Note that is converted in part, the Company shall execute, and the Trustee or the Authenticating Agent shall authenticate and deliver to the Holder, a new Note in

an authorized denomination equal in principal amount to the unconverted portion of the Note surrendered.

If the last day on which Notes may be converted is a legal holiday in a place where a Conversion Agent is located, the Notes may be surrendered to that Conversion Agent on the next succeeding day that it is not a legal holiday.

Section 803 Cash Payments in Lieu of Fractional Shares. The Company shall not issue a fractional share of Common Stock upon conversion of Notes. Instead the Company shall deliver Cash for the current market value of the fractional share. The current market value of a fractional share shall be determined to the nearest 1/10,000th of a share by multiplying the Ten-Day Average Price of a full share of Common Stock by the fractional amount and rounding the product to the nearest whole cent.

Section 804 Taxes on Conversion. If a Holder converts Notes, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the conversion. However, the Holder shall pay any such tax which is due because the Holder requests the shares to be issued in a name other than the Holder's name. The Conversion Agent may refuse to deliver the certificates representing (or to effect a book-entry transfer of) any Shares of Common Stock being issued in a name other than the Holder's name until the Conversion Agent receives a sum sufficient to pay any tax which shall be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any withholding tax required by law.

Section 805 Covenants of the Company. The Company shall, prior to issuance of any Notes hereunder, and from time to time as may be necessary, reserve out of its authorized but unissued Common Stock a sufficient number of shares of Common Stock to permit the conversion of the Notes.

All shares of Common Stock delivered upon conversion of the Notes shall be newly issued shares or treasury shares, shall be duly and validly issued and fully paid and nonassessable and shall be free from preemptive rights and free of any lien or adverse claim.

The Company shall endeavor promptly to comply with all federal and state securities laws regulating the order and delivery of shares of Common Stock upon the conversion of Notes, if any, and shall cause to have listed or quoted all such shares of Common Stock on each United States national securities exchange or over-the-counter or other domestic market on which the Common Stock is then listed or quoted.

Section 806 Adjustments to Conversion Rate. The Conversion Rate shall be adjusted from time to time, without duplication, as follows:

(a) In case the Company shall (i) pay a dividend, or make a distribution exclusively in shares of its capital stock, on the Common Stock; (ii) subdivide its outstanding Common Stock into a greater number of shares; (iii) combine its outstanding Common Stock into a smaller number of shares; or (iv) reclassify its Common Stock, the Conversion Rate in effect immediately prior to the record date or effective date, as the case may be, for the adjustment pursuant to this Section 806(a) as described below, shall be adjusted so that the Holder of any

Notes thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Company which such Holder would have owned or have been entitled to receive after the happening of any of the events described above had such Notes been converted immediately prior to such record date or effective time, as the case may be.

An adjustment made pursuant to this Section 806(a) shall become effective immediately after the open of business on the day immediately following the applicable record date, in the case of any such dividend or distribution, or immediately after the applicable effective date of any such subdivision, combination or reclassification of Common Stock. If any dividend or distribution of the type described in clause (i) of the first sentence of this Section 806(a) is not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

(b) In case the Company shall issue rights or warrants to all holders of the Common Stock entitling them (for a period expiring within 60 days after the date of issuance of such rights or warrants) to subscribe for or purchase Common Stock at a price per share less than the Market Price per share of Common Stock on the record date fixed for determination of shareholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the open of business on the day immediately following such record date by a fraction of which (i) the numerator shall be the number of shares of Common Stock outstanding at the close of business on such record date plus the number of additional shares of Common Stock offered for subscription or purchase, and (ii) the denominator shall be the number of shares of Common Stock outstanding on such record date plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at the Market Price per share of Common Stock on the earlier of such record date or the Trading Day immediately preceding the ex date for such issuance of rights or warrants. Such adjustment shall be made successively whenever any such rights or warrants are issued, and shall become effective immediately after the opening of business on the day immediately following the record date for the determination of shareholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. If such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such record date for the determination of shareholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Company for such rights or warrants, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) In case the Company shall, by dividend or otherwise, distribute to all holders of Common Stock any assets, debt securities or rights or warrants to purchase any of its securities (excluding (i) any dividend, distribution or issuance covered by those referred to in Section 806(a) or 806(b) hereof and (ii) any dividend or distribution paid exclusively in cash) (any of the foregoing hereinafter in this Section 806(c) called the "Distributed Assets or Securities") in an

aggregate amount per share of Common Stock that, combined together with the aggregate amount per share of Common Stock of any other such distributions to all holders of its Common Stock made within the 12 months preceding the date of payment of such distribution, and in respect of which no adjustment pursuant to this Section 806(c) has been made, exceeds 15% of the Market Price per share of Common Stock on the Trading Day immediately preceding the declaration of such distribution, then, the Conversion Rate shall be adjusted so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the open of business on the date immediately following the record date mentioned below by a fraction of which (A) the numerator shall be the Market Price per share of the Common Stock on the earlier of such record date or the Trading Day immediately preceding the ex date for such dividend or distribution, and (B) the denominator shall be (1) the Market Price per share of Common Stock on the earlier of such record date or the Trading Day immediately preceding the ex date for such dividend or distribution less (2) the Fair Market Value on the earlier of such record date or the Trading Day immediately preceding the ex date for such dividend or distribution (as determined by the Board of Directors, whose determination shall be conclusive, and described in a certificate filed with the Trustee and the Paying Agent) of the Distributed Assets or Securities so distributed applicable to one share of Common Stock. Such adjustment shall become effective immediately after the open of business on the day immediately following the record date for the determination of shareholders entitled to receive such dividend or distribution; provided, however, that, if (i) the Fair Market Value of the portion of the Distributed Assets or Securities so distributed applicable to one share of Common Stock is equal to or greater than the Market Price per share of Common Stock on the record date for the determination of shareholders entitled to receive such distribution or (ii) the Market Price per share of Common Stock on the record date for the determination of shareholders entitled to receive such distribution is greater than the Fair Market Value per share of such Distributed Assets or Securities by less than $1.00, then, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion, in addition to Cash, and, if applicable, shares of Common Stock, the kind and amount of assets, debt securities, or rights or warrants comprising the Distributed Assets or Securities the Holder would have received had such Holder converted such Notes immediately prior to the record date for the determination of stockholders entitled to receive such distribution. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

(d) In case the Company shall make any distributions, by dividend or otherwise, during any quarterly fiscal periods consisting exclusively of cash to all holders of outstanding shares of Common Stock in an aggregate amount that, together with (i) other all-cash distributions made to all holders of outstanding shares of Common Stock during such quarterly fiscal period, and (ii) any cash and the Fair Market Value, as of the expiration of any tender or exchange offer (other than consideration payable in respect of any odd-lot tender offer) of consideration payable in respect of any tender or exchange offer by the Company or any of the Company's Subsidiaries for all or any portion of shares of Common Stock concluded during such quarterly fiscal period, exceed the product of $0.10 (appropriately adjusted from time to time for any stock dividends on or subdivisions or combinations of the Common Stock) multiplied by the number of shares of Common Stock outstanding on the record date for such distribution, then, and in each such case, the Conversion Rate shall be adjusted so that the same

shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the open of business on the day immediately following the record date fixed for the determination of holders of Common Stock entitled to receive such dividend or distribution by a fraction of which (A) the numerator shall be the Market Price per share of Common Stock on the earlier of such record date or the Trading Day immediately preceding the ex date for such dividend or distribution and (B) the denominator shall be (1) the Market Price per share of Common Stock on the earlier of such record date or the Trading Day immediately preceding the ex date for such dividend or distribution plus (2) $0.10 (appropriately adjusted from time to time for any stock dividends on or subdivisions or combination of Common Stock) less (3) an amount equal to the quotient of (x) the combined amount distributed or payable in the transactions described in clauses (i), (ii) and (iii) above during such quarterly fiscal period and (y) the number of shares of Common Stock outstanding on such record date, such adjustment to become effective immediately after the open of business on the day immediately following the record date for the determination of shareholders entitled to receive such dividend or distribution.

(e) With respect to Section 806(c) above, in the event that the Company makes any distribution to all holders of Common Stock consisting of Equity Interests in a Subsidiary or other business unit of the Company, then, notwithstanding the provisions of Section 806(c), the Conversion Rate shall be adjusted so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the open of business on the day immediately following the record date fixed for the determination of holders of Common Stock entitled to receive such distribution by a fraction of which (i) the numerator shall be (x) the Spin-off Market Price per share of Common Stock on such record date plus (y) the Spin-off Market Price per share or other applicable unit of Equity Interest of the Subsidiary or other business unit of the Company on such record date and (ii) the denominator shall be the Spin-off Market Price per share of the Common Stock on such record date, such adjustment to become effective Ten Trading Days after the effective date of such distribution of Equity Interests in a Subsidiary or other business unit of the Company.

(f) Upon conversion of the Notes, the Holders shall receive, with respect to any shares of Common Stock issuable upon such conversion, the associated rights issued under the Rights Plan or under any future shareholder rights plan the Company implements (notwithstanding the occurrence of an event causing such rights to separate from the Common Stock at or prior to the time of conversion) unless, prior to conversion, the rights have expired, terminated or been redeemed or exchanged in accordance with the Rights Plan. If, and only if, the Holders of Notes receive rights under such shareholder rights plans as described in the preceding sentence upon conversion of their Notes, then no other adjustment pursuant to this Section 806 shall be made in connection with such shareholder rights plans.

(g) For purposes of this Section 806, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company shall not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(h) Notwithstanding the foregoing, in no event shall the Conversion Rate exceed the maximum conversion rate specified under this Section 806(h) (the "Maximum Conversion

Rate") as a result of an adjustment pursuant to Section 501(b), Section 806(c) and Section 806(d) hereof. The Maximum Conversion Rate shall initially be 129.5337 and shall be appropriately adjusted from time to time for any stock dividends on or subdivisions or combinations of the Common Stock. The Maximum Conversion Rate shall not apply to any adjustments made pursuant to any of the events in Section 806(a) or Section 806(b) hereof.

Section 807 Calculation Methodology. (a) No adjustment in the Conversion Price need be made unless the adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect, provided that any adjustment that would otherwise be required to be made shall be carried forward and taken into account in any subsequent adjustment. Except as stated in this Article VIII, the Conversion Rate will not be adjusted for the issuance of Common Stock or any securities convertible into or exchangeable for Common Stock or carrying the right to purchase any of the foregoing. Any adjustments that are made shall be carried forward and taken into account in any subsequent adjustment. All calculations under Article VII, Section 806 and this Section 807 shall be made to the nearest cent or to the nearest 1/10,000th of a share, as the case may be.

(b) Any adjustment to the Conversion Price shall take into account the adjustment provided under Section 806(d) based on the payment of an aggregate amount of $0.20 per share of Common Stock in dividends during the first fiscal quarter of 2005. For purposes of calculating this adjustment, "the Conversion Rate in effect immediately prior to the open of business on the day immediately following the record date fixed for the determination of holders of Common Stock entitled to receive such dividend or distribution" shall be 86.3558.

Section 808 When No Adjustment Required. No adjustment to the Conversion Rate need be made:

(a) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Company and the investment of additional optional amounts in shares of Common Stock under any plan;

(b) upon the issuance of any shares of Common Stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of its Subsidiaries;

(c) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security not described in paragraph (b) above and outstanding as of the date of this Supplemental Indenture;

(d) [Reserved];

(e) for a change in the par value or no par value of the Common Stock; or

(f) for accrued and unpaid interest (including Contingent Interest, if any).

Section 809 Notice of Adjustment. Whenever the Conversion Rate is adjusted (including any adjustment that the Company may elect pursuant to Section 501(c)), the Company shall

promptly mail to Holders a notice of the adjustment. The Company shall file with the Trustee and the Conversion Agent such notice. The notice shall, absent manifest error, be conclusive evidence that the adjustment is correct. Neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to any such notice except to exhibit the same to any Holder desiring inspection thereof.

Section 810 Voluntary Increase. The Company may make such increases in the Conversion Rate, in addition to those required by Section 806, as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes. To the extent permitted by applicable law, the Company may from time to time increase the Conversion Rate by any amount for any period of time if the period is at least 20 days, the increase is irrevocable during the period and the Board of Directors shall have made a determination that such increase would be in the best interests of the Company, which determination shall be conclusive. Whenever the Conversion Rate is so increased, the Company shall mail to Holders and file with the Trustee and the Conversion Agent a notice of such increase. Neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to any such notice except to exhibit the same to any Holder desiring inspection thereof. The Company shall mail the notice at least 15 days before the date the increased Conversion Rate takes effect. The notice shall state the increased Conversion Rate and the period it shall be in effect.

Section 811 Notice to Holders Prior to Certain Actions. In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock that would require an adjustment in the Conversion Rate pursuant to Section 806;

(b) the Company shall authorize the granting to all or substantially all the holders of its Common Stock of rights or warrants to subscribe for or purchase any share of any class or any other rights or warrants;

(c) of any reclassification or reorganization of the Common Stock of the Company (other than a subdivision or combination of its outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company;

the Company shall cause to be filed with the Trustee and to be mailed to each Holder at its address appearing on the Security Register, as promptly as possible but in any event at least 15 days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, or rights or warrants are to be determined or (y) the date

on which such reclassification, reorganization, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, reorganization, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, reorganization, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up.

Section 812 Effect of Reclassification, Consolidation, Merger, Binding Share Exchange or Sale.

(a) If any of the following events occur, namely (i) any reclassification or change of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a reclassification, subdivision or combination); (ii) any consolidation, merger, combination or binding share exchange of the Company with another corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock; or (iii) any sale or conveyance of the properties and assets of the Company as, or substantially as, an entirety to any other corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, then the Company or the successor or purchasing corporation, as the case may be, shall execute with the Trustee a supplemental indenture, providing for the conversion and settlement of the Notes as set forth in this Indenture. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article VIII. If, in the case of any such reclassification, change, consolidation, merger, combination, binding share exchange, sale or conveyance, the Exchange Property includes shares of stock, other securities, property or assets of a Person other than the successor or purchasing Person, as the case may be, in such reclassification, change, consolidation, merger, combination, binding share exchange, sale or conveyance, then such supplemental indenture shall also be executed by such other Person and shall contain such additional provisions to protect the interests of the Holders of the Notes as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder, at its address appearing on the Security Register, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

(b) Subject to the provisions of Section 801(b), the Conversion Value with respect to each $1,000 principal amount of Notes converted following the effective date of any such transaction referred to in Section 812(a) shall be calculated (as provided in clause (c) below) based on the kind and amount of stock, securities, other property, assets or cash received upon such reclassification, change, consolidation, merger, binding share exchange, sale or conveyance by a holder of Common Stock holding, immediately prior to the transaction, a number of shares of Common Stock equal to the Conversion Rate immediately prior to such transaction (the "Exchange Property"), assuming such holder of Common Stock did not exercise any rights of election, if any, as to the kind or amount of stock, securities, other property, assets or cash

receivable upon such consolidation, merger, binding share exchange, sale or conveyance (provided that, if the kind or amount of stock, securities, other property, assets or cash receivable upon such consolidation, merger, binding share exchange, sale or conveyance is not the same for each share of Common Stock in respect of which such rights of election shall not have been exercised ("Non-Electing Share"), then for the purposes of this Section 812 the kind and amount of stock, securities, other property, assets or cash receivable upon such consolidation, merger, binding share exchange, sale or conveyance for each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-Electing Shares).

(c) The Conversion Value in respect of any Notes converted following the effective date of any such transaction shall be equal to the average of the daily values of the Exchange Property pertaining to such Notes as determined in the next sentence (the "Exchange Property Value") for each of the ten consecutive Trading Days (appropriately adjusted to take into account the occurrence during such period of stock splits and similar events) beginning on the later of (i) the second Trading Day immediately following the day the Notes are tendered for conversion and (ii) the effective date of such transaction (the "Exchange Property Average Price"). For the purpose of determining the value of any Exchange Property:

(i) any shares of common stock of the successor or purchasing Person or any other Person that are included in the Exchange Property shall be valued as set forth in Section 801(b) as if such shares were "Common Stock" using the procedures set forth in the definition of "Last Reported Sale Price" in Section 102; and

(ii) any other securities, property or assets (other than cash) included in the Exchange Property shall be valued in good faith by the Board of Directors or by a New York Stock Exchange member firm selected by the Board of Directors.

(d) The Company shall deliver such Conversion Value to holders of Notes so converted as follows:

(i) an amount in Cash equal to the Principal Return with respect to those Notes, determined as set forth in Section 801(c)(i); and

(ii) if the Conversion Value of those Notes is greater than the Principal Return, an amount of Exchange Property, determined as set forth below, equal to such aggregate Conversion Value less the Principal Return (the "Net Exchange Property Amount"); provided, however, that the Company may, at its option, deliver cash or a combination of cash and Exchange Property equal to the Net Exchange Property Amount.

The amount of Exchange Property to be delivered shall be determined by dividing the Net Exchange Property Amount by the Exchange Property Average Price. If the Exchange Property includes more than one kind of property, the amount of Exchange Property of each kind to be delivered shall be in the proportion that the Exchange Property Value of such kind of Exchange Property bears to the Exchange Property Value of all the Exchange Property. If the foregoing calculations would require the Company to deliver a fractional share or unit of Exchange Property to a holder of Notes being converted, the Company shall deliver cash in lieu of such fractional share or unit based on its Exchange Property Average Price.

(e) Notwithstanding clauses (b), (c) and (d) above, if the Notes are tendered for conversion prior to the effective date of any such transaction pursuant to this Section 812 above, and the amount in cash and number of shares of Common Stock, if any, that a Holder will receive upon conversion have been determined as of the effective date of such transaction, then the Company shall (i) pay the amount in cash as set forth in Section 801 and (ii) instead of delivering shares of Common Stock as set forth in Section 801, if applicable, deliver an amount of Exchange Property that a holder of Common Stock, holding, immediately prior to the transaction, a number of shares of Common Stock equal to the number of shares of Common Stock as set forth in Section 801, would receive, assuming such holder of Common Stock did not exercise his rights of election, if any, as to the kind or amount of stock, securities, other property, assets or cash receivable upon such consolidation, merger, binding share exchange, sale or conveyance (provided that, if the kind or amount of stock, securities, other property, assets or cash receivable upon such consolidation, merger, binding share exchange, sale or conveyance is not the same for each Non-Electing Share, then for the purposes of this Section 812 the kind and amount of stock, securities, other property, assets or cash receivable upon such consolidation, merger, binding share exchange, sale or conveyance for each Non-Electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-Electing Shares). If the foregoing calculations would require the Company to deliver a fractional share or unit of Exchange Property to a holder of Notes being converted, the Company shall deliver cash in lieu of such fractional share or unit based on the Exchange Property Value (as so determined).

The above provisions of this Section 812 shall similarly apply to successive reclassifications, changes, consolidations, mergers, combinations, binding share exchanges, sales and conveyances.

If this Section 812 applies to any event or occurrence, Section 806 shall not apply. Notwithstanding this Section 812, if a Public Acquirer Change of Control occurs and the Company elects to adjust the Conversion Rate and its conversion obligation pursuant to Section 501(c), the provisions of Section 501(c) shall apply to the conversion instead of this Section 812.

Section 813 Responsibility of Trustee. The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Holder to either calculate the Conversion Rate or determine whether any facts exist which may require any adjustment of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same and shall be protected in relying upon an Officers' Certificate with respect to the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any other securities or property, which may at any time be issued or delivered upon the conversion of any Notes and the Trustee and any other Conversion Agent make no representations with respect thereto. Subject to the provisions of Article Five of the Original Indenture, neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any Cash or shares of Common Stock or stock certificates or other securities or property upon the surrender of any Notes for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Section. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any

provisions contained in any Supplemental Indenture entered into pursuant to Article VIII hereof relating either to the kind or amount of shares of stock or securities or property (including cash) receivable by Holders upon the conversion of their Notes after any event referred to in such Section 812 or to any adjustment to be made with respect thereto, but, subject to the provisions of Article Five of the Original Indenture, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

Section 814 Simultaneous Adjustments. In the event that Section 806 requires adjustments to the Conversion Rate under more than one of Sections 806(a), (b), (c) or (d), and the Record Dates for the distributions giving rise to such adjustments shall occur on the same date, then such adjustments shall be made by applying, first, the provisions of Section 806(c), second, the provisions of Section 806(a) and third, the provisions of Section 806(b); provided, however, that nothing in this Section 814 shall be done to evade the principle set forth in Section 806(h) hereof that the Maximum Conversion Rate shall not apply to any adjustments made with respect to any of the events in Section 806(a) or Section 806(b) hereof.

Section 815 Successive Adjustments. After an adjustment to the Conversion Rate under Section 806, any subsequent event requiring an adjustment under Section 806 shall cause an adjustment to the Conversion Rate as so adjusted.

Section 816 General Considerations. Whenever successive adjustments to the Conversion Rate are called for pursuant to this Article VIII, such adjustments shall be made to the Market Price per share of Common Stock as may be necessary or appropriate to effectuate the intent of this Article VIII and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

ARTICLE IX

Transfer and Exchange

Section 901 Transfer and Exchange of the Notes.

The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Depositary, in accordance with Section 305 of the Original Indenture and this Article IX (including the restrictions on transfer set forth therein and herein) and the rules and procedures of the Depositary therefor, which shall include restrictions on transfer comparable to those set forth therein and herein to the extent required by the Securities Act. The transfer and exchange of Global Notes or beneficial interests therein for certificated notes (or vice versa) shall be effected through the Trustee and the Depositary, as the case may be, in accordance with Section 305 of the Original Indenture and this Article IX.

Section 902 Legends.

(a) Each certificate evidencing the Global Notes or certificated notes in definitive form (and all Notes issued in exchange therefor or substitution thereof) shall bear a legend in substantially the following form:

THE HOLDER OF THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY IS SUBJECT TO, AND ENTITLED TO THE BENEFITS OF, A RIGHTS AGREEMENT, DATED AS OF JANUARY 1, 2002, BETWEEN THE COMPANY AND JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, AS RIGHTS AGENT.

Each certificate evidencing the Global Notes also shall bear the legend specified for Global Notes in the form of Note attached hereto as Exhibit A.

ARTICLE X

Remedies; Modification and Waiver

Section 1001 Additional Events of Default; Acceleration of Maturity.

(a) Solely with respect to the Notes issued hereby, Section 501(1) of the Original Indenture is hereby deleted in its entirety, and the following is substituted in lieu thereof as an Event of Default in addition to the other events set forth in Section 501 of the Original Indenture:

"(1) default in the payment of any interest upon any Security of that series, including Contingent Interest, if any, when it becomes due and payable, and continuance of such default for a period of 30 days;"

(b) Solely with respect of the Notes issued hereby, Section 501(5) of the Original Indenture is hereby deleted in its entirety, and the following is substituted in lieu thereof as an Event of Default in addition to the other events set forth in Section 501 of the Original Indenture:

"(5) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company, CERC or CenterPoint Houston in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company, CERC or CenterPoint Houston a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company, CERC or CenterPoint Houston under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company, CERC or CenterPoint Houston or of any substantial part of its respective property, or ordering the winding up or liquidation of its respective affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; provided that any specified event in (A) or (B) involving CERC or CenterPoint Houston shall not constitute an Event of Default if, at the time such event occurs, CERC or

CenterPoint Houston, as the case may be, shall no longer be an Affiliate of the Company; or"

(c) Solely with respect to the Notes issued hereby, Section 501(6) of the Original Indenture is hereby deleted in its entirety, and the following is substituted in lieu thereof as an Event of Default in addition to the other events set forth in Section 501 of the Original Indenture:

"(6) the commencement by the Company, CERC or CenterPoint Houston of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by any of them to the entry of a decree or order for relief in respect of the Company, CERC or CenterPoint Houston in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against any of them, or the filing by any of them of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by any of them to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company, CERC or CenterPoint Houston or of any substantial part of their respective property, or the making by any of them of an assignment of a substantial part of their respective property for the benefit of creditors, or the admission by any of them in writing of the inability of any of the Company, CERC or CenterPoint Houston to pay their respective debts generally as they become due, or the taking of corporate action by the Company, CERC or CenterPoint Houston in furtherance of any such action; provided that any such specified event involving CERC or CenterPoint Houston shall not constitute an Event of Default if, at the time such event occurs, CERC or CenterPoint Houston, as the case may be shall no longer be an Affiliate of the Company; or"

(d) Solely with respect to the Notes issued hereby, and pursuant to Section 501(7) of the Original Indenture, the following shall each constitute an "Event of Default" in addition to the other events set forth in Section 501 of the Original Indenture:

"(i) The default by the Company, CERC or CenterPoint Houston in a scheduled payment at maturity, upon redemption or otherwise, in the aggregate principal amount of $50 million or more, after the expiration of any applicable grace period, of any Indebtedness or the acceleration of any Indebtedness of the Company, CERC or CenterPoint Houston in such aggregate principal amount, so that it becomes due and payable prior to the

date on which it would otherwise have become due and payable and such payment default is not cured or such acceleration is not rescinded within 30 days after notice to the Company in accordance with the terms of the Indebtedness; provided that such payment default or acceleration of CERC or CenterPoint Houston shall not to be an Event of Default if, at the time such event occurs, CERC or CenterPoint Houston, as the case may be, shall not be an Affiliate of the Company;

(ii) The Company defaults in its obligation to redeem the Notes after exercising its redemption option pursuant to Article IV hereof;

(iii) The Company defaults in its obligation to convert the Notes upon exercise of a Holder's conversion right in accordance with the terms of the Notes and Article VIII hereof; and

(iv) The Company defaults in its obligation to purchase Notes upon the occurrence of a Fundamental Change or the exercise by a Holder of its option to require the Company to repurchase such Holder's Notes in accordance with the terms of Article V or Article VI hereof, as applicable."

Section 1002 Modification and Waiver. In addition to those matters set forth in Section 902 of the Original Indenture (including the terms and conditions of the Notes set forth herein), with respect to the Notes, no amendment or Supplemental Indenture shall without the consent of the Holder of each Note affected thereby:

(a) Reduce the Redemption Price, Purchase Price or Fundamental Change Purchase Price of the Notes;

(b) Change the terms applicable to redemption or purchase of the Notes in a manner adverse to the Holder; or

(c) Alter the manner of calculation or rate of Contingent Interest payable on any Note or extend the time for payment of any such amount.

In addition, with respect to the Notes, notwithstanding Sections 513 and 1006 of the Original Indenture, approval of the Holders of each outstanding Note shall be required to:

(a) Waive any default by the Company in any payment of the Redemption Price, Purchase Price or Fundamental Change Purchase Price with respect to any Notes; or

(b) Waive any default which constitutes a failure to convert any Note in accordance with its terms and the terms of Article VIII hereof.

The reference to "interest" in Section 513(1) of the Original Indenture shall include Contingent Interest, if any.

ARTICLE XI

Miscellaneous Provisions

Section 1101 The Indenture, as supplemented and amended by this Supplemental Indenture No. 6, is in all respects hereby adopted, ratified and confirmed.

Section 1102 This Supplemental Indenture No. 6 may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 1103 THIS SUPPLEMENTAL INDENTURE NO. 6 AND EACH NOTE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

Section 1104 If any provision in this Supplemental Indenture No. 6 limits, qualifies or conflicts with another provision hereof which is required to be included herein by any provisions of the Trust Indenture Act, such required provision shall control.

Section 1105 In case any provision in this Supplemental Indenture No. 6 or the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 6 to be duly executed, as of the day and year first written above.

CENTERPOINT ENERGY, INC.

By: /s/ Gary L. Whitlock

Name: Gary L. Whitlock
Title: Executive Vice President and Chief Financial Officer

Attest:

/s/ Richard B. Dauphin

Name: Richard B. Dauphin
Title: Assistant Corporate Secretary

(SEAL)

JPMORGAN CHASE BANK,
NATIONAL ASSOCIATION, AS TRUSTEE

By: /s/ Carol Logan

Name: Carol Logan
Title: Vice President and Trust Officer

(SEAL)

Exhibit A

[FORM OF FACE OF NOTE]

[Global Note]
[Certificated Note]

[IF THIS SECURITY IS TO BE A GLOBAL NOTE -] THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY.

[For as long as this Global Security is deposited with or on behalf of The Depository Trust Company it shall bear the following legend.] Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to CenterPoint Energy, Inc. or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

CENTERPOINT ENERGY, INC.

3.75% Convertible Senior Notes, Series B due 2023

No. _____ $_____ *
CUSIP No. _____

CENTERPOINT ENERGY, INC., a corporation duly organized and existing under the laws of the State of Texas (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on May 15, 2023. This Note shall bear interest as specified on the other side of this Note. This

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* REFERENCE IS MADE TO SCHEDULE A ATTACHED HERETO WITH RESPECT TO DECREASES AND INCREASES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOTES EVIDENCED BY THIS CERTIFICATE.

Note is convertible and is subject to redemption at the option of the Company and to purchase by the Company at the option of the Holder as specified on the other side of this Note.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

THE HOLDER OF THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY IS SUBJECT TO, AND ENTITLED TO THE BENEFITS OF, A RIGHTS AGREEMENT, DATED AS OF JANUARY 1, 2002, BETWEEN THE COMPANY AND JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, AS RIGHTS AGENT.

FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE INTERNAL REVENUE CODE, THIS SECURITY IS A CONTINGENT PAYMENT DEBT INSTRUMENT AND WILL ACCRUE ORIGINAL ISSUE DISCOUNT AT THE ISSUER'S "COMPARABLE YIELD" FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. PURSUANT TO SECTION 213 OF THE SUPPLEMENTAL INDENTURE, THE COMPANY AGREES, AND BY ACCEPTANCE OF A BENEFICIAL OWNERSHIP INTEREST IN THE SECURITY, EACH BENEFICIAL HOLDER OF THE SECURITIES WILL BE DEEMED TO HAVE AGREED, FOR UNITED STATES FEDERAL INCOME TAX PURPOSES, (i) TO TREAT THE SECURITIES AS INDEBTEDNESS THAT IS SUBJECT TO THE CONTINGENT PAYMENT DEBT INSTRUMENT REGULATIONS UNDER SECTION 1.1275-4 OF THE UNITED STATES TREASURY REGULATIONS (THE "CPDI REGULATIONS"), AND, FOR PURPOSES OF THE CPDI REGULATIONS, TO TREAT THE FAIR MARKET VALUE OF COMMON STOCK RECEIVED BY A BENEFICIAL HOLDER UPON ANY CONVERSION OF THE NOTES AS A CONTINGENT PAYMENT AND (ii) TO BE BOUND BY THE COMPANY'S DETERMINATION OF THE "COMPARABLE YIELD" AND "PROJECTED PAYMENT SCHEDULE," WITHIN THE MEANING OF THE CPDI REGULATIONS, WITH RESPECT TO THE NOTES AND TO ACCRUE ORIGINAL ISSUE DISCOUNT AT THE COMPARABLE YIELD AS DETERMINED BY THE COMPANY. THE COMPANY'S DETERMINATION OF THE "COMPARABLE YIELD" IS 5.81% PER ANNUM, COMPOUNDED SEMIANNUALLY. THE PROJECTED PAYMENT SCHEDULE, DETERMINED BY THE COMPANY, IS ATTACHED TO THE SUPPLEMENTAL INDENTURE AS EXHIBIT F. YOU MAY OBTAIN THE AMOUNT OF ORIGINAL ISSUE DISCOUNT, ISSUE DATE, COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE FOR THE SECURITY BY TELEPHONING THE COMPANY'S TREASURY

DEPARTMENT AT (713) 207-7019 OR SUBMITTING A WRITTEN REQUEST FOR SUCH INFORMATION TO: CENTERPOINT ENERGY, INC., 1111 LOUISIANA, HOUSTON, TEXAS 77002, ATTENTION: TREASURER.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: _____

CENTERPOINT ENERGY, INC.

By: _____

Name: _____

Title: _____

(SEAL)

Attest:

- _____

Name: _____

Title: _____

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

JPMORGAN CHASE BANK,
NATIONAL ASSOCIATION
As Trustee

Date of Authentication: _____

By: _____

Authorized Signatory

[FORM OF REVERSE SIDE OF NOTE]

CENTERPOINT ENERGY, INC.

3.75% CONVERTIBLE SENIOR NOTES, SERIES B DUE 2023

1. INTEREST

This Note shall bear interest at a rate of 3.75% per year on the principal hereof, from May 15, 2005 or from the most recent Interest Payment Date (as defined below) to which payment has been made or duly provided for, payable semiannually in arrears on May 15 and November 15 of each year (each an "Interest Payment Date"), beginning November 15, 2005 to the persons in whose names the Notes are registered at the close of business on May 1 and November 1 (each a "Regular Record Date") (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date. This Note shall also bear Contingent Interest in certain circumstances as specified in paragraph 5 below. The amount of interest payable for any period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest payable for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the days elapsed in any partial month.

Holders of Notes at the close of business on a Regular Record Date will receive payment of interest, including Contingent Interest, if any, payable on the corresponding Interest Payment Date notwithstanding the conversion of such Notes at any time after the close of business on such Regular Record Date. Notes surrendered for conversion by a Holder during the period from the close of business on any Regular Record Date to the opening of business on the immediately following Interest Payment Date must be accompanied by payment of an amount equal to the interest, including Contingent Interest, if any, that the Holder is to receive on the Notes; provided, however, that no such payment need be made if (1) the Company has specified a Redemption Date that is after a Regular Record Date and on or prior to the immediately following Interest Payment Date, (2) the Company has specified a Purchase Date following a Fundamental Change that is during such period or (3) any overdue interest (including overdue Contingent Interest, if any) exists at the time of conversion with respect to such Notes to the extent of such overdue interest.

If the principal hereof or any portion of such principal is not paid when due (whether upon acceleration, upon the date set for payment of the Redemption Price pursuant to paragraph 6 hereof, upon the date set for payment of a Purchase Price or Fundamental Change Purchase Price pursuant to paragraph 8 hereof or upon the Stated Maturity of this Note) or if interest (including Contingent Interest, if any) due hereon or any portion of such interest is not paid when due in accordance with this paragraph or paragraph 5 or 11 hereof, then in each such case the overdue amount shall bear interest at the rate of 3.75% per annum, compounded semiannually (to the extent that the payment of such interest shall be legally enforceable), which interest shall accrue from the date such overdue amount was due to the date payment of such amount, including interest thereon, has been made or duly provided for. All such interest shall be payable on demand.

2. METHOD OF PAYMENT

Payment of the principal of (and premium, if any) and any such interest on this Note will be made at the Corporate Trust Office of the Trustee, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer in immediately available funds at such place and to such account as may be designated in writing by the Person entitled thereto as specified in the Security Register.

3. PAYING AGENT, CONVERSION AGENT AND SECURITY REGISTRAR

Initially, the Trustee, shall act as Paying Agent, Conversion Agent and Security Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Security Registrar or co-registrar or approve a change in the office through which any Paying Agent acts without notice, other than notice to the Trustee. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Security Registrar or co-registrar.

4. INDENTURE

This Note is one of a duly authorized issue of securities of the Company, issued and to be issued in one or more series under an Indenture, dated as of May 19, 2003 (the "Original Indenture"), as amended and supplemented by the Supplemental Indenture No. 1 thereto, dated as of May 19, 2003, the Supplemental Indenture No. 2 thereto, dated as of May 27, 2003, the Supplemental Indenture No. 3 thereto, dated as of September 9, 2003, the Supplemental Indenture No. 4 thereto, dated as of December 17, 2003, the Supplemental Indenture No. 5 thereto, dated as of December 13, 2004, and the Supplemental Indenture No. 6 thereto, dated as of August 23, 2005 (the Original Indenture as so amended and supplemented, the "Indenture"), between the Company and the Trustee. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. Reference is hereby made to the Indenture for a statement of the respective rights thereunder of the Company, the Trustee and the Holders and the terms upon which the Notes are to be authenticated and delivered. The terms, conditions and provisions of the Notes are those stated in the Indenture, those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended, and those set forth in the Notes.

The Notes are general unsecured obligations of the Company limited to $575,000,000 aggregate principal amount.

5. CONTINGENT INTEREST

The Company will pay Contingent Interest to the Holders of the Notes in respect of any six-month interest period from May 15 to November 14 or November 15 to May 14 commencing on or after May 15, 2008 for which the average Trading Price of a Note for the applicable five Trading Day reference period equals or exceeds 120% of $1,000 per $1,000 principal amount of Notes as of the day immediately preceding the first day of the applicable six-month interest period. The "five Trading Day reference period" means the five Trading Days ending on the second Trading Day immediately preceding the relevant six-month interest period. For any six-

month interest period in respect of which Contingent Interest is payable, the Contingent Interest payable on each $1,000 principal amount of Notes shall equal 0.25% of the average Trading Price per $1,000 principal amount of Notes during the applicable five Trading Day reference period.

The record dates and payment dates for Contingent Interest, if any, will be the same as the Regular Record Date and Interest Payment Dates for the semi-annual interest payments on the Notes.

Upon determination that Holders will be entitled to receive Contingent Interest which may become payable, the Company shall notify the Holders. In connection with providing such notice, the Company will issue a press release and publish a notice containing information regarding the Contingent Interest determination in a newspaper of general circulation in The City of New York or publish such information on the Company's then existing Web site or through such other public medium as the Company shall determine.

6. REDEMPTION AT THE OPTION OF THE COMPANY

No sinking fund is provided for the Notes. The Notes are redeemable for cash in whole, or in part, at any time on or after May 15, 2008 at the option of the Company at a redemption price ("Redemption Price") equal to 100% of the principal amount of the Notes to be redeemed plus any accrued and unpaid interest (including Contingent Interest, if any) to the Redemption Date.

7. NOTICE OF REDEMPTION AT THE OPTION OF THE COMPANY

Notice of redemption at the option of the Company shall be mailed at least 30 days but not more than 60 days before a Redemption Date to the Trustee, the Paying Agent and each Holder of Notes to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Notes (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent prior to or on the Redemption Date, on and after the Redemption Date interest (including Contingent Interest, if any), if any, shall cease to accrue on such Notes or portions thereof. Notes in denominations larger than $1,000 principal amount may be redeemed in part but only in integral multiples of $1,000 principal amount.

8. PURCHASE BY THE COMPANY AT THE OPTION OF THE HOLDER; PURCHASE AT THE OPTION OF THE HOLDER UPON A FUNDAMENTAL CHANGE

(a) Subject to the terms and conditions of the Indenture, a Holder shall have the option to require the Company to purchase the Notes held by such Holder on May 15, 2008, May 15, 2013 and May 15, 2018 (each, a "Purchase Date") at a purchase price (the "Purchase Price") equal to 100% of the principal amount of the Notes to be purchased plus any accrued and unpaid interest (including Contingent Interest, if any) to such Purchase Date, upon delivery of a Purchase Notice containing the information set forth in the Indenture, from the opening of business on the date that is 20 Business Days prior to such Purchase Date until the close of business on the fifth Business Day prior to such Purchase Date and upon delivery of the Notes to the Paying Agent by the Holder as set forth in the Indenture. The Company will pay the Purchase Price in cash.

Notes in denominations larger than $1,000 principal amount may be purchased in part, but only in integral multiples of $1,000 principal amount.

(b) If a Fundamental Change shall occur at any time prior to May 15, 2008, each Holder shall have the right, at such Holder's option and subject to the terms and conditions of the Indenture, to require the Company to purchase any or all of such Holder's Notes or any portion of the principal amount thereof that is equal to $1,000 or an integral multiple of $1,000 on the date selected by the Company that is no later than 35 days after the date of the Company Notice of the occurrence of the Fundamental Change (subject to extension to comply with applicable law) for a Fundamental Change Purchase Price equal to 100% of the principal amount of Notes purchased plus accrued and unpaid interest (including Contingent Interest, if any) to the Fundamental Change Purchase Date, which Fundamental Change Purchase Price shall be paid by the Company in cash, as set forth in the Indenture.

(c) Holders have the right to withdraw any Purchase Notice or Fundamental Change Purchase Notice, as the case may be, by delivery to the Paying Agent of a written notice of withdrawal in accordance with the provisions of the Indenture.

(d) If cash sufficient to pay a Fundamental Change Purchase Price or Purchase Price, as the case may be, of all Notes or portions thereof to be purchased as of the Purchase Date or the Fundamental Change Purchase Date, as the case may be, is deposited with the Paying Agent on the Business Day following the Purchase Date or the Fundamental Change Purchase Date, as the case may be, interest (including Contingent Interest, if any) shall cease to accrue on such Notes (or portions thereof) on and after such Purchase Date or Fundamental Change Purchase Date, and the Holder thereof shall have no other rights as such (other than the right to receive the Purchase Price or Fundamental Change Purchase Price, as the case may be, upon surrender of such Note).

9. RANKING

The Notes shall be unsecured and shall rank equally in right of payment with all of the Company's other existing and future unsecured and unsubordinated Indebtedness.

10. CONVERSION

Subject to the procedures set forth in the Indenture, a Holder may convert Notes into Cash and, if applicable, shares of Common Stock (in accordance with the provisions of the Indenture) on or before the close of business on May 15, 2023 during the periods and upon satisfaction of at least one of the conditions set forth below:

(a) in any calendar quarter (and only during such calendar quarter) if the Last Reported Sale Price for Common Stock for at least 20 Trading Days during the period of 30 consecutive Trading Days ending on the last Trading Day of the previous calendar quarter is greater than or equal to 120% or, following May 15, 2008, 110% of the Conversion Price per share of Common Stock on such last Trading Day;

(b) during any period in which both (A) the credit rating assigned to the Notes by Moody's Investors Service, Inc. is lower than Ba2 and (B) the credit rating assigned to the Notes by Standard & Poor's Rating Services is lower than BB;

(c) during any period in which the Notes no longer are assigned credit ratings by at least one of Moody's Investors Services, Inc. and Standard & Poor's Ratings Services or their successors;

(d) in the event that the Company calls the Notes for redemption, at any time prior to the close of business on the second Business Day immediately preceding the Redemption Date; or

(e) the Company becomes a party to a consolidation, merger or binding share exchange pursuant to which the Common Stock would be converted into cash or property (other than securities), or if a transaction described in clause (c) of the definition of Fundamental Change set forth in Section 102 of the Indenture (or in connection with a transaction that would have been a Fundamental Change under such clause (c) but for the existence of the 105% Trading Price Exception) that occurs on or prior to May 15, 2008 and results in an increase in the Conversion Rate, in which case a Holder may surrender Notes for conversion at any time from and after the date which is 15 days prior to the anticipated effective date for the transaction until and including the date which is 15 days after the actual effective date of such transaction (or if such transaction also results in Holders having the right to require the Company to repurchase their Notes, until the Fundamental Change Purchase Date); or

(f) the Company elects to (i) distribute to all holders of Common Stock assets, debt securities or rights to purchase securities of the Company, which distribution has a per share value as determined by the Board of Directors exceeding 15% of the Last Reported Sale Price of a share of Common Stock on the Trading Day immediately preceding the declaration date for such distribution, or (ii) distribute to all holders of Common Stock rights entitling them to purchase, for a period expiring within 60 days after the date of such distribution, shares of Common Stock at less than the Last Reported Sale Price of Common Stock on the Trading Day immediately preceding the declaration date of the distribution. In the case of the foregoing clauses (i) and (ii), the Company must notify the Holders at least 20 Business Days immediately prior to the ex date for such distribution. Once the Company has given such notice, Holders may surrender their Notes for conversion at any time thereafter until the earlier of the close of business on the Business Day immediately prior to the ex date or the Company's announcement that such distribution will not take place; provided, however, that a Holder may not exercise this right to convert if the Holder may participate in the distribution without conversion. As used herein, the term "ex date," when used with respect to any issuance or distribution, shall mean the first date on which the Common Stock trades regular way on such exchange or in such market without the right to receive such issuance or distribution.

If a Holder elects to convert such Holder's Notes in connection with a Fundamental Change pursuant to clause (c) of the definition thereof set forth in Section 102 of the Indenture (or in connection with a transaction that would have been a Fundamental Change under such clause (c) but for the existence of the 105% Trading Price Exception) that occurs on or prior to May 15, 2008 pursuant to which 10% or more of the consideration for the Common Stock (other

than cash payments for fractional shares) in such Fundamental Change transaction consists of cash or securities (or other property) that are not traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange or the Nasdaq National Market, the Company will increase the Conversion Rate by the Make-Whole Premium as described under Section 501(b) of Supplemental Indenture No. 6 or, in lieu thereof, the Company may in certain circumstances elect to adjust the Conversion Rate and the related conversion obligation so that the Notes are convertible into shares of the acquiring or surviving entity as described under Section 501(c) of Supplemental Indenture No. 6.

Notes in respect of which a Holder has delivered a notice of exercise of the option to require the Company to purchase such Notes pursuant to Articles V or VI of the Indenture may be converted only if the notice of exercise is withdrawn in accordance with the terms of the Indenture.

The initial Conversion Rate is 86.3558. The Conversion Rate is subject to adjustment in certain events described in the Indenture.

Holders of Notes at the close of business on a Regular Record Date will receive payment of interest, including Contingent Interest, if any, payable on the corresponding Interest Payment Date notwithstanding the conversion of such Notes at any time after the close of business on such Regular Record Date. Notes surrendered for conversion by a Holder during the period from the close of business on any Regular Record Date to the opening of business on the immediately following Interest Payment Date must be accompanied by payment of an amount equal to the interest, including Contingent Interest, if any, that the Holder is to receive on the Notes; provided, however, that no such payment need be made if (1) the Company has specified a Redemption Date that is after a Regular Record Date and on or prior to the immediately following Interest Payment Date, (2) the Company has specified a Purchase Date following a Fundamental Change that is during such period, or (3) any overdue interest (including overdue Contingent Interest, if any) exists at the time of conversion with respect to such Notes to the extent of such overdue interest.

To convert the Notes a Holder must (1) complete and manually sign the irrevocable conversion notice on the back of the Notes (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent at the office maintained by the Conversion Agent for such purpose, (2) surrender the Notes to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Trustee and (4) pay any transfer or similar tax, if required.

A Holder may convert a portion of the Notes only if the principal amount of such portion is $1,000 or a multiple of $1,000. No payment or adjustment shall be made for dividends on the Common Stock except as provided in the Indenture. On conversion of the Notes, that portion of accrued and unpaid interest attributable to any period prior to and including the Conversion Date and accrued and unpaid Contingent Interest with respect to the converted portion of the Notes shall not be canceled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through the delivery of the Cash and, if applicable, shares of Common Stock deliverable upon conversion in exchange for the portion of the Notes being converted pursuant to the terms hereof; and the Fair Market Value of any such shares of Common Stock (together with

any such cash payment in lieu of fractional shares) shall be treated as issued, to the extent thereof, first in exchange for interest accrued and unpaid through the Conversion Date and accrued and unpaid Contingent Interest, and the balance, if any, of such Fair Market Value of such Common Stock (and any such cash payment) shall be treated as issued in exchange for the principal amount of the Notes being converted pursuant to the provisions hereof.

If the Company engages in certain reclassifications of the Common Stock or if the Company is a party to a consolidation, merger, binding share exchange or a transfer of all or substantially all if its assets, in each case pursuant to which shares of Common Stock are converted into cash, securities or other property, then at the effective time of the transaction the Conversion Value and the Net Share Amount will be based on the applicable Conversion Rate and the kind and amount of cash, securities or other property which a Holder of one share of Common Stock would have received in such transaction. In addition, if the Holder converts its Notes following the effective time of the transaction, the Net Share Amount will be paid, at the Company's option, in cash, in such Exchange Property rather than Shares of Common Stock or in a combination of cash and Exchange Property. Notwithstanding the first sentence of this paragraph, if the Company elects to adjust the Conversion Rate and the Company's conversion obligation as described in Section 501(c) of Supplemental Indenture No. 6, the provisions described in that section will apply instead of the provisions described in the first sentence of this paragraph.

11. DEFAULTED INTEREST

Except as otherwise specified with respect to the Notes, any Defaulted Interest on any Note shall forthwith cease to be payable to the registered Holder thereof on the relevant Regular Record Date or accrual date, as the case may be, by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company as provided for in Section 204 of the Supplemental Indenture.

12. DENOMINATIONS; TRANSFER; EXCHANGE

The Notes are in registered form, without coupons, in denominations of $1,000 principal amount and integral multiples of $1,000. A Holder may transfer or convert Notes in accordance with the Indenture. The Security Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. In the event of any redemption or purchase in part, the Security Registrar need not register the transfer of or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes in respect of which a Purchase Notice or Fundamental Change Purchase Notice has been given and not withdrawn (except, in the case of a Note to be purchased in part, the portion of the Note not to be purchased) for a period of 15 days before the mailing of a Redemption Notice, Purchase Notice or Fundamental Change Purchase Notice.

13. PERSONS DEEMED OWNERS

The registered Holder of this Note may be treated as the owner of this Note for all purposes.

14. UNCLAIMED MONEY OR PROPERTY

The Trustee and the Paying Agent shall return to the Company upon written request any money or property held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, provided, however, that the Trustee or such Paying Agent, before being required to make any such return, shall at the expense of the Company cause to be published once in a newspaper of general circulation in The City of New York or mail to each such Holder notice that such money or property remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing, any unclaimed money or property then remaining shall be returned to the Company. After return to the Company, Holders entitled to the money or property must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person.

15. AMENDMENT; WAIVER

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Notes may be amended with the written consent of the Holders of at least a majority in aggregate principal amount of the Notes at the time Outstanding and (ii) certain defaults or noncompliance with certain provisions may be waived with the written consent of the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture or the Notes may be amended without the consent of any Holders under circumstances set forth in Section 901 of the Original Indenture. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

16. DEFAULTS AND REMEDIES

If an Event of Default occurs and is continuing, the Trustee, or the Holders of at least 25% in aggregate principal amount of the Notes at the time outstanding, may declare the principal amount and any accrued and unpaid interest (including Contingent Interest, if any), of all the Notes to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which shall result in the Notes being declared due and payable immediately upon the occurrence of such Events of Default.

Events of Default in respect of the Notes are set forth in Section 1001 of the Supplemental Indenture and Section 501 of the Original Indenture. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless it receives reasonable indemnity or security. Subject to certain limitations, conditions and exceptions, Holders of a majority in aggregate principal amount of the Notes at the time Outstanding may direct the Trustee in its exercise of any trust or power, including the annulment of a declaration of acceleration. The Trustee may withhold from Holders notice of any continuing default (except a default in payment on any Notes) if it determines that withholding notice is in their interests.

17. CONSOLIDATION, MERGER, AND SALE OF ASSETS

In the event of a consolidation, merger, or a conveyance, transfer or lease of all or substantially all of Company's property or assets as described in Article VIII of the Original Indenture, the successor corporation to the Company shall succeed to and be substituted for the Company, and may exercise the Company's rights and powers under this Indenture, and thereafter, except in the case of a lease, the Company shall be relieved of all obligations and covenants under the Indenture and the Notes.

18. TRUSTEE AND AGENT DEALINGS WITH THE COMPANY

The Trustee, Paying Agent, Conversion Agent and Security Registrar under the Indenture, each in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee, Paying Agent, Conversion Agent or Security Registrar.

19. CALCULATIONS IN RESPECT OF THE NOTES

The Company will be responsible for making all calculations called for under the Notes. These calculations include, but are not limited to, determination of the market prices for the Common Stock, accrued interest payable on the Notes and Conversion Price of the Notes. The Company will make these calculations in good faith and, absent manifest error, these calculations will be final and binding on the Holders. The Company will provide to each of the Trustee and the Conversion Agent a schedule of its calculations and each of the Trustee and the Conversion Agent is entitled to rely upon the accuracy of such calculations without independent verification. The Trustee will forward the Company's calculations to any Holder upon the request of such Holder.

20. NO RECOURSE AGAINST OTHERS

A director, officer or employee, as such, of the Company or any Subsidiary of the Company or any stockholder as such, of the Company shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

21. AUTHENTICATION

This Note shall not be valid until an authorized officer of the Trustee or Authenticating Agent manually signs the Trustee's Certificate of Authentication on the other side of this Note.

22. ABBREVIATIONS

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TENANT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

23. GOVERNING LAW

The Indenture and this Note shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of law rules of said state.

SCHEDULE A

SCHEDULE OF ADJUSTMENTS

The initial aggregate principal amount of Securities evidenced by the Certificate to which this Schedule is attached is _____. The notations on the following table evidence decreases and increases in the aggregate principal amount of Securities evidenced by such Certificate.

Date of Adjustment	Decrease in Aggregate Principal Amount of Securities	Increase in Aggregate Principal Amount of Securities	Aggregate Principal Amount of Securities Remaining After Such Decrease or Increase	Notation by Security Registrar

Exhibit B

FORM OF CONVERSION NOTICE

To: CenterPoint Energy, Inc.

The undersigned registered holder of this Note hereby exercises the option to convert this Note, or portion hereof (which is $1,000 principal amount or an integral multiple thereof) designated below, for cash and shares, if any, of Common Stock of CenterPoint Energy, Inc. in accordance with the terms of the Indenture referred to in this Note, and directs that the shares, if any, issuable and deliverable upon such conversion, together with any check for cash deliverable upon such conversion, and any Notes representing any unconverted principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If shares or any portion of this Note not converted are to be issued in the name of a Person other than the undersigned, the undersigned shall pay all transfer taxes payable with respect thereto.

This notice shall be deemed to be an irrevocable exercise of the option to convert this Note.

Dated:

Signature(s)

Signature(s) must be guaranteed by a commercial bank or trust company or a member firm of a major stock exchange if shares of Common Stock are to be issued, or Notes to be delivered, other than to or in the name of the registered holder.

Signature Guarantee

Fill in for registration of shares if to be delivered, and Notes if to be issued other than to and in the name of registered holder:

- ------------------------------------ Principal Amount to be purchased
(Name) (if less than all):

- ------------------------------------ $_____,000
(Street Address)

- ------------------------------------ Social Security or Other Taxpayer Number
(City, state and zip code)

Please print name and address

Exhibit C

FORM OF FUNDAMENTAL CHANGE PURCHASE NOTICE

To: CenterPoint Energy, Inc.

The undersigned registered holder of this Note hereby acknowledges receipt of a notice from CenterPoint Energy, Inc. (the "Company") as to the occurrence of a Fundamental Change with respect to the Company and requests and instructs the Company to repurchase this Note, or the portion hereof (which is $1,000 principal amount or an integral multiple thereof) designated below, in accordance with the terms of the Supplemental Indenture referred to in this Note and directs that the check of the Company, in payment for this Note or the portion thereof and any Notes representing any unrepurchased principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If any portion of this Note not repurchased is to be issued in the name of a Person other than the undersigned, the undersigned shall pay all transfer taxes payable with respect thereto.

Dated:

Signature(s)

Signature(s) must be guaranteed by a commercial bank or trust company or a member firm of a major stock exchange if Notes are to be delivered, other than to or in the name of the registered holder.

Signature Guarantee

Fill in for registration of Notes if to be issued other than to and in the name of registered holder:

- ---
(Name)

- ---
(Street Address)

- ---
(City, state and zip code)

Please print name and address

Principal Amount to be purchased (if less than all): $_____,000

Social Security or Other Taxpayer Number

Exhibit D

FORM OF PURCHASE NOTICE

To: CenterPoint Energy, Inc.

The undersigned registered holder of this Note hereby acknowledges receipt of a notice from CenterPoint Energy, Inc. (the "Company") as to the holder's option to require the Company to repurchase this Note and requests and instructs the Company to repurchase this Note, or the portion hereof (which is $1,000 principal amount or an integral multiple thereof) designated below, in accordance with the terms of the Supplemental Indenture referred to in this Note and directs that the check of the Company in payment for this Note or the portion thereof and any Notes representing any unrepurchased principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If any portion of this Note not repurchased is to be issued in the name of a Person other than the undersigned, the undersigned shall pay all transfer taxes payable with respect thereto.

Dated:

Signature(s)

Signature(s) must be guaranteed by a commercial bank or trust company or a member firm of a major stock exchange if Notes are to be delivered, other than to or in the name of the registered holder.

Signature Guarantee

Fill in for registration of Notes if to be issued other than to and in the name of registered holder:

- ---
(Name)

- ---
(Street Address)

- ---
(City, state and zip code)

Please print name and address

Principal Amount to be purchased (if less than all): $_____,000

Social Security or Other Taxpayer Number

Exhibit E

ASSIGNMENT FORM

For value received _____ hereby sell(s), assign(s) and transfer(s) unto _____ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints _____ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

Dated:

Signature(s)

Signature(s) must be guaranteed by a commercial bank or trust company or a member firm of a major stock exchange if shares of Common Stock are to be issued, or Notes to be delivered, other than to or in the name of the registered holder.

Signature Guarantee

NOTICE: The above signatures of the holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

EXHIBIT 4(h)(4)

CENTERPOINT ENERGY, INC.
(Successor to Reliant Energy, Incorporated)

To

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
(Successor to Chase Bank of Texas, National Association)

Trustee

SUPPLEMENTAL INDENTURE No. 3

Dated as of December 28, 2005

2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS(SM))

- --------
(SM) Service Mark of Goldman, Sachs & Co.

CENTERPOINT ENERGY, INC.

SUPPLEMENTAL INDENTURE NO. 3

2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS(SM))

SUPPLEMENTAL INDENTURE No. 3, dated as of December 28, 2005, between CENTERPOINT ENERGY, INC. (successor to Reliant Energy, Incorporated), a Texas corporation (the "Company"), and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (successor to Chase Bank of Texas, National Association), a national banking association, as Trustee (the "Trustee").

RECITALS

The Company has heretofore executed and delivered to the Trustee a Subordinated Indenture, dated as of September 1, 1999 (the "Original Indenture" and, as previously and hereby supplemented and amended, the "Indenture"), providing for the issuance from time to time of one or more series of the Company's Securities.

Pursuant to the terms of the Indenture, the Company provided for the establishment of a series of Securities designated as the "2% Zero-Premium Exchangeable Subordinated Notes due 2029" (the "ZENS"), the form and substance of the ZENS and the terms, provisions and conditions thereof in Supplemental Indenture No. 1, dated as of September 1, 1999, between the Company and the Trustee.

Section 307 of the Indenture provides that the Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agent.

Subparagraph (5) of Section 901 of the Indenture provides that the Company and the Trustee may enter into an indenture supplemental to the Indenture to add to, change or eliminate any of the provisions of the Indenture if such action does not adversely affect the interests of any Holders.

For and in consideration of the premises and the issuance of the series of Securities provided for herein, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders of the Securities of such series, as follows:

ARTICLE ONE

Relation to the Indenture

Section 101. Relation to the Indenture. This Supplemental Indenture No. 3 constitutes an integral part of the Indenture.

ARTICLE TWO

Designation of Paying Agent

Section 201. Designation of Paying Agent. JPMorgan Chase Bank, National Association is hereby designated as the Paying Agent on the ZENS. The designation of CenterPoint Energy, Inc. as the Paying Agent on the ZENS is hereby rescinded.

ARTICLE THREE

Miscellaneous Provisions

Section 301. The Indenture, as supplemented and amended by this Supplemental Indenture No. 3, is in all respects hereby adopted, ratified and confirmed.

Section 302. This Supplemental Indenture No. 3 may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. This Supplemental Indenture No. 3 shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

Section 303. THIS SUPPLEMENTAL INDENTURE NO. 3 AND EACH ZENS SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 3 to be duly executed, as of the day and year first written above.

CENTERPOINT ENERGY, INC.

By: /s/ Marc Kilbride
Name: Marc Kilbride
Title: Vice President and Treasurer

Attest: /s/ Richard B. Dauphin
Name: Richard B. Dauphin
Title: Assistant Corporate Secretary

(SEAL)

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Carol Logan
Name: Carol Logan
Title: Vice President

(SEAL)

CENTERPOINT ENERGY, INC. RETIREMENT PLAN

(As Amended and Restated Effective January 1, 1999)

Thirteenth Amendment

CenterPoint Energy, Inc., a Texas corporation, having reserved the right under Section 15.1 of the CenterPoint Energy, Inc. Retirement Plan, as amended and restated effective as of January 1, 1999, and as thereafter amended (the "Plan"), under Section 15.1 of the Plan, does hereby amend the Plan, effective as of January 1, 2006, as follows:

1. Article VIII of the Plan is hereby amended to add the following new Section 8.9 thereto:

"8.9 2006 Southern Gas Involuntary Separation Benefit: A Member who (i) is an Eligible Southern Gas Employee (as defined below), (ii) has attained at least age 55 and completed at least 5 years of Service as of his Termination Date (as defined below), and (iii) qualifies for a benefit under a Company involuntary severance benefits plan (a 'Southern Gas Severance Plan'), which provides for this benefit for an Eligible Southern Gas Employee who is involuntarily terminated during the Severance Period (as defined below), and who satisfies all requirements for this benefit under the applicable Southern Gas Severance Plan, shall be eligible, subject to his timely execution and delivery without subsequent revocation of the waiver and release, and his timely execution and delivery of any election or other documents, required under the applicable Southern Gas Severance Program, to receive a Pension commencing on or after his Termination Date equal to the normal or early retirement Pension for which the Member is eligible (or, in the case of an Eligible Southern Gas Employee who is on Disability Leave of Absence, would have been eligible had his employment continued through the period of disability and terminated, and his benefit accruals under the Plan shall cease, on his Termination Date), calculated as set forth in Section 8.1 or 8.2, but adding three (3) deemed years to the Member's age and three (3) deemed years to the Member's Service as applicable to the specific benefit formulas under the Plan (including for purposes of the Grandfathered Benefit under Section 7.6), except with respect to the Actuarial Equivalent calculations under Article XI.

For purposes of this Section 8.9,

(a) An 'Eligible Southern Gas Employee' means a Member (i) who was a nonexempt Employee of CenterPoint Energy Southern Gas Operations, a division of CenterPoint Energy Resources Corp., a wholly

owned subsidiary of the Company, and any successor to CenterPoint Energy Southern Gas Operations ('Southern Gas'), (ii) whose employment with Southern Gas was involuntary terminated during the Severance Period, and (iii) who is not subsequently employed by the Employer or any Affiliate prior to his Termination Date.

(b) The 'Severance Period' means the period prescribed in the Southern Gas Severance Plan; provided, however, that such period shall not commence prior to January 1, 2006, and shall not extend beyond December 31, 2006.

(c) The 'Termination Date' means an Eligible Southern Gas Employee's involuntary termination of Service date.

(d) To the extent applicable, a Member's Compensation, as provided in Section 1.16, in effect on his Termination Date shall be deemed to continue unchanged during his deemed three (3) years of Service.

The foregoing notwithstanding, the enhanced benefits provided under this Section are subject to compliance with the non-discrimination requirements under Section 401(a)(4) of the Code and, to the extent the Committee determines in its sole discretion is necessary to satisfy such requirements, such benefit may be reduced or otherwise adjusted."

2. Article VIII of the Plan is hereby amended to add the following new Section 8.10 thereto:

"8.10 2006 Voluntary Early Retirement Program: A Member who is an Eligible VERP Employee (as defined below) and who has attained at least age 55 and completed at least 5 years of Service as of February 28, 2006, may elect to participate in the Company's 2006 Voluntary Early Retirement Programs for Southern Gas Operations Employees, CenterPoint Energy Service Information Technology Employees and Finance and Regulatory, Regulated Operations Employees (collectively, the '2006 Program'). Any election to participate in the 2006 Program shall be made in writing between January 5, 2006 and February 28, 2006 (or within 50 days of receipt of the 2006 Program materials, including the related form of waiver and release, if later), in the form and manner prescribed by the Committee, including subsequent execution of such waiver and release, as a condition of eligibility for the 2006 Program. Except as provided below, any Eligible VERP Employee who elects to participate in the 2006 Program shall voluntarily terminate his Service on February 28, 2006, or such earlier date after January 5, 2006, but prior to February 28, 2006, as agreed to by the Company and the Eligible VERP Employee (as applicable, his 'Termination Date'), and shall be eligible to elect to receive the 'Voluntary Early Pension' (as described below) in

lieu of any other pension hereunder, which shall be payable in accordance with the provisions of Article XI (including the optional forms of payment), effective as of the Termination Date. Any Eligible VERP Employee who elects to participate in the 2006 Program and who, at the request of his Employer, elects to extend his Service beyond the Termination Date to a later termination date based on a specific business need of his Employer, shall receive the Voluntary Early Pension commencing no earlier than the first day of the month coincident with or next following his actual termination of Service and payable in accordance with the provisions of Article XI in effect as of such later date (with such later date, his Termination Date).

An Eligible VERP Employee who has elected to participate in the 2006 Program, subject to his execution and delivery without subsequent revocation of the waiver and release required under the 2006 Program, shall be eligible to receive a Voluntary Early Pension commencing on his Termination Date equal to the normal or early retirement Pension for which the Member is eligible (or, in the case of an Eligible VERP Employee who is on Disability Leave of Absence, would have been eligible had his employment continued through the period of disability and terminated, and his benefit accruals under the Plan shall cease, on the Termination Date), calculated as set forth in Section 8.1 or 8.2, but adding three (3) deemed years to the Member's age and three (3) deemed years to the Member's Service for all purposes under the Plan (including for purposes of the Grandfathered Benefit under Section 7.6), other than Actuarial Equivalent calculations under Article XI.

For purposes of this Section 8.10,

(a) An 'Eligible VERP Employee' is a Member who

(i) on January 5, 2006, is an (1) active, exempt Employee of CenterPoint Energy Southern Gas Operations, a division of CenterPoint Energy Resources Corp., a wholly owned subsidiary of the Company, (2) active information technology employee of CenterPoint Energy Service Company, LLC, a wholly owned subsidiary of the Company, or (3) active finance and regulatory, regulated operations employee of the Company or any Affiliate;

(ii) is not an officer of the Company or any Affiliate at the vice president level or above; and

(iii) is not subsequently employed by the Employer or any Affiliate prior to his Termination Date.

(b) To the extent applicable, a Member's Compensation, as provided in Section 1.16, in effect on his Termination Date shall be

deemed to continue unchanged during his deemed three (3) years of Service.

The foregoing notwithstanding, the enhanced benefits provided under this Section are subject to compliance with the non-discrimination requirements under Section 401(a)(4) of the Code and, to the extent the Committee determines in its sole discretion is necessary to satisfy such requirements, such benefit may be reduced or otherwise adjusted."

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 6th day of February, 2006, but effective as of the January 1, 2006.

CENTERPOINT ENERGY, INC.

By /s/ David McClanahan

David McClanahan
President and Chief Executive Officer

ATTEST:

/s/ Richard Dauphin
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Richard Dauphin
Assistant Secretary

EXHIBIT 10(mm)

CENTERPOINT ENERGY, INC.
SUMMARY OF NON-EMPLOYEE DIRECTOR COMPENSATION

The following is a summary of compensation paid to the non-employee directors of CenterPoint Energy, Inc. (the "Company") effective June 2, 2005. For additional information regarding the compensation of the non-employee directors, please read the definitive proxy statement relating to the Company's 2006 annual meeting of shareholders to be filed pursuant to Regulation 14A.

- Annual retainer fee of $50,000 for Board membership;
- Fee of $1,500 for each Board meeting attended;
- Fee of $2,000 for each Audit Committee meeting attended;
- Fee of $1,500 for each meeting of any other Board committee attended;
- Supplemental annual retainer of $10,000 for serving as a chairman of the Audit Committee; and
- Supplemental annual retainer of $5,000 for serving as a chairman of any other Board committee.

The Chairman receives the compensation payable to other non-employee directors plus supplemental compensation pursuant to a letter agreement with the Company incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Stock Grants. Each non-employee director also receives an annual grant of up to 5,000 shares of CenterPoint Energy common stock which vest in one-third increments on the first, second and third anniversaries of the grant date. Upon the initial nomination to the Board, in addition to the annual grant, a non-employee director may be granted a one-time grant of up to but not exceeding 5,000 shares of CenterPoint Energy common stock.

Deferred Compensation Plan. Directors may elect each year to defer all or part of their annual retainer fees and meeting fees. Directors participating in these plans may elect to receive distributions of their deferred compensation and interest in three ways: (i) an early distribution of either 50% or 100% of their account balance in any year that is at least four years from the year of deferral up to the year in which they reach age 70, (ii) a lump sum distribution payable in the year after they reach age 70 or upon leaving the Board of Directors, whichever is later, or (iii) 15 annual installments beginning on the first of the month coincident with or next following age 70 or upon leaving the Board of Directors, whichever is later.

Director Benefits Plan. Non-employee directors elected to the Board before 2004 participate in a director benefits plan under which a director who serves at least one full year will receive an annual cash amount equal to the annual retainer (excluding any supplemental retainer) in effect when the director terminates service. Benefits under this plan begin the January following the later of the director's termination of service or attainment of age 65, for a period equal to the number of full years of service of the director.

Executive Life Insurance Plan. Non-employee directors who were elected to the Board before 2001 participate in CenterPoint Energy's executive life insurance plan. This plan provides endorsement split-dollar life insurance with a death benefit equal to six times the director's annual retainer, excluding any supplemental retainer, with coverage continuing after the director's termination of service at age 65 or later. Directors elected to the Board after 2000 may not participate in this plan.

EXHIBIT 10(nn)

CENTERPOINT ENERGY, INC.
SUMMARY OF NAMED EXECUTIVE OFFICER COMPENSATION

The following is a summary of compensation paid to the named executive officers of CenterPoint Energy, Inc. (the "Company"). For additional information regarding the compensation of the named executive officers, please read the definitive proxy statement relating to the Company's 2006 annual meeting of shareholders to be filed pursuant to Regulation 14A and the Company's Current Report on Form 8-K referenced below.

Base Salary. The following table sets forth the annual base salary of the Company's named executive officers effective April 1, 2006:

NAME AND POSITION	2006 BASE SALARY
David M. McClanahan President and Chief Executive Officer	$980,000
Gary L. Whitlock Executive Vice President and Chief Financial Officer	$445,000
Scott E. Rozzell Executive Vice President, General Counsel and Corporate Secretary	$425,000
Thomas R. Standish Senior Vice President and Group President - Regulated Operations	$405,000
Byron R. Kelley Senior Vice President and Group President and Chief Operating Officer, CenterPoint Energy Pipelines and Field Services	$313,000

Short-Term Incentive Compensation Plan. Annual bonuses are paid to the Company's named executive officers pursuant to the Company's short-term incentive compensation plan, which provides for cash bonuses based on the achievement of certain performance objectives approved in accordance with the terms of the plan at the commencement of the year. Information regarding performance goals for the named executive officers for 2006 is contained in the Company's Current Report on Form 8-K dated February 22, 2006.

Long-Term Incentive Compensation. Under the Company's long-term incentive plan, the Company's named executive officers may receive grants of (i)

stock option awards, (ii) performance share awards, (iii) performance unit awards and/or (iv) stock awards. Information regarding the terms of certain grants pursuant to the Company's long-term incentive plan is contained in the Company's Current Report on Form 8-K dated February 22, 2006.

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EXHIBIT 12

CENTERPOINT ENERGY, INCORPORATED AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

YEAR ENDED DECEMBER 31,	2001	2002	2003	2004	2005
	(MILLIONS OF DOLLARS)				
Income from continuing operations	$ 357	$ 482	$ 409	$ 205	$ 225
Income taxes for continuing operations	201	272	205	139	153
Capitalized interest	(5)	(5)	(4)	(4)	(4)
Preference security dividend requirements of subsidiary	(1)	--	--	--	--
	552	749	610	340	374
Fixed charges, as defined:					
Interest	497	656	713	777	710
Capitalized interest	5	5	4	4	4
Distribution on trust preferred securities	45	56	28	--	--
Preference security dividend requirements of subsidiary	1	--	--	--	--
Interest component of rentals charged to operating expense	12	12	11	11	12
Total fixed charges	560	729	756	792	726
Earnings, as defined	$1,112	$1,478	$1,366	$1,132	$1,100
Ratio of earnings to fixed charges	1.99	2.03	1.81	1.43	1.51

EXHIBIT 21

SIGNIFICANT SUBSIDIARIES OF CENTERPOINT ENERGY, INC.

The following subsidiaries are deemed "significant subsidiaries" pursuant to Item 601(b) (21) of Regulation S-K:

Utility Holdings, LLC, a Texas limited liability company and a direct wholly owned subsidiary of CenterPoint Energy, Inc.

CNP Investment Management, Inc., a Delaware corporation and a direct wholly owned subsidiary of CenterPoint Energy, Inc.

CenterPoint Energy Resources Corp., a Delaware corporation and an indirect wholly owned subsidiary of CenterPoint Energy, Inc.

CenterPoint Energy Houston Electric, LLC, a Texas limited liability company and an indirect wholly owned subsidiary of CenterPoint Energy, Inc.

(1) Pursuant to Item 601(b) (21) of Regulation S-K, registrant has omitted the names of subsidiaries, which considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" (as defined under Rule 1-02(w) of Regulation S-X) as of December 31, 2005.

(2) CenterPoint Energy Resources Corp. also conducts business under the names of its two unincorporated divisions: Southern Gas Operations and Minnesota Gas.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-120306, 333-116246 and 333-114543 on Form S-3; Registration Statement Nos. 333-115976 and 333-105773 on Form S-8; Post-Effective Amendment No. 1 to Registration Statement Nos. 333-33303-99 on Form S-3; Post Effective Amendment No. 1 to Registration Statement Nos. 333-32413-99, 333-49333-99, 333-38188-99, 333-60260-99, 333-98271-99 and 333-101202 on Form S-8; and Post-Effective Amendment No. 5 to Registration Statement No. 333-11329-99 on Form S-8 of our reports relating to i) the consolidated financial statements of CenterPoint Energy, Inc. and subsidiaries dated March 15, 2006 (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the Company's adoption of a new accounting standard related to conditional asset retirement obligations), ii) the consolidated financial statement schedules dated March 15, 2006, and iii) management's report on the effectiveness of internal control over financial reporting dated March 15, 2006, appearing in this Annual Report on Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2005.

DELOITTE & TOUCHE LLP

Houston, Texas

March 15, 2006

EXHIBIT 31.1

CERTIFICATIONS

I, David M. McClanahan, certify that:

1. I have reviewed this Annual Report on Form 10-K of CenterPoint Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2006

/s/ David M. McClanahan

David M. McClanahan
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Gary L. Whitlock, certify that:

1. I have reviewed this Annual Report on Form 10-K of CenterPoint Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2006

/s/ Gary L. Whitlock

Gary L. Whitlock
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Annual Report of CenterPoint Energy, Inc. (the "Company") on Form 10-K for the Year ended December 31, 2005 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, David M. McClanahan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2006

/s/ David M. McClanahan

David M. McClanahan
President and Chief Executive Officer

EXHIBIT 32.2

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

In connection with the Annual Report of CenterPoint Energy, Inc. (the "Company") on Form 10-K for the Year ended December 31, 2005 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Gary L. Whitlock, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2006

/s/ Gary L. Whitlock

Gary L. Whitlock
Executive Vice President and
Chief Financial Officer