CenterPoint Energy Reports Third Quarter 2006 Earnings

HOUSTON, Nov 02, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- CenterPoint Energy, Inc. (NYSE: CNP) today reported net income and income from continuing operations of $83 million, or $0.26 per diluted share, for the third quarter of 2006 compared to $50 million, or $0.15 per diluted share, for the same period of 2005.

"I'm pleased with the overall performance of our business and the progress that we are achieving," said David M. McClanahan, president and chief executive officer of CenterPoint Energy. "This continued strong performance, combined with the growth prospects in our pipeline and field services operations, positions us well for the future."

For the nine months ended September 30, 2006, net income was $365 million, or $1.14 per diluted share, compared to $171 million, or $0.51 per diluted share, for the same period of 2005. Income from continuing operations before extraordinary item for the nine months ended September 30, 2006, was also $365 million, or $1.14 per diluted share, compared to $144 million, or $0.43 per diluted share, for the same period of 2005.

Results for the nine months ended September 30, 2006, included the impact of two second quarter settlements. The first was an agreement with the Internal Revenue Service regarding the tax treatment of the company's Zero Premium Exchangeable Subordinated Notes (ZENS) and its former Automatic Common Exchange Securities (ACES). This agreement, which is subject to approval by the Joint Committee on Taxation of the U. S. Congress, resulted in a reduction to the company's previously accrued tax and related interest reserves, adding $119 million ($0.37 per diluted share) to income. The second was an agreement settling all issues related to the remand to the Texas Public Utility Commission of the company's 2001 unbundled cost of service order (UCOS) which reduced income by $21 million after-tax, or $0.07 per diluted share.

Net income for the nine months ended September 30, 2005, included an extraordinary gain of $30 million, or $0.09 per diluted share, reflecting an adjustment to the extraordinary loss recorded in the second half of 2004 to write down generation-related regulatory assets. In addition, net income for the nine months ended September 30, 2005, included a loss of $3 million, or $0.01 per diluted share, from discontinued operations.

OPERATING INCOME BY SEGMENT DETAILED

Electric Transmission & Distribution

The electric transmission & distribution segment reported operating income of $219 million in the third quarter of 2006, consisting of $187 million for the regulated electric transmission & distribution utility (TDU) (including $14 million for the competition transition charge (CTC)) and $32 million related to the transition bonds. Operating income for the third quarter of 2005 totaled $183 million, consisting of $174 million for the TDU (including $2 million for the CTC) and $9 million related to the transition bonds.

The TDU's revenues continued to benefit from solid customer growth, with nearly 49,000 metered customers added since September 2005. Houston experienced normal weather during the third quarter of 2006, which created an unfavorable weather variance when compared to the abnormally warm weather in 2005. Operation and maintenance expenses were unchanged.

Operating income for the nine months ended September 30, 2006, was $480 million, consisting of $384 million for the TDU (including $44 million for the CTC) and $96 million related to the transition bonds. Operating income for the same period of 2005 totaled $385 million, consisting of $358 million for the TDU (including $2 million for the CTC) and $27 million related to the transition bonds. The TDU's operating income for the nine months ended September 30, 2006, includes the $32 million adverse impact of the resolution of the 2001 UCOS order recorded in the second quarter of 2006.

Natural Gas Distribution

The natural gas distribution segment reported an operating loss of $11 million for the third quarter of 2006 compared to a loss of $16 million for the same period of 2005. Due to seasonal impacts, the third quarter for this segment is typically one of the weakest of the year. Higher margins from rate increases and rate design changes, along with the addition of nearly 43,000 customers since September 2005, were partially offset by increased operation and maintenance expenses driven primarily by higher bad debt expense due to high natural gas prices.

Operating income for the nine months ended September 30, 2006, was $90 million compared to $116 million for the same period of 2005. In addition to the factors noted above, operating income for the nine months ended September 30, 2006, was adversely affected by unfavorable weather, decreased usage and costs associated with staff reductions.

Competitive Natural Gas Sales and Services

The competitive natural gas sales and services segment reported operating income of $12 million for the third quarter of 2006 compared to $4 million for the same period of 2005. The increase was primarily driven by increased sales of gas from inventory, reduced bad debt expenses and a $21 million favorable variance related to mark-to-market accounting for non-trading financial derivatives used to lock in the economic value associated with basis differentials. These positive variances were partially offset by a $26 million write-down of natural gas inventory to the lower of average cost or market. The company purchases and stores natural gas to meet certain future sales requirements and enters into derivative contracts to hedge the economic value of the future sales. Due to the inventory write-downs, operating income in the future periods, when these sales occur, is expected to be higher.

Operating income for the nine months ended September 30, 2006, was $44 million compared to $30 million for the same period of 2005. Operating income for the nine months ended September 30, 2006, included improved margins, a $34 million favorable variance related to mark-to-market accounting and $56 million of write-downs of natural gas inventory.

Pipelines and Field Services

The pipelines and field services segment reported operating income of $69 million for the third quarter of 2006 compared to $52 million for the same period of 2005. This segment's businesses continue to benefit from favorable dynamics in the markets for natural gas gathering and transportation services in the Gulf Coast and Mid-Continent regions. Within this segment, the pipeline business achieved higher operating income ($48 million vs. $36 million) resulting primarily from the sale of excess gas no longer required following improvements to a storage facility. The field services business achieved higher operating income ($21 million vs. $16 million) driven by increased throughput. In addition, this business recorded equity income of $2 million in the third quarter of 2006 ($1 million for the same period in 2005) from its 50 percent interest in a jointly-owned gas processing plant. These amounts are included in Other - net under the Other Income (Expense) caption.

Operating income for the nine months ended September 30, 2006, was $203 million compared to $168 million for the same period of 2005. The pipeline business achieved operating income of $137 million for the nine months ended September 30, 2006, compared to $119 million for the same period of 2005. The field services business achieved operating income of $66 million for the nine months ended September 30, 2006, compared to $49 million for the same period of 2005. Equity income from the jointly-owned gas processing plant was $7 million for the nine months ended September 30, 2006, compared to $4 million for the same period of 2005.

DIVIDEND DECLARATION

On October 26, 2006, CenterPoint Energy's board of directors declared a regular quarterly cash dividend of $0.15 per share of common stock payable on December 8, 2006, to shareholders of record as of the close of business on November 16, 2006.

OUTLOOK FOR 2006

CenterPoint Energy expects diluted earnings per share for 2006 to be in the range of $1.00 to $1.10 compared to its prior expectation of $0.90 to $1.00. This guidance excludes any impacts related to the ZENS and ACES, including the negative impact of $0.04 per diluted share related to the increase in the tax reserve recorded in the first quarter 2006 and the one- time positive impact of $0.37 per diluted share related to the company's settlement regarding the tax treatment of the ZENS and ACES recorded in the second quarter 2006. This guidance also excludes the one-time adverse impact of $0.07 per diluted share related to the settlement of the 2001 UCOS order recorded in the second quarter 2006. This guidance includes an estimated impact of the settlement of the TDU's rate case and takes into consideration various economic and operational assumptions related to the business segments in which the company operates. The company has made certain assumptions regarding the impact to earnings of various other regulatory proceedings, but cannot predict the ultimate outcome of any of those proceedings. In providing this guidance, the company has not projected the impact of any changes in accounting standards, any impact from acquisitions or divestitures, or the outcome of the TDU's true-up appeal.

WEBCAST OF EARNINGS CONFERENCE CALL

CenterPoint Energy's management will host an earnings conference call on Thursday, November 2, 2006, at 10:30 a.m. Central time or 11:30 a.m. Eastern time. Interested parties may listen to a live audio broadcast of the conference call at http://www.CenterPointEnergy.com/investors/events . A replay of the call can be accessed approximately two hours after the completion of the call and will be archived on the web site for at least one year.

CenterPoint Energy, Inc., headquartered in Houston, Texas, is a domestic energy delivery company that includes electric transmission & distribution, natural gas distribution, competitive natural gas sales and services, and pipeline and field services operations. The company serves more than five million metered customers primarily in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma, and Texas. Assets total approximately $17 billion. With about 9,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 130 years. For more information, visit the Web site at http://www.CenterPointEnergy.com .

This news release includes forward-looking statements. Actual events and results may differ materially from those projected. The statements in this news release regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements. Factors that could affect actual results include the timing and outcome of appeals from the true-up proceedings, the timing and impact of future regulatory, legislative and IRS decisions, effects of competition, weather variations, changes in CenterPoint Energy's or its subsidiaries' business plans, financial market conditions, the timing and extent of changes in commodity prices, particularly natural gas, the impact of unplanned facility outages, and other factors discussed in CenterPoint Energy's and its subsidiaries' Form 10-Ks for the period ended December 31, 2005, Form 10-Qs for the periods ended March 31, 2006, June 30, 2006, and September 30, 2006, and other filings with the Securities and Exchange Commission.

CenterPoint Energy, Inc. and Subsidiaries
Statements of Consolidated Income
(Millions of Dollars)
(Unaudited)

	Quarter Ended September 30, 2005	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2006
Revenues:				
Electric Transmission & Distribution	$484	$533	$1,243	$1,374
Natural Gas Distribution	535	485	2,405	2,514
Competitive Natural Gas Sales and Services	1,013	830	2,783	2,743
Pipelines and Field Services	116	141	362	401
Other Operations	4	3	15	12
Eliminations	(79)	(57)	(298)	(189)
Total	2,073	1,935	6,510	6,855
Expenses:				
Natural gas	1,277	1,058	4,161	4,286
Operation and maintenance	336	347	974	1,018
Depreciation and amortization	145	159	411	452
Taxes other than income taxes	90	87	277	289
Total	1,848	1,651	5,823	6,045
Operating Income	225	284	687	810
Other Income (Expense):				
Gain (Loss) on Time Warner investment	30	20	(29)	17
Gain (Loss) on indexed debt securities	(29)	(12)	34	(13)
Interest and other finance charges	(168)	(120)	(521)	(353)
Interest on transition bonds	(9)	(32)	(27)	(98)
Return on true-up balance	35	---	104	---
Other - net	7	12	18	27
Total	(134)	(132)	(421)	(420)
Income from Continuing Operations Before Income Taxes and Extraordinary Item	91	152	266	390
Income Tax Expense	(41)	(69)	(122)	(25)

Income from Continuing Operations Before Extraordinary Item	50	83	144	365
Discontinued Operations:				
Income from Texas Genco, net of tax	---	---	11	---
Loss on Disposal of Texas Genco, net of tax	---	---	(14)	---
Total	---	---	(3)	---
Income Before Extraordinary Item	50	83	141	365
Extraordinary Item, net of tax	---	---	30	---
Net Income	$50	$83	$171	$365

Reference is made to the Notes to the Consolidated Financial Statements contained in the Annual Report on Form 10-K of CenterPoint Energy, Inc.

CenterPoint Energy, Inc. and Subsidiaries
Selected Data From Statements of Consolidated Income
(Millions of Dollars, Except Share and Per Share Amounts)
(Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2005	2006	2005	2006
Basic Earnings Per Common Share:				
Income from Continuing Operations	$0.16	$0.27	$0.46	$1.17
Income from Discontinued Operations	---	---	(0.01)	---
Extraordinary item, net of tax	---	---	0.10	---
Net Income	$0.16	$0.27	$0.55	$1.17
Diluted Earnings Per Common Share:				
Income from Continuing Operations	$0.15	$0.26	$0.43	$1.14
Income from Discontinued Operations	---	---	(0.01)	---
Extraordinary item, net of tax	---	---	0.09	---
Net Income	$0.15	$0.26	$0.51	$1.14
Dividends Declared per Common Share	$0.07	$0.15	$0.34	$0.45
Weighted Average Common Shares Outstanding (000):				
- Basic	309,657	311,945	309,080	311,414
- Diluted	346,503	324,716	355,022	319,974

Operating Income (Loss) by Segment

Electric Transmission & Distribution:				
Transmission & Distribution Operations	$174	$187	$358	$384
Transition Bond Companies	9	32	27	96
Total Electric Transmission & Distribution	183	219	385	480
Natural Gas Distribution	(16)	(11)	116	90
Competitive Natural Gas Sales and				

Services	4	12	30	44
Pipelines and Field Services	52	69	168	203
Other Operations	2	(5)	(12)	(7)
Total	$225	$284	$687	$810

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CenterPoint Energy, Inc. and Subsidiaries
Results of Operations by Segment
(Millions of Dollars)
(Unaudited)

	Electric Transmission & Distribution					
	Quarter Ended September 30,		% Diff Fav/ (Unfav)	Nine Months Ended September 30,		% Diff Fav/ (Unfav)
	2005	2006		2005	2006	
Results of Operations:						
Revenues:						
Electric transmission and distribution utility	$453	$453	---	$1,164	$1,170	1%
Transition bond companies	31	80	158%	79	204	158%
Total	484	533	10%	1,243	1,374	11%
Expenses:						
Operation and maintenance	155	155	---	446	436	2%
Depreciation and amortization	69	58	16%	197	182	8%
Taxes other than income taxes	55	53	4%	163	168	(3%)
Transition bond companies	22	48	(118%)	52	108	(108%)
Total	301	314	(4%)	858	894	(4%)
Operating Income	$183	$219	20%	$385	$480	25%
Operating Income - Electric transmission and distribution utility	174	187	7%	358	384	7%
Operating Income - Transition bond companies	9	32	256%	27	96	256%
Total Segment Operating Income	$183	$219	20%	$385	$480	25%
Electric Transmission & Distribution Operating Data:						
Actual MWH Delivered						
Residential	8,871,356	8,522,786	(4%)	19,606,915	19,317,160	(1%)

Total	22,351,407	22,829,685	2%	57,134,034	59,238,907	4%
Weather (average for service area):						
Percentage of normal:						
Cooling degree days	113%	100%	(13%)	110%	105%	(5%)
Heating degree days	0%	0%	0%	76%	60%	(16%)
Average number of metered customers:						
Residential	1,690,819	1,740,079	3%	1,675,904	1,729,348	3%
Total	1,921,594	1,976,559	3%	1,904,235	1,964,189	3%

Natural Gas Distribution

	Quarter Ended September 30, 2005	Quarter Ended September 30, 2006	% Diff Fav/ (Unfav)	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2006	% Diff Fav/ (Unfav)
Results of Operations:						
Revenues	$535	$485	(9%)	$2,405	$2,514	5%
Expenses:						
Natural gas	355	298	16%	1,693	1,787	(6%)
Operation and maintenance	132	137	(4%)	393	429	(9%)
Depreciation and amortization	39	38	3%	115	113	2%
Taxes other than income taxes	25	23	8%	88	95	(8%)
Total	551	496	10%	2,289	2,424	(6%)
Operating Income (Loss)	$(16)	$(11)	31%	$116	$90	(22%)
Natural Gas Distribution Operating Data:						
Throughput data in BCF						
Residential	9	14	56%	107	98	(8%)
Commercial and Industrial	38	44	16%	158	160	1%
Total Throughput	47	58	23%	265	258	(3%)
Weather (average for service area)						
Percentage of normal:						
Heating degree days	34%	104%	70%	89%	81%	(8%)
Average number of customers:						
Residential	2,820,629	2,849,040	1%	2,835,306	2,864,999	1%
Commercial and Industrial	244,249	253,063	4%	246,370	253,357	3%
Total	3,064,878	3,102,103	1%	3,081,676	3,118,356	1%

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CenterPoint Energy, Inc. and Subsidiaries
Results of Operations by Segment
(Millions of Dollars)
(Unaudited)

Competitive Natural Gas Sales and Services

	Quarter Ended September 30, 2005	Quarter Ended September 30, 2006	% Diff Fav/ (Unfav)	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2006	% Diff Fav/ (Unfav)
Results of Operations:						
Revenues	$1,013	$830	(18%)	$2,783	$2,743	(1%)
Expenses:						
Natural gas	998	809	19%	2,728	2,673	2%
Operation and maintenance	9	8	11%	21	23	(10%)
Depreciation and amortization	---	---	---	1	1	---
Taxes other than income taxes	2	1	50%	3	2	33%
Total	1,009	818	19%	2,753	2,699	2%
Operating Income	$4	$12	200%	$30	$44	47%
Competitive Natural Gas Sales and Services Operating Data:						
Throughput data in BCF						
Wholesale - third parties	81	90	11%	235	251	7%
Wholesale - affiliates	11	8	(27%)	46	27	(41%)
Retail	31	31	---	112	110	(2%)
Pipeline	10	9	(10%)	41	28	(32%)
Total Throughput	133	138	4%	434	416	(4%)
Average number of customers:						
Wholesale	144	140	(3%)	143	140	(2%)
Retail	6,225	6,213	---	6,203	6,416	3%
Pipeline	147	138	(6%)	154	138	(10%)
Total	6,516	6,491	---	6,500	6,694	3%

Pipelines and Field Services

	Quarter Ended September 30, 2005	Quarter Ended September 30, 2006	% Diff Fav/ (Unfav)	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2006	% Diff Fav/ (Unfav)
Results of Operations:						
Revenues	$116	$141	22%	$362	$401	11%
Expenses:						
Natural gas	---	7	---	25	10	60%
Operation and maintenance	47	47	---	121	136	(12%)
Depreciation and amortization	12	12	---	34	36	(6%)

Taxes other than income taxes	5	6	(20%)	14	16	(14%)
Total	64	72	(13%)	194	198	(2%)
Operating Income	$52	$69	33%	$168	$203	21%
Operating Income - Pipeline business	36	48	33%	119	137	15%
Operating Income - Field Services business	16	21	31%	49	66	35%
Total Segment Operating Income	$52	$69	33%	$168	$203	21%
Pipelines and Field Services Operating Data:						
Throughput data in BCF						
Natural Gas Sales	---	1	---	4	3	(25%)
Transportation	199	204	3%	700	718	3%
Gathering	92	97	5%	262	279	6%
Elimination	(1)	(1)	---	(4)	(2)	50%
Total Throughput	290	301	4%	962	998	4%

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CenterPoint Energy, Inc. and Subsidiaries
Results of Operations by Segment
(Millions of Dollars)
(Unaudited)

	Other Operations					
	Quarter Ended September 30,		% Diff Fav/ (Unfav)	Nine Months Ended September 30,		% Diff Fav/ (Unfav)
	2005	2006		2005	2006	
Results of Operations:						
Revenues	$4	$3	(25%)	$15	$12	(20%)
Expenses	2	8	(300%)	27	19	30%
Operating Income (Loss)	$2	$(5)	(350%)	$(12)	$(7)	42%

Capital Expenditures by Segment
(Millions of Dollars)
(Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2005	2006	2005	2006
Capital Expenditures by Segment				
Electric Transmission & Distribution	$57	$88	$199	$278
Natural Gas Distribution	77	48	173	133

Competitive Natural Gas Sales and Services	---	4	---	14
Pipelines and Field Services	55	135	108	219
Other Operations	7	4	17	18
Total	$196	$279	$497	$662

Interest Expense Detail
(Millions of Dollars)
(Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2005	2006	2005	2006
Interest Expense Detail				
Amortization of Deferred Financing Cost	$19	$14	$58	$40
Capitalization of Interest Cost	(1)	(3)	(3)	(6)
Transition Bond Interest Expense	9	32	27	98
Other Interest Expense	150	109	466	319
Total Interest Expense	$177	$152	$548	$451

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CenterPoint Energy, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Millions of Dollars)
(Unaudited)

	December 31, 2005	September 30, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$74	$285
Other current assets	2,817	2,281
Total current assets	2,891	2,566
Property, Plant and Equipment, net	8,492	8,842
Other Assets:		
Goodwill	1,709	1,709
Regulatory assets	2,955	2,838
Other non-current assets	1,069	1,018
Total other assets	5,733	5,565
Total Assets	$17,116	$16,973

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Current portion of transition bond long-term debt	$73	$147
Current portion of other long-term debt	266	1,093
Other current liabilities	2,675	2,136
Total current liabilities	3,014	3,376
Other Liabilities:		
Accumulated deferred income taxes, net and investment tax credit	2,520	2,444
Regulatory liabilities	728	826
Other non-current liabilities	990	855
Total other liabilities	4,238	4,125
Long-term Debt:		
Transition bond	2,407	2,260
Other	6,161	5,645
Total long-term debt	8,568	7,905
Shareholders' Equity	1,296	1,567
Total Liabilities and Shareholders' Equity	$17,116	$16,973

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CenterPoint Energy, Inc. and Subsidiaries
Condensed Statements of Consolidated Cash Flows
(Millions of Dollars)
(Unaudited)

	Nine Months Ended September 30,	
	2005	2006
Cash Flows from Operating Activities:		
Net income	$171	$365
Discontinued operations, net of tax	3	---
Extraordinary item, net of tax	(30)	---
Income from continuing operations	144	365
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	470	489
Deferred income taxes and investment tax credit	156	(87)
Tax and interest reserves reductions related to ZENS and ACES	---	(119)
Write-down of natural gas inventory	---	56
Changes in net regulatory assets	(166)	65
Changes in other assets and liabilities	(295)	(48)
Other, net	4	7
Net Cash Provided by Operating Activities of Continuing Operations	313	728
Net Cash Used in Operating Activities of Discontinued Operations	(38)	---
Net Cash Provided by Operating		

Activities	275	728
Net Cash Provided by (Used in) Investing Activities	218	(626)
Net Cash Provided by (Used in) Financing Activities	(496)	109
Net Increase (Decrease) in Cash and Cash Equivalents	(3)	211
Cash and Cash Equivalents at Beginning of Period	165	74
Cash and Cash Equivalents at End of Period	$162	$285

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