AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON May 26, 2005

REGISTRATION NO. 333-123182

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

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AMENDMENT NO. 1

TO

FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

| TEXAS | 4911 | 74-0694415 |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

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1111 LOUISIANA
HOUSTON, TEXAS 77002
(713) 207-1111
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

RUFUS S. SCOTT
VICE PRESIDENT, DEPUTY GENERAL COUNSEL
AND ASSISTANT CORPORATE SECRETARY
1111 LOUISIANA
HOUSTON, TEXAS 77002
(713) 207-1111
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

| GERALD M. SPEDALE | STEVEN R. LOESHELLE |
|---|---|
| BAKER BOTTS L.L.P. | DEWEY BALLANTINE LLP |
| 910 LOUISIANA, ONE SHELL PLAZA | 1301 AVENUE OF THE AMERICAS |
| HOUSTON, TEXAS 77002 | NEW YORK, NEW YORK 10019 |
| (713) 229-1234 | (212) 259-6160 |

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable following the effectiveness of this Registration Statement.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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The information in this prospectus is not complete and may change. We may not complete the exchange offer and issue these securities untill the registration statement filed with the Securities and Exchange Commission is declared effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO AMENDMENT, DATED MAY 26, 2005

PROSPECTUS

[CENTERPOINT ENERGY LOGO]

# CENTERPOINT ENERGY, INC.
OFFER TO EXCHANGE
3.75% CONVERTIBLE SENIOR NOTES, SERIES B DUE 2023 AND AN EXCHANGE FEE
FOR ALL OUR OUTSTANDING
3.75% CONVERTIBLE SENIOR NOTES DUE 2023

## THE EXCHANGE OFFER:

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, all of our outstanding 3.75% Convertible Senior Notes due 2023, which we refer to as the old notes, for our 3.75% Convertible Senior Notes, Series B due 2023, which we refer to as the new notes, and an exchange fee. We are conducting the exchange offer in response to the guidance set forth in the newly adopted Emerging Issues Task Force Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share." Under that guidance, exchanging old notes for new 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. To the extent old notes are not exchanged, that guidance will require us to reflect the entire conversion value of those notes in our computation of diluted earnings per share from continuing operations, which will result in lower diluted earnings per share from continuing operations than would be the case if old notes are exchanged for the new notes.

- Upon our completion of the exchange offer, each $1,000 principal amount of old notes that is validly tendered and not validly withdrawn will be exchanged for $1,000 principal amount of new notes and an exchange fee of $1.50. Tenders of old notes may be withdrawn at any time before 5:00 p.m., New York City time, on the expiration date of the exchange offer.

- As explained more fully in this prospectus the exchange offer is subject to customary conditions, some of which we may waive.

- The exchange offer expires at 5:00 p.m., New York City time, on , 2005, which we refer to as the expiration date, unless extended.

## THE NEW NOTES:

The terms of the new notes are substantially identical to the old notes, except for the following modifications:

- Net Share Settlement Upon Conversion. The new notes will require us to settle all conversions for a combination of cash and shares, if any, in lieu of only shares. We will pay cash equal to the lesser of the principal amount of the new notes and their conversion value. To the extent the conversion value exceeds the principal amount of the new notes, we may, at our option, deliver cash, shares of our common stock, or a combination of cash and shares, equal to such excess amount.

- Adjustment to Conversion Rate Upon Certain Change of Control Events. The new notes will provide for an increase in the conversion rate for holders who convert the new notes upon the occurrence of certain change of control events unless the acquirer'S common stock is traded on a U.S. national securities exchange or on the Nasdaq National Market, in which case, at

our option, the new notes may instead become contingently convertible into the common stock of the public acquirer, subject to the net settlement provisions described in this prospectus.

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 13 OF THIS PROSPECTUS BEFORE PARTICIPATING IN THE EXCHANGE OFFER.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR THIS TRANSACTION, PASSED UPON THE MERITS OR FAIRNESS OF THIS TRANSACTION, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Exclusive Dealer Manager:
BANC OF AMERICA SECURITIES LLC

The date of this exchange offer prospectus is , 2005.

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You should only rely on the information contained or incorporated by reference in this prospectus. Neither we nor the dealer manager has authorized any other person to provide different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the cover page or that any information contained in any document we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.



This prospectus incorporates important business and financial information about us from other documents that are not included in or delivered with this prospectus. See "Where You Can Find More Information." The information is available to you without charge upon your request. You can obtain the documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following address and telephone number:

CenterPoint Energy, Inc.
Attn: Investor Relations
P.O. Box 4567
Houston, Texas 77210-4567
(713) 207-6500

To ensure timely delivery of any of our filings, agreements or other documents, you must make your request to us no later than , 2005, which is five days before the exchange offer will expire at 5:00 p.m., New York City time, on , 2005.

## SUMMARY

This summary highlights information contained elsewhere in this prospectus or incorporated by reference. This summary does not contain all the information that you should consider before making your decision whether to tender your old notes for exchange. You should read carefully the entire prospectus and the documents incorporated by reference.

Unless the context requires otherwise, the terms "CenterPoint Energy," "our company," "we," "our," "ours" and "us" refer to CenterPoint Energy, Inc. We refer to our 3.75% Convertible Senior Notes due 2023 as the "old notes." We refer to our 3.75% Convertible Senior Notes, Series B due 2023 offered by this prospectus as the "new notes." We sometimes refer to the old notes and the new notes collectively as the "notes."

## OUR COMPANY

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 1.8 million metered customers in a 5,000-square-mile area of the Texas Gulf Coast that has a population of approximately 4.7 million people and includes Houston, and

- CenterPoint Energy Resources Corp. ("CERC"), which owns gas distribution systems serving approximately 3 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 to commercial and industrial customers and natural gas distributors.

On April 13, 2005, we completed the sale of our nuclear generation assets, consisting of a 30.8% undivided interest in the South Texas Project Electric Generating Station, to Texas Genco LLC (formerly known as GC Power Acquisition LLC). The sale was effected through the merger of our wholly owned subsidiary, Texas Genco Holdings, Inc. ("Texas Genco"), with a wholly owned subsidiary of Texas Genco LLC. the merger was the second and final step of the transaction announced in July 2004 in which Texas Genco LLC, an entity owned by affiliates of the Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group, agreed to acquire Texas Genco. The first step of the transaction was completed on December 15, 2004 when Texas Genco LLC acquired the fossil generation assets (coal, lignite and gas-fired plants) of Texas Genco.

We are 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 impose a number of restrictions on our activities and those of our subsidiaries. The 1935 Act, among other things, limits our ability and the ability of our regulated subsidiaries to issue debt and equity securities without prior authorization, restricts the source of dividend payments to current and retained earnings without prior authorization, regulates sales and acquisitions of certain assets and businesses and governs affiliate transactions.

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

## TRUE-UP PROCEEDING

Pursuant to the Texas Electric Choice Plan (the "Texas electric restructuring law"), CenterPoint Houston is permitted to recover certain costs associated with the transition to competitive retail electric markets in Texas. The

amount of costs recoverable was determined in a true-up proceeding before the Public Utility Commission of Texas (the "Texas Utility Commission"). CenterPoint Houston's requested true-up balance was $3.7 billion, excluding interest and net of the retail clawback payable to CenterPoint Houston by a former affiliate. In December 2004, the Texas Utility Commission approved a final order in CenterPoint Houston's true-up proceeding authorizing CenterPoint Houston to recover $2.3 billion including interest through August 31, 2004, subject to adjustments to reflect accrual of 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. In January 2005, we appealed certain aspects of the final order seeking to increase the true-up balance ultimately recovered by CenterPoint Houston. Other parties have also appealed the order, seeking to reduce the amount authorized for CenterPoint Houston's recovery. Although we believe we have meritorious arguments and that the other parties' appeals are without merit, no prediction can be made as to the ultimate outcome or timing of such appeals.

## THE EXCHANGE OFFER

We have summarized the terms of the exchange offer in this section. Before you decide whether to tender your old notes in the offer, you should read the detailed description of the offer under "The Exchange Offer" for further information.

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| PURPOSE OF THE EXCHANGE OFFER | We are offering to exchange old notes for new notes with different terms in response to Emerging Issues Task Force Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share," which is effective for periods ending after December 15, 2004. EITF No. 04-8 requires that the calculation of diluted earnings per share reflect shares issuable under contingently convertible debt regardless of whether the contingent feature has been met. The net share settlement feature of the new notes allows us to satisfy our obligation due upon conversion to holders of the new notes by paying cash for all or a portion of the conversion obligation. Consequently, the new notes will result in fewer shares included in the calculation of diluted earnings per share from continuing operations on a going-forward basis under EITF No. 04-8 since exercise of the conversion feature would result in a payment of cash, rather than shares, for the principal amount of the new notes. By exchanging old notes for new notes, we will be able to report a higher diluted earnings per share on a going-forward basis than if we had not conducted the exchange offer. The impact of EITF No. 04-8 on our reported diluted earnings per share from continuing operations for the three months ended March 31, 2005 and the year ended December 31, 2004 was $0.02 per share and $0.05 per share, respectively. For a summary description of the material differences between the old notes and the new notes, see "Material Differences between the Old Notes and the New Notes." |
| THE EXCHANGE OFFER AND EXCHANGE FEE | We are offering to exchange $1,000 principal amount of new notes and an exchange fee of $1.50 for each $1,000 principal amount of old notes accepted for exchange. You may tender all, some or none of your old notes. If all the old notes are tendered, the total amount of the exchange fee paid would be $862,500.<br><br>We expect to incur borrowings of approximately $1.7 million under our $1 billion revolving credit facility to fund the payment of the exchange fee and other fees and expenses in connection with the exchange offer. Borrowings may be made under our revolving credit facility at LIBOR plus 100 basis points based on current credit ratings and are available upon customary terms and conditions for facilities of this type. An additional utilization fee of 12.5 basis points applies to borrowings any time more than 50% of the facility is utilized. As of April 30, 2005, borrowings of $222 million were outstanding under the revolving credit facility. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. We have no current plan to reduce the amounts borrowed under our revolving credit facility. The facility matures in March 2010. |

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| DECIDING WHETHER TO PARTICIPATE IN THE EXCHANGE OFFER | We, our officers and directors, the dealer manager, the information agent, the exchange agent and the trustee do not make any recommendation as to whether you should tender or refrain from tendering all or any portion of your old notes in the exchange offer. You must make your own decision whether to tender your old notes in the exchange offer and, if so, the aggregate amount of old notes to tender. You should read this prospectus and the letter of transmittal and consult with your advisors, if any, to make that decision based on your own financial position and requirements. |
| CONDITIONS TO THE EXCHANGE OFFER | The exchange offer is subject to certain customary conditions, which we may waive, and to the condition that the registration statement and any post-effective amendment to the registration statement covering the new notes be effective under the Securities Act of 1933, as amended (the "1933 Act"). See "The Exchange Offer -- Conditions to the Exchange Offer." |
| EXPIRATION DATE; EXTENSION AND AMENDMENT | The exchange offer will expire at 5:00 p.m., New York City time, on , 2005, which we refer to as the expiration date, unless extended or earlier terminated by us. We may extend the expiration date for any reason. If we decide to extend the expiration date, we will announce any extensions by press release or other permitted means no later than 9:00 a.m. on the next business day after the previously scheduled expiration of the exchange offer.<br><br>We reserve the right to interpret, modify or amend any of the terms of this exchange offer, provided that we will comply with applicable laws that require us to extend the period during which securities may be tendered or withdrawn as a result of changes in the terms of or information relating to the exchange offer. |
| WITHDRAWAL OF TENDERS | You may withdraw a tender of your old notes at any time before the exchange offer expires by delivering a written notice of withdrawal to JPMorgan Chase Bank, National Association, the exchange agent, before the expiration date. If you change your mind, you may retender your old notes by again following the exchange offer procedures before the exchange offer expires. In addition, if we have not accepted your tendered old notes for exchange, you may withdraw your old notes at any time after , 2005. |
| PROCEDURES FOR EXCHANGE | In order to exchange old notes, you must tender the old notes together with a properly completed letter of transmittal and the other agreements and documents described in the letter of transmittal.<br><br>If you own old notes held through a broker or other third party, or in "street name," you will need to follow the instructions in the letter of transmittal on how to instruct them to tender the old notes on your behalf, as well as submit a letter of transmittal and the other agreements and documents described in this document. We will determine in our reasonable discretion whether old notes have been validly tendered.<br><br>Old notes may be tendered by electronic transmission of acceptance through The Depository Trust Company's, or DTC's, Automated Tender Offer Program ("ATOP") procedures for transfer or by delivery of a signed letter of transmittal pursuant to the instructions described in the letter of transmittal. Custodial entities that are |

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| | participants in DTC's ATOP must tender old notes through DTC's ATOP, by which the custodial entity and the beneficial owner on whose behalf the custodial entity is acting agree to be bound by the letter of transmittal. A letter of transmittal need not accompany tenders effected through ATOP. If you hold old notes through a custodian, you may also comply with the procedures for guaranteed delivery. Please carefully follow the instructions contained in this document on how to tender your securities. |
| | Please see pages 27 through 33 for instructions on how to exchange your old notes. |
| ACCEPTANCE OF OLD NOTES | We intend to accept all old notes validly tendered and not withdrawn as of the expiration of the exchange offer and will issue the new notes and pay the exchange fee promptly after expiration of the exchange offer, upon the terms and subject to the conditions in this prospectus and the letter of transmittal. We will accept old notes for exchange after the exchange agent has received a timely book-entry confirmation of transfer of old notes into the exchange agent's DTC account and, if the old notes have not been tendered through the ATOP procedures, a properly completed and executed letter of transmittal. Our oral (promptly confirmed in writing) or written notice of acceptance to the exchange agent will be considered our acceptance of validly tendered old notes. |
| OLD NOTES NOT ACCEPTED OR TENDERED FOR EXCHANGE | We reserve the right not to accept any of the old notes tendered. Any old notes not accepted for exchange for any reason will be returned without expense to you promptly after the expiration or termination of this exchange offer. If you do not exchange your old notes in this exchange offer, or if your old notes are not accepted for exchange, you will continue to hold your old notes, you will not receive the exchange fee and you will be entitled to all the rights and subject to all the limitations applicable to the old notes. |
| ACCRUED INTEREST ON THE OLD NOTES | Interest on the new notes will accrue from the last interest payment date on which interest was paid on the old notes. Holders whose old notes are accepted for exchange will be deemed to have waived the right to receive any interest accrued on the old notes. |
| RISK FACTORS | You should carefully consider the matters described under "Risk Factors," as well as other information set forth or incorporated by reference in this prospectus and in the letter of transmittal. |
| CONSEQUENCES OF NOT EXCHANGING OLD NOTES | The liquidity and trading market for old notes not tendered in the exchange offer could be adversely affected to the extent a significant number of the old notes are tendered and accepted in the exchange offer. Holders who do not exchange their old notes for new notes will not receive the exchange fee. |
| TAX CONSEQUENCES | The United States federal income tax consequences of the exchange offer are unclear. Although there is no authority directly on point, Baker Botts L.L.P., our tax counsel, is of the opinion that the exchange should not result in a taxable exchange. Accordingly, we intend to take the position that the exchange will not result in a taxable exchange. If the exchange of old notes for new notes constitutes a taxable exchange, |

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| | you could incur significant adverse tax consequences on the exchange.<br><br>See "Material United States Federal Income Tax Consequences" for a summary of certain United States federal income tax consequences that may result from the exchange of old notes for new notes. |
| USE OF PROCEEDS | We will not receive any cash proceeds from this exchange offer. Old notes that are validly tendered and exchanged for new notes pursuant to the exchange offer will be canceled. |
| DEALER MANAGER | Banc of America Securities LLC is the dealer manager for this exchange offer. Its address and telephone numbers are located on the back cover of this prospectus. |
| EXCHANGE AGENT | JPMorgan Chase Bank, National Association is the exchange agent for this exchange offer. Its address and telephone number are located on the back cover of this prospectus. |
| INFORMATION AGENT | MacKenzie Partners, Inc. is the information agent for this exchange offer. Its address and telephone numbers are located on the back cover of this prospectus. |

## MATERIAL DIFFERENCES BETWEEN THE OLD NOTES AND NEW NOTES

A summary of the material differences between the old notes and new notes is set forth in the table below. The table below is qualified in its entirety by the information contained in this prospectus and the documents governing the old notes and the new notes, copies of which have been filed as exhibits to the registration statement of which this prospectus forms a part. For a more detailed description of the new notes, see "Description of the New Notes."

| | OLD NOTES | NEW NOTES |
|---|---|---|
| NET SHARE SETTLEMENT UPON CONVERSION | Upon conversion of old notes, we will deliver a specified number of shares of our common stock (other than cash payments for fractional shares). | Each new note generally will be convertible into cash and, if applicable, shares of our common stock. The value of the cash and shares to be received upon conversion of each $1,000 principal amount of new notes is referred to as the "conversion value" and equals the product of (1) the applicable conversion rate and (2) the average of the closing price of our common stock for the ten consecutive trading days beginning on the second trading day immediately following the day the notes are submitted for conversion.<br><br>Upon conversion of the new notes, we will deliver:<br><br>- an amount in cash, referred to as the "principal return," equal to the lesser of (a) the aggregate conversion value of the notes to be converted and (b) the aggregate principal amount of the notes to be converted;<br><br>- if the aggregate conversion value of the new notes to be converted is greater than the principal return, an amount equal to such aggregate conversion value less the principal return, referred to as the "net share amount," at our option, in whole shares, referred to as the "net shares," |

| | OLD NOTES | NEW NOTES |
|---|---|---|
| | | in cash or in a combination of whole shares and cash; and<br><br>- an amount in cash in lieu of any fractional shares of common stock.<br><br>For more information regarding our cash payment obligation upon a conversion of the new notes, see "Risk Factors - Risk Factors Related to the New Notes - We may not have the funds necessary to purchase the new notes at the option of the holders or make the required cash payments upon conversion of the new notes." |
| ADJUSTMENT TO CONVERSION RATE UPON CERTAIN CHANGE OF CONTROL EVENTS | None. | If you elect to convert your new notes in connection with certain change of control events, we will increase the conversion rate for the new notes surrendered for conversion by a number of additional shares as described in "Description of the New Notes - Adjustment to Conversion Rate Upon Certain Fundamental CHANGES."<br><br>if the acquirer is a public acquirer (as described in "Description of the New Notes - Conversion Rights Adjustment to Conversion Rate Upon Certain Fundamental Changes -- Conversion Upon a Public Acquirer Change of Control"), at our option, the new notes may instead become contingently convertible into the common stock of the public company acquirer, subject to the net settlement provisions described in "Description of the New Notes - Conversion Rights - Net Share Settlement Upon Conversion." |

## THE NEW NOTES

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| NEW NOTES | Up to $575,000,000 aggregate principal amount of 3.75% Convertible Senior Notes, Series B Due 2023. |
| MATURITY DATE | May 15, 2023. |
| INTEREST | 3.75% per annum on the principal amount, payable semi-annually in arrears on each May 15 and November 15. Interest will accrue on the new notes from the last interest payment on which interest was paid on the old notes. We will also pay contingent interest on the new notes under the circumstances described in this prospectus. |
| RANKING | The new notes will be unsecured and will rank equally in right of payment with all of CenterPoint Energy's other existing and future unsecured and unsubordinated indebtedness. The new notes will not have the benefit of collateral granted to all CenterPoint Energy's existing secured debt and are effectively subordinated to existing and future indebtedness and other liabilities of CenterPoint Energy's subsidiaries. As discussed in "Description of the New Notes -- General," as of April 30, 2005, CenterPoint Energy, on an unconsolidated basis, had approximately $3.7 billion aggregate principal amount of outstanding indebtedness, including approximately $678 million secured by mortgage bonds of CenterPoint Houston. |
| CONTINGENT INTEREST | We will make additional payments of interest, referred to in this prospectus as "contingent interest," during any six-month period from May 15 to November 14 or from November 15 to May 14 commencing on or after May 15, 2008 for which the average trading price of the new notes for the applicable five trading day reference period equals or exceeds 120% of the principal amount of the new notes as of the day immediately preceding the first day of the applicable six-month interest period. The amount of contingent interest payable per note in respect of any six-month period will be equal to 0.25% of the average trading price, as described in this prospectus, of a new note for the applicable five trading day reference 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 more information about contingent interest, see "Description of the New Notes -- Contingent Interest." |
| CONVERSION RIGHTS | Holders may convert their new notes under any of the following circumstances:<br><br>(1) during any calendar quarter (and only during such calendar quarter) if the last reported sale price of our 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 our common stock on such last trading day, or<br><br>(2) if the new notes have been called for redemption, or<br><br>(3) upon the occurrence of specified corporate transactions described under "Description of the New Notes -- Conversion Rights -- Conversion |

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| | Upon Specified Corporate Transactions," or |
| | (4) during any period in which the credit ratings assigned to the new notes by both Moody's and S&P are lower than Ba2 and BB, respectively, or the new notes are no longer rated by at least one of these ratings services or their successors. |
| | In most cases, settlement upon conversion will be in cash, and, if applicable, shares of our stock, as summarized above in " -- Material Differences Between the Old Notes and New Notes." For a more detailed description of the settlement upon conversion process, see "Description of the New Notes -- Conversion Rights -- Net Share Settlement Upon Conversion." |
| | Subject to the conditions described in this prospectus, holders may convert each of their new notes at an initial conversion rate of 86.3558 shares of common stock per $1,000 principal amount of new notes (equivalent to an initial conversion price of $11.58 per share of common stock). The settlement value will be paid in cash, shares of our common stock, or a combination of cash and shares. As described in this prospectus, the conversion rate may be adjusted for certain reasons, but it will not be adjusted for accrued and unpaid interest. Except as otherwise described in this prospectus, you will not receive any payment representing accrued and unpaid interest on conversion of a new note. New notes called for redemption may be surrendered for conversion prior to the close of business on the second business day immediately preceding the redemption date. |
| OPTIONAL REDEMPTION | Prior to May 15, 2008, the new notes will not be redeemable. On or after May 15, 2008, we may redeem for cash all or part of the new notes at any time, upon no less than 30 and no more than 60 days' notice before the redemption date by mail to the trustee under the indenture relating to the new notes, the paying agent and each holder of new notes, for a price equal to 100% of the principal amount of the new notes to be redeemed plus any accrued and unpaid interest, including contingent interest, if any, to the redemption date. See "Description of the New Notes -- Optional Redemption." |
| PURCHASE OF NEW NOTES BY US AT THE OPTION OF THE HOLDER | Holders will have the right to require us to purchase all or any portion of the new notes for cash on May 15, 2008, May 15, 2013 and May 15, 2018. In each case, we will pay a purchase price equal to 100% of the principal amount of the new notes to be purchased plus any accrued and unpaid interest, including contingent interest, if any, to such purchase date. See "Description of the New Notes -- Purchase of New Notes by Us at the Option of the Holder." |
| ADJUSTMENT TO CONVERSION RATE UPON CERTAIN CHANGE OF CONTROL EVENTS | The new notes contain a provision designed to afford certain change of control protection for the holders, which is summarized above in " -- Material Differences between the Old Notes and New Notes." For a more detailed description of the adjustment provision, see "Description of the New Notes -- Conversion Rights -- Adjustment to the Conversion Rate Upon Certain Fundamental Changes." |
| FUNDAMENTAL CHANGE | If we undergo a Fundamental Change (as defined under "Description of the New Notes -- Fundamental Change Requires Purchase of New Notes by Us at the Option of the Holder") prior to May 15, 2008, holders will |

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| | have the right, at their option, to require us to purchase any or all of their new notes for cash, or any portion of the principal amount thereof that is equal to $1,000 or an integral multiple of $1,000. The cash price we are required to pay is equal to 100% of the principal amount of the new notes to be purchased plus accrued and unpaid interest, including contingent interest, if any, to the Fundamental Change purchase date. See "Description of the New Notes -- Fundamental Change Requires Purchase of New Notes by Us at the Option of the Holder." |
| UNITED STATES FEDERAL INCOME TAX CONSEQUENCES | The United States federal income tax consequences of the exchange offer are unclear. Although there is no authority directly on point, our tax counsel, Baker Botts L.L.P., is of the opinion that the exchange should not result in a taxable exchange. Accordingly, we intend to take the position that the exchange will not result in a taxable exchange. If the exchange does not constitute a taxable exchange, then, apart from the treatment of the exchange fee, which generally will be taxable as ordinary income, the material United States federal income tax consequences to holders of the new notes will be as described in the prospectus relating to the old notes. As such, holders of the new notes will continue to be subject to the contingent payment debt instrument regulations. Among other things, pursuant to those regulations, a holder of the new notes is required to accrue interest income on the new notes, in the amounts described in the prospectus relating to the old notes, regardless of whether the holder uses the cash or accrual method of tax accounting. Pursuant to the terms of the indenture relating to the new notes, holders will be deemed to have agreed to treat the new notes as debt subject to the contingent payment debt instrument regulations, and to continue to accrue interest on the new notes in the same manner and amounts as on the old notes. If the exchange of old notes for new notes constitutes a taxable exchange, you could incur significant adverse tax consequences on the exchange. A discussion of material United States federal income tax consequences that may result from the ownership of the new notes is set forth in this prospectus under the heading "Material United States Federal Income Tax Consequences." Owners of the new notes should consult their tax advisors as to the United States federal, state, local or other tax consequences of acquiring, owning and disposing of the new notes and our common stock. |
| GOVERNING LAW | The indenture and the new notes will be governed by, and construed in accordance with, the laws of the State of New York. |
| GLOBAL SECURITIES | The new notes initially will be issued in book-entry form, and will be represented by permanent global securities deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of the DTC. Beneficial interests in any of the new notes will be shown on, and transfers will be effected only through, records maintained by the DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances. |
| LISTING | We do not intend to list the new notes on any national securities exchange or automatic quotation system. |

## RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth ratios of earnings to fixed charges for each of the periods indicated, calculated pursuant to Item 503(d) of Regulation S-K promulgated under the 1933 Act and the 1934 Act. Earnings from continuing operations in 2002 and 2003 include $697 million and $661 million, respectively, of non-cash excess cost over market ("ECOM") true-up.

| | YEAR ENDED DECEMBER 31, | | | | | THREE MONTHS ENDED MARCH 31, |
|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Ratio of earnings from continuing operations to fixed charges (1)..... | 1.39 | 1.99 | 2.03 | 1.81 | 1.43 | 1.69 |

(1) We do not believe that the ratio for the three-month period is necessarily indicative of the ratio for the twelve-month period due to the seasonal nature of our business.

## RISK FACTORS

You, and your financial and legal advisors, if any, should consider carefully the following risk factors and other information included in this prospectus and the documents we have incorporated by reference into this prospectus before tendering any old notes in the exchange offer. Some of these risks are shared with any investor in our securities while others are related to the nature of the new notes themselves or to the exchange offer. Our business and financial condition could be seriously harmed by any of these risks. In addition, the trading price of our new notes and common stock could decline due to the occurrence of any of such events, and you may lose all or part of your investment.

## RISK FACTORS RELATING TO THE EXCHANGE OFFER

### You could be subject to additional tax liabilities as a result of the exchange.

Although there is no authority directly on point, our tax counsel, Baker Botts L.L.P., is of the opinion that the exchange should not result in a taxable exchange. Accordingly, we intend to take the position that the exchange will not result in a taxable exchange. However, the IRS may not agree that the exchange is not a taxable exchange. If the exchange of old notes for new notes constitutes a taxable exchange, you could incur significant adverse tax consequences on the exchange. For example, a holder could be required to recognize ordinary income in an amount equal to the excess of the fair market value of the new notes received in the exchange plus the exchange fee over the holder's adjusted tax basis in the old notes. See "Material United States Federal Income Tax Consequences -- Exchange of Old Notes for New Notes" for more information.

The receipt of the exchange fee by a non-U.S. holder (as defined in "Material United States Federal Income Tax Consequences") participating in the exchange offer may be subject to United States federal withholding tax. See "Material United States Federal Income Tax Consequences -- Exchange of Old Notes for New Notes" for more information.

### An active market in the old notes may not continue to exist after consummation of the exchange offer, and any old notes you retain may become less liquid and trade at decreased values as a result of the exchange offer.

If a significant number of old notes are exchanged in the exchange offer, the liquidity of the trading market for the old notes, if any, after the completion of the exchange offer may be substantially reduced. Any old notes exchanged will reduce the aggregate number of old notes outstanding. As a result, the old notes may trade at decreased values compared to the price at which they would trade if the exchange offer were not consummated, subject to prevailing interest rates, the market for similar securities and other factors. An active market in the old notes may not exist or be maintained, and the prices at which the old notes trade may decrease.

### The value of the new notes may be less than the value of the old notes.

We are not making a recommendation as to whether holders of the old notes should exchange them. We have not retained and do not intend to retain any unaffiliated representative to act solely on behalf of the holders of the old notes for purposes of negotiating the terms of the exchange offer or preparing a report concerning the fairness of the exchange offer. The value of the new notes received in the exchange offer may not in the future equal or exceed the value of the old notes tendered, and we do not take a position as to whether you ought to participate in the exchange offer.

Upon conversion, holders of the new notes will receive the principal return in cash but may not receive any shares of our common stock and, if they receive any shares, they will receive fewer shares of common stock relative to the conversion value of the new notes than a holder of the old notes would receive upon conversion of old notes.

We may satisfy our conversion obligation to holders by paying cash rather than by issuing shares of our common stock. Accordingly, upon conversion of a new note, holders may not receive any shares of our common stock, and, if they receive any shares, they will receive fewer shares of common stock relative to the conversion value of their new notes than a holder of the old notes would receive upon conversion of old notes.

## RISK FACTORS RELATED TO THE NEW NOTES

The risks related to investing in the new notes are substantially similar to the risks related to investing in the old notes, except that we will be required to make a cash payment upon the conversion of the new notes, whereas under the terms of the old notes we are required to settle the conversion in shares of our common stock.

The trading prices for the new notes will be directly affected by the trading prices of our common stock, resulting in greater volatility in the price of the new notes compared to nonconvertible debt securities.

The trading prices for the new notes in the secondary market will be directly affected by the trading prices of our common stock, the general level of interest rates and our credit quality. Because the new notes will be convertible, the market price of the new notes will be closely related to the market price of our common stock. This may result in greater volatility in the new market price of the new notes than would be expected for nonconvertible debt securities. It is impossible to predict whether the price of our common stock or interest rates will rise or fall. Trading prices of our common stock will be influenced by our operating results and prospects and by economic, financial and other factors. In addition, general market conditions, including the level of, and fluctuations in, the trading prices of stocks generally, and sales of substantial amounts of common stock by us in the market after the offering of the new notes, or the perception that such sales could occur, could affect the price of our common stock. The new notes could trade at prices that may be lower than the face value of the new notes.

An active trading market may not develop for the new notes, which could adversely affect the trading price of the new notes.

No trading market currently exists for the new notes, and we do not intend to apply for listing of the new notes on any national securities exchange or automatic quotation system. Accordingly, we cannot predict whether an active trading market for the new notes will develop or be sustained. If an active market for the new notes fails to develop or be sustained, the trading price of the new notes could be adversely affected.

We may not have the funds necessary to purchase the new notes at the option of the holders or make the required cash payments upon a conversion of the new notes.

Certain of the events leading to the convertibility of the new notes will not be in our control. On May 15, 2008, 2013, 2018 or upon a Fundamental Change (as defined in "Description of the New Notes"), holders of the new notes may require us to purchase their new notes for cash. Furthermore, our stock price has increased significantly since we originally issued the old notes, making it more likely that the new notes will be converted. The new notes, unlike the old notes, require that we pay cash for at least the lesser of the principal amount of the new notes and their conversion value upon their conversion by the holders.

The source of funds for any cash payment required as a result of any such events will be cash provided by refunding or refinancing activities (including public offerings), our available cash, revolving credit borrowings, or cash generated from operating activities or other sources, including funds provided by a new controlling entity. We may not have sufficient funds available at the time of any such events to make such required cash payments. Furthermore, the use of available cash to fund the required payments may

impair our ability to obtain additional financing in the future. The failure by us to deliver cash and common stock, if any, upon any of the events described above would constitute an event of default under the indenture for the new notes.

In addition to the potential united states federal income tax consequences of the exchange offer, you should consider the united states federal income tax consequences of owning new notes.

If the exchange of the old notes for new notes constitutes a taxable exchange, the tax consequences to you of owning the new notes could be adverse. For example, a holder could be required to include in income each year amounts substantially in excess of or substantially less than amounts required to be accrued with respect to the old notes.

We intend to treat the new notes as indebtedness for United States federal income tax purposes and intend to take the position that the new notes will be subject to the special regulations governing contingent payment debt instruments (which we refer to as the "CPDI regulations"). The application of the CPDI regulations to instruments such as the new notes is uncertain in several respects, and no ruling will be obtained from the Internal Revenue Service concerning the application of the CPDI regulations to the new notes. As a result, the Internal Revenue Service or a court may not agree with the treatment described in this prospectus. See "Material United States Federal Income Tax Consequences" for more information.

The new notes will be effectively subordinated to existing and future indebtedness and other liabilities of our subsidiaries.

We derive substantially all our operating income from, and hold substantially all our assets through, our subsidiaries. As a result, we will depend on distributions from our subsidiaries in order to meet our payment obligations under any debt securities, including the new notes and our other obligations. In general, these subsidiaries are separate and distinct legal entities and will have no obligation to pay any amounts due on our debt securities or 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 and those under the 1935 Act, limit their ability to make payments or other distributions to us, and they could agree to contractual restrictions on their ability to make distributions. For a discussion of restrictions under the 1935 Act, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations of CenterPoint Energy and Subsidiaries -- Liquidity and Capital Resources -- Future Sources and Uses of Cash -- Certain Contractual and Regulatory Limits on Ability to Issue Securities and Pay Dividends on our Common Stock" in Item 2 of Part I of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

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. As of April 30, 2005, our subsidiaries, excluding subsidiaries issuing trust preferred securities and transition bonds, had approximately $5.3 billion principal amount of external indebtedness, of which approximately $2.9 billion is secured, as well as other liabilities.

If you hold new notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold new notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting our common stock. You will only be entitled to rights on OUR common stock if and when we deliver shares of common stock to you upon conversion of your new notes and in limited cases under the conversion rate adjustments of the notes. For example, in the event that an amendment is proposed to our articles of incorporation or bylaws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of the common

stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

We may issue additional shares of common stock and thereby materially and adversely affect the price of our common stock.

We are not restricted from issuing additional common stock during the life of the new notes and have no obligation to consider your interests for any reason. If we issue additional shares of common stock, it may materially and adversely affect the price of our common stock and, in turn, the price of the new notes.

Our rights agreement, articles of incorporation and bylaws, as well as Texas law, could limit another party's ability to acquire us and could deprive you of the opportunity to obtain a takeover premium for any shares of common stock that you may receive upon conversion of new notes.

Our rights agreement and a number of provisions that are in our articles of incorporation and bylaws will make it difficult for another company to acquire us and for you to receive any related takeover premium for our common stock. The provisions in our articles of incorporation and bylaws include, among others, the following:

- the division of our board of directors into three classes serving staggered terms;

- our board of directors' ability to establish the terms of and issue preferred stock without shareholder approval;

- limitations on the ability to call meetings of our shareholders; and

- supermajority voting provisions required to amend our articles of incorporation and bylaws.

Article 13.03 of the Texas Business Corporation Act may also inhibit a takeover and deprive you of an opportunity to obtain a takeover premium. See "Description of Our Capital Stock -- Anti-Takeover Effects of Texas Laws and Our Charter and Bylaw Provisions" and "Description of Our Capital Stock -- Shareholder Rights Plan."

## PRINCIPAL RISK FACTORS ASSOCIATED WITH OUR BUSINESSES

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 timely recovering the full value of its true-up components, which could have an adverse impact on CenterPoint Houston's results of operations, financial condition and cash flows.

On March 31, 2004, CenterPoint Houston filed the final true-up application required by the Texas electric restructuring law with the Texas Utility Commission. CenterPoint Houston's requested true-up balance was $3.7 billion, excluding interest and net of the retail clawback payable to CenterPoint Houston by a former affiliate. In December 2004, the Texas Utility Commission approved a final order in CenterPoint Houston's true-up proceeding authorizing CenterPoint Houston to recover $2.3 billion including interest through August 31, 2004, subject to adjustments to reflect the benefit of certain deferred taxes and the accrual of interest and payment of excess mitigation credits after August 31, 2004. In January 2005, we appealed certain aspects of the final order seeking to increase the true-up balance ultimately recovered by CenterPoint Houston. Other parties have also appealed the order, seeking to reduce the amount authorized for CenterPoint Houston's recovery. No prediction can be made as to the ultimate outcome or timing of such appeals. A failure by CenterPoint Houston to recover the full value of its true-up

components may have an adverse impact on CenterPoint Houston's results of operations, financial condition and cash flows.

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 approximately 56 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. Any delay or default in payment could adversely affect CenterPoint Houston's cash flows, financial condition and results of operations. Reliant Energy, Inc. (formerly Reliant Resources, Inc.) ("RRI"), through its subsidiaries, is CenterPoint Houston's largest customer. Approximately 69% of CenterPoint Houston's $102 million in billed receivables from retail electric providers at December 31, 2004 was owed by subsidiaries of RRI.

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 incurred 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 in 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 depends on power generation facilities owned by third parties to provide retail electric providers with electric power which it transmits and distributes to customers of the retail electric providers. 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 services may be 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 AND PIPELINES AND GATHERING 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 based on an analysis of its invested capital and its expenses incurred 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 gathering 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 business is subject to fluctuations in natural gas pricing levels, which could affect the ability of CERC's suppliers and customers to meet their obligations.

CERC is subject to risk associated with price movements of natural gas. Movements 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 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 contractual distribution obligations, and its results of operations, financial condition and cash flows would be adversely affected.

CERC's interstate pipelines' and natural gas gathering and processing business' revenues and results of operations are subject to fluctuations in the supply of gas.

CERC's interstate pipelines and natural gas gathering and processing business largely rely 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, 2004, we had $9.0 billion of outstanding indebtedness on a consolidated basis. As of March 7, 2005, approximately $1.9 billion principal amount of this debt must be paid through 2006, excluding principal repayments of approximately $101 million on transition bonds. The success of our future financing efforts may depend, at least in part, on:

- the timing and amount of our recovery of the true-up components;
- 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;
- provisions of relevant tax and securities laws; and
- our ability to obtain approval of specific financing transactions under the 1935 Act.

As of March 1, 2005, our CenterPoint Houston subsidiary had $3.3 billion principal amount of general mortgage bonds outstanding and $253 million of first mortgage bonds outstanding. It may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee. Although approximately $500 million 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, 2004, CenterPoint Houston has agreed under the $1.3 billion collateralized term loan maturing in November 2005 to not issue, subject to certain exceptions, more than $200 million of any incremental secured or unsecured debt. In addition, CenterPoint Houston is contractually prohibited, subject to certain exceptions, from issuing additional first mortgage bonds. CenterPoint Houston's $1.3 billion credit facility requires that proceeds from the issuance of transition bonds and certain

new net indebtedness for borrowed money issued by centerpoint houston in excess of $200 million be used to repay borrowings under such facility.

Our capital structure and liquidity will be affected significantly by the securitization of approximately $1.8 billion of costs authorized for recovery in our proceeding regarding the transition to competitive retail markets in Texas.

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 2 of Part I of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005. 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 and those under the 1935 Act, 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.

AN INCREASE IN SHORT-TERM INTEREST RATES COULD ADVERSELY AFFECT OUR CASH FLOWS AND EARNINGS.

As of December 31, 2004, we had $1.5 billion of outstanding floating-rate debt owed to third parties. The interest rate spreads on such debt are substantially above our historical interest rate spreads. In addition, any floating-rate debt issued by us in the future could be at interest rates substantially above our historical borrowing rates. An increase in short-term interest rates could result in higher interest costs and could adversely affect our results of operations, financial condition and cash flows.

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 if a counterparty fails 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.

## OTHER RISKS

WE AND CENTERPOINT HOUSTON 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, Incorporated 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, Incorporated transferred to them. RRI 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. 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, Incorporated has not been released from the liability in connection with the transfer, we or CenterPoint Houston could be responsible for satisfying the liability.

RRI reported in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 that as of March 31, 2005 it had $5.2 billion of total debt and its 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, Incorporated 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, Incorporated have been made on grounds that include the effect of RRI's financial results on Reliant Energy, Incorporated's historical financial statements and liability of Reliant Energy, Incorporated 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, Incorporated 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 held by 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, Incorporated had not been released from the liability in connection with the transfer, CenterPoint Houston could be responsible for satisfying the liability.

WE, TOGETHER WITH OUR SUBSIDIARIES, ARE SUBJECT TO REGULATION UNDER THE 1935 ACT. THE 1935 ACT AND RELATED RULES AND REGULATIONS IMPOSE A NUMBER OF RESTRICTIONS ON OUR ACTIVITIES.

We and our subsidiaries are subject to regulation by the SEC under the 1935 Act. The 1935 Act, among other things, limits the ability of a holding company and its regulated subsidiaries to issue debt and equity securities without prior authorization, restricts the source of dividend payments to current and retained earnings without prior authorization, regulates sales and acquisitions of certain assets and businesses and governs affiliated service, sales and construction contracts.

We received an order from the SEC under the 1935 Act on June 30, 2003 relating to our financing activities, which is effective until June 30, 2005. Unforeseen events could result in capital needs in excess of currently authorized amounts, necessitating further authorization from the SEC. Approval of filings under the 1935 Act can take extended periods.

We must obtain a new financing order under the 1935 Act for approval of our post-June 30, 2005 financing activities before the current financing order expires on June 30, 2005. If we are unable to obtain a new financing order, we would generally be unable to engage in any financing transactions, including the refinancing of existing obligations after June 30, 2005.

If our earnings for subsequent quarters are insufficient to pay dividends from current earnings, additional authority would be required from the SEC for payment of the quarterly dividend from capital or unearned surplus, and the SEC may not authorize such payments.

The United States Congress from time to time considers legislation that would repeal the 1935 Act. We cannot predict at this time whether this legislation or any variation thereof will be adopted or, if adopted, the effect of any such law on our business.

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.

## SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth our summary consolidated financial data for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 and for the three months ended March 31, 2004 and 2005. This table should be read in conjunction with the consolidated financial statements and the related notes, the reports of our independent auditors and "Management's Discussion and Analysis of Financial Condition and Results of Operations of CenterPoint Energy and Subsidiaries" in our Annual Report On Form 10-K for the year ended December 31, 2004 and the consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations of CenterPoint Energy and Subsidiaries" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

The selected financial data presented below give effect to certain reclassifications necessary to present:

- Texas Genco as discontinued operations (as a result of the sale of these operations announced on July 21, 2004) in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets";

- RRI as discontinued operations as a result of the distribution of all of the shares of RRI common stock owned by CenterPoint Energy to its common shareholders on a pro rata basis;

- our Latin America operations which remained at December 31, 2002 as discontinued operations as a result of the sale of these operations subsequent to December 31, 2002;

- CenterPoint Energy Management Services, Inc. as discontinued operations as a result of the decision to sell these operations in June 2003; and

- the extraordinary loss on extinguishment of debt recorded in the fourth quarter of 2002 as interest expense in accordance with Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections."

The selected financial data also gives effect to the separation of the generation, transmission and distribution, and retail functions of Reliant Energy, Incorporated in August 2002, as required by the Texas electric restructuring law.

CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

| | YEAR ENDED DECEMBER 31, | | | | | THREE MONTHS ENDED MARCH 31, | |
|---|---|---|---|---|---|---|---|
| | 2000 | 2001(1) | 2002 | 2003(2) | 2004(3) | 2004 | 2005 |
| | (In millions, except per share amounts) | | | | | (Unaudited) | |
| Revenues | $ 6,949 | $ 7,148 | $ 6,438 | $ 7,790 | $ 8,510 | $ 2,528 | $ 2,762 |
| Operating Income | 1,086 | 1,062 | 1,440 | 1,355 | 864 | 240 | 276 |
| Income from continuing operations before extraordinary item and cumulative effect of accounting change | 52 | 357 | 482 | 409 | 205 | 29 | 67 |
| Discontinued operations | 395 | 565 | (4,402) | 75 | (133) | 45 | -- |
| Extraordinary item, net of tax | -- | -- | -- | -- | (977) | -- | -- |
| Cumulative effect of accounting change, net of tax | -- | 58 | -- | -- | -- | -- | -- |
| Net income (loss) attributable to common shareholders | $ 447 | $ 980 | $ (3,920) | $ 484 | $ (905) | $ 74 | $ 67 |
| Basic earnings (loss) per common share: | | | | | | | |
| Income from continuing operations before extraordinary item and cumulative effect of accounting change | $ 0.18 | $ 1.23 | $ 1.62 | $ 1.35 | $ 0.67 | $ 0.09 | $ 0.22 |
| Discontinued operations | 1.39 | 1.95 | (14.78) | 0.24 | (0.43) | 0.15 | -- |
| Extraordinary item, net of tax | -- | -- | -- | -- | (3.18) | -- | -- |
| Cumulative effect of accounting change, net of tax | -- | 0.20 | -- | -- | -- | -- | -- |
| Basic earnings (loss) per common share | $ 1.57 | $ 3.38 | $ (13.16) | $ 1.59 | $ (2.94) | $ 0.24 | $ 0.22 |
| Diluted earnings (loss) per common share: | | | | | | | |
| Income from continuing operations before extraordinary item and cumulative effect of accounting change | $ 0.18 | $ 1.22 | $ 1.61 | $ 1.24 | $ 0.61 | $ 0.09 | $ 0.20 |
| Discontinued operations | 1.38 | 1.93 | (14.69) | 0.22 | (0.37) | 0.13 | -- |
| Extraordinary item, net of tax | -- | -- | -- | -- | (2.72) | -- | -- |
| Cumulative effect of accounting change, net of tax | -- | 0.20 | -- | -- | -- | -- | -- |
| Diluted earnings (loss) per common share | $ 1.56 | $ 3.35 | $ (13.08) | $ 1.46 | $ (2.48) | $ 0.22 | $ 0.20 |
| Cash dividends paid per common share (4) | $ 1.50 | $ 1.50 | $ 1.07 | $ 0.40 | $ 0.40 | $ 0.10 | $ 0.20 |
| Dividend payout ratio from continuing operations | 833% | 122% | 66% | 30% | 60% | N/A | N/A |
| Return from continuing operations on average common equity | 1.0% | 6.8% | 11.8% | 25.7% | 14.4% | N/A | N/A |
| Ratio of earnings from continued operations to fixed charges | 1.39 | 1.99 | 2.03 | 1.81 | 1.43 | 1.25 | 1.69 |
| Capital expenditures, excluding discontinued operations | $ 653 | $ 802 | $ 566 | $ 497 | $ 530 | $ 99 | $ 122 |

SEGMENT DATA

| | YEAR ENDED DECEMBER 31, | | | THREE MONTHS ENDED MARCH 31, | |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2004 | 2005 |
| | (In Millions) | | | (Unaudited) | |
| ELECTRIC TRANSMISSION & DISTRIBUTION | | | | | |
| Revenues | $2,222 | $2,124 | $1,521 | $ 330 | $ 345 |
| Operating Income | 1,096 | 1,020 | 494 | $ 85 | 80 |
| NATURAL GAS DISTRIBUTION | | | | | |
| Revenues | $3,960 | $5,435 | $6,684 | $ 2,131 | $2,330 |
| Operating Income | 198 | 202 | 222 | 117 | 139 |

| | | | | | |
|---|---|---|---|---|---|
| PIPELINES AND GATHERING | | | | | |
| Revenues | $ 374 | $ 407 | $ 451 | $ 102 | $ 121 |
| Operating Income | 153 | 158 | 180 | 45 | 64 |
| OTHER OPERATIONS | | | | | |
| Revenues | $ 30 | $ 28 | $ 8 | $ 3 | $ 7 |
| Operating Loss | (7) | (25) | (32) | (7) | (7) |
| ELIMINATIONS/OTHER | | | | | |
| Revenues | $ (148) | $ (204) | $ (153) | $ (38) | $ (41) |
| CONSOLIDATED | | | | | |
| Revenues | $6,438 | $7,790 | $8,510 | $ 2,528 | $2,762 |
| Operating Income | 1,440 | 1,355 | 864 | 240 | 276 |

BALANCE SHEET DATA

| | AS OF DECEMBER 31, | | | | | AS OF MARCH 31, |
|---|---|---|---|---|---|---|
| | 2000 | 2001(1) | 2002 | 2003(2) | 2004(3) | 2005 |
| | (In millions, except per share amounts) | | | | | (Unaudited) |
| Book value per common share ..... | $ 19.10 | $ 22.77 | $ 4.74 | $ 5.77 | $ 3.59 | $ 3.67 |
| Market price per common share..... | $ 43.31 | $ 26.52 | $ 8.01 | $ 9.69 | $ 11.30 | $ 12.03 |
| Market price as a percent of book value ..... | 227% | 116% | 169% | 168% | 315% | 328% |
| Current Assets ..... | $11,998 | $ 6,841 | $ 2,194 | $ 2,357 | $ 2,837 | $ 2,235 |
| Noncurrent Assets ..... | $23,938 | $25,179 | $18,440 | $19,104 | $15,325 | $15,320 |
| Assets of discontinued operations ..... | $18,479 | $16,840 | $ 4,594 | $ 4,244 | $ 1,565 | $ 1,167 |
| Total assets ..... | $35,936 | $32,020 | $20,635 | $21,461 | $18,162 | $17,555 |
| Short-term borrowings ..... | $ 4,799 | $ 3,469 | $ 347 | $ 63 | $ -- | $ -- |
| Current Liabilities ..... | $18,269 | $10,530 | $ 3,370 | $ 2,537 | $ 5,187 | $ 4,202 |
| Noncurrent Liabilities ..... | $11,480 | $14,046 | $15,136 | $16,985 | $11,869 | $12,218 |
| Long-term debt obligations, including current maturities ..... | $ 4,989 | $ 4,712 | $ 9,996 | $10,939 | $ 9,029 | $ 9,477 |
| Trust preferred securities(5) ..... | $ 705 | $ 706 | $ 706 | $ -- | $ -- | $ -- |
| Cumulative preferred stock ..... | $ 10 | $ -- | $ -- | $ -- | $ -- | $ -- |
| Capitalization: | | | | | | |
| Common stock equity ..... | 49% | 55% | 12% | 14% | 11% | 11% |
| Trust preferred securities ..... | 6% | 6% | 6% | -- | -- | -- |
| Long-term debt, including current maturities ..... | 45% | 39% | 82% | 86% | 89% | 89% |

(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) Net income for the year ended December 31, 2004 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 deliberations 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) On January 26, 2005, our board of directors declared a dividend of $0.10 per share of common stock payable on March 10, 2005 To shareholders of record as of the close of business on February 16, 2005. on March 3, 2005, our board of directors declared a dividend of $0.10 per share of common stock payable on march 31, 2005 to shareholders of record as of the close of business on March 16, 2005. This additional first quarter dividend was declared in lieu of the regular second quarter dividend to address technical restrictions that might limit our ability to pay a regular dividend during the second quarter of 2005. Due to the limitations imposed under the 1935 Act, we may declare and pay dividends only from earnings in the specific quarter in which the dividend is paid, absent specific authorization from the SEC. As a result of the seasonal nature of our utility businesses, the second quarter historically provides the smallest contribution to our annual earnings, while the first quarter is generally the strongest quarter for our gas distribution business. If our earnings for subsequent quarters are insufficient to pay dividends from current earnings, additional authority would be required from the SEC for payment of the quarterly dividend from capital or unearned surplus, but the SEC may not authorize such payments.

(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 are now reported as long-term debt as of December 31, 2003. For additional information related to the adoption of FIN 46, please read Note 2(n) to our consolidated financial statements for the year ended December 31, 2004.

## PRICE RANGE AND DIVIDEND HISTORY OF OUR COMMON STOCK

As of May 1, 2005, 309,039,696 shares of our common stock were outstanding and were held of record by approximately 57,519 shareholders. Our common stock is listed on the New York Stock Exchange under the symbol "CNP." Set forth below are the high and low closing prices for the common stock of CenterPoint and its predecessors, as reported on the New York Stock Exchange composite tape for the periods indicated, as reported by Bloomberg, and the cash dividends declared in these periods. Prior to August 22, 2002, information shown is for our predecessor, Reliant Energy, Incorporated.

| YEAR ENDING DECEMBER 31, 2005 | HIGH | LOW | CASH DIVIDENDS DECLARED |
|---|---|---|---|
| 1ST QUARTER | $12.61 | $10.65 | $ 0.20 (1) |
| YEAR ENDED DECEMBER 31, 2004 | | | |
| 4th Quarter | $11.34 | $10.41 | $ 0.10 |
| 3rd Quarter | $12.21 | $10.02 | $ 0.10 |
| 2nd Quarter | $11.88 | $10.25 | $ 0.10 |
| 1st Quarter | $11.43 | $ 9.72 | $ 0.10 |
| YEAR ENDED DECEMBER 31, 2003 | | | |
| 4th Quarter | $10.11 | $ 9.15 | $ 0.10 |
| 3rd Quarter | $ 9.38 | $ 7.71 | (2) |
| 2nd Quarter | $ 9.74 | $ 7.37 | $ 0.20 (2) |
| 1st Quarter | $ 8.55 | $ 4.50 | $ 0.10 |
| YEAR ENDED DECEMBER 31, 2002 | | | |
| 4th Quarter | $ 9.00 (3) | $ 5.65 (3) | $ 0.16 |
| 3rd Quarter | $17.00 | $ 5.40 | $ 0.16 (4) |
| 2nd Quarter | $25.93 | $14.30 | $ 0.375 |
| 1st Quarter | $26.85 | $20.35 | $ 0.375 |

(1) In addition to the regular first quarter dividend of $0.10 per share, an additional dividend of $0.10 per share was declared on March 3, 2005 and paid on March 31, 2005, in lieu of the regular second quarter dividend.

(2) The $0.20 per share dividend for the second quarter of 2003 included the third quarter dividend declared on June 18, 2003 and paid on September 10, 2003.

(3) The fourth quarter 2002 stock prices reflect the distribution of our 83% ownership interest in RRI on September 30, 2002. The closing price of RRI's common stock on that date was $1.75 per share.

(4) The reduction in the quarterly dividend to $0.16 reflects the reduced size of CenterPoint Energy after its distribution of all the shares of common stock of Reliant Resources it owned.

## THE EXCHANGE OFFER

### SECURITIES SUBJECT TO THE EXCHANGE OFFER

We are offering, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, to exchange $1,000 principal amount of new notes and an exchange fee of $1.50 for each $1,000 principal amount of validly tendered and accepted old notes. We are offering to exchange new notes for all of the old notes. However, the exchange offer is subject to the conditions described in this prospectus and the accompanying letter of transmittal.

There is currently outstanding $575,000,000 in aggregate principal amount of old notes. The old notes were issued in may 2003 in transactions exempt from or not subject to registration under the 1933 Act pursuant to section 4(2) under the 1933 act and mature on may 15, 2023. we subsequently filed a registration statement with the SEC to register the resale of the old notes (the "Resale Shelf Registration Statement"). Approximately $72 million principal amount of the old notes have not been transferred pursuant to the Resale Shelf Registration Statement and still trade in the Private Offerings, Resales and Trading through Automatic Linkages Market, commonly referred to as the Portal Market. The registered old notes are traded in the over-the-counter market.

You may tender all, some or none of your old notes, subject to the terms and conditions of the exchange offer. Holders of old notes must tender their old notes in a minimum principal amount of $1,000 and multiples thereof.

The exchange offer is not being made to, and we will not accept tenders for exchange from, holders of old notes in any jurisdiction in which the exchange offer or the acceptance of the offer would not be in compliance with the securities or blue sky laws of that jurisdiction.

We, our officers and directors, the dealer manager, the information agent, the exchange agent and the trustee do not make any recommendation to you as to whether to exchange all or any portion of your old notes. In addition, we have not authorized anyone to make any recommendation. You must make your own decision whether to tender your old notes for exchange and, if so, the amount of old notes to tender.

### CONDITIONS TO THE EXCHANGE OFFER

Notwithstanding any other provisions of this exchange offer, we will not be required to accept for exchange any old notes tendered, and we may terminate or amend this offer if any one of the following conditions precedent to the exchange offer is not satisfied, or is reasonably determined by us not to be satisfied, and, in our reasonable judgment, the failure of the condition makes it impractical to proceed with the offer or with the acceptance for exchange or exchange and issuance of the new notes:

(1) No action or event shall have occurred, failed to occur or been threatened, no action shall have been taken, and no statute, rule, regulation, judgment, order, stay, decree or injunction shall have been promulgated, enacted, entered, enforced or deemed applicable to the exchange offer, by or before any court or governmental, regulatory or administrative agency, authority or tribunal, which either:

   (a) challenges the making of the exchange offer or the exchange of old notes under the exchange offer or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of, or might otherwise adversely affect in any material manner, the exchange offer or the exchange of old notes under the exchange offer, or

   (b) in our reasonable judgment, could materially adversely affect our business, condition (financial or otherwise), income, operations, properties, assets, liabilities or prospects or would be material to holders of old notes in deciding whether to accept the exchange offer.

(2) (a) Trading generally shall not have been suspended or materially limited on or by, as the case may be, either of the NYSE or the Nasdaq National Market; (b) there shall not have been any suspension or limitation of trading of any of our securities on any exchange or in the over-the-counter market; (c) no general banking moratorium shall have been declared by federal or New York authorities; and (d) there shall not have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by Congress or any other substantial national or international calamity or emergency if the effect of any such outbreak, escalation, declaration, calamity or emergency makes it impractical to proceed with completion of the exchange offer.

(3) The trustee with respect to the old notes shall not have objected in any respect to, or taken any action that could in our reasonable judgment adversely affect the consummation of, the exchange offer or the exchange of old notes under the exchange offer, nor shall the trustee or any holder of old notes have taken any action that challenges the validity or effectiveness of the procedures we use in making the exchange offer or the exchange of the old notes under the exchange offer.

All of the foregoing conditions are for our sole benefit and we may waive them in our sole discretion. If we waive a condition, it will be deemed waived for all holders of the old notes. Any determination that we make concerning an event, development or circumstance described or referred to above shall be conclusive and binding.

The exchange offer is also subject to the condition that the registration statement and any post-effective amendment to the registration statement covering the new notes must be effective under the Securities Act. This condition is not waivable by us.

If any of the foregoing conditions is not satisfied, we may, at any time before the expiration of the exchange offer:

(1) terminate the exchange offer and return all tendered old notes to the holders thereof;

(2) modify, extend or otherwise amend the exchange offer and retain all tendered old notes until the expiration date, as may be extended, subject, however, to the withdrawal rights of holders (see " -- Expiration Date; Extensions; Amendments," " -- Proper Execution and Delivery of Letter of Transmittal" and " -- Withdrawal of Tenders" below); or

(3) waive the unsatisfied conditions (other than the condition relating to the effectiveness of the registration statement and any post-effective amendment to the registration statement, which may not be waived) and accept all old notes tendered and not previously withdrawn.

Except for the requirements of applicable United States federal and state securities laws, we know of no federal or state regulatory requirements to be complied with or approvals we must obtain in connection with the exchange offer which, if not complied with or obtained, would have a material adverse effect on us.

EXPIRATION DATE; EXTENSIONS; AMENDMENTS

For purposes of the exchange offer, the term "expiration date" shall mean 5:00 p.m., New York City time, on , 2005, subject to our right to extend such date and time for the exchange offer in our sole discretion, in which case, the expiration date will mean the latest date and time to which the exchange offer is extended.

We reserve the right, in our sole discretion, to (1) extend the exchange offer, (2) terminate the exchange offer upon failure to satisfy any of the conditions listed above or (3) amend the exchange offer, by giving oral (promptly confirmed in writing) or written notice of such extension, termination or amendment to the exchange agent. Any such extension, termination or amendment will be followed promptly by a public announcement thereof which, in the case of an extension, will be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

If we amend the exchange offer in a manner that we determine constitutes a material or significant change, we will extend the exchange offer for a period of five to twenty business days, depending upon the significance of the amendment, if the exchange offer would otherwise have expired during such five to twenty business day period. Any change in the consideration offered to holders of old notes in the exchange offer will be paid to all holders whose old notes have previously been tendered pursuant to the exchange offer. In addition, if we change (1) the percentage of old notes we are offering to exchange, (2) the amount of the exchange fee or (3) the fees we are paying the dealer manager, or make a similarly significant change, we will extend the exchange offer for a period of ten business days from the date that the revised exchange offer materials are disseminated to holders of the old notes.

Without limiting the manner in which we may choose to make a public announcement of any extension, amendment or termination of the exchange offer, we will comply with applicable securities laws by disclosing any such amendment by means of a prospectus supplement that we distribute to the holders of the old notes. We will have no other obligation to publish, advertise or otherwise communicate any such public announcement other than by making a timely release to any appropriate news agency, including Bloomberg Business News and the Dow Jones News Service.

## EFFECT OF TENDER

Any valid tender by a holder of old notes that is not validly withdrawn prior to the expiration date of the exchange offer will constitute a binding agreement between that holder and us upon the terms and subject to the conditions of the exchange offer and the letter of transmittal. The acceptance of the exchange offer by a tendering holder of old notes will constitute the agreement by that holder to deliver good and marketable title to the tendered old notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind.

## ACCEPTANCE OF OLD NOTES FOR EXCHANGE

The new notes will be delivered in book-entry form and the exchange fee will be paid on the settlement date which we anticipate will be promptly following the expiration date of the exchange offer.

We will be deemed to have accepted validly tendered old notes when, and if, we have given oral (promptly confirmed in writing) or written notice thereof to the exchange agent. Subject to the terms and conditions of the exchange offer, the issuance of new notes will be recorded in book-entry form by the exchange agent upon receipt of such notice. The exchange agent will act as agent for tendering holders of the old notes for the purpose of receiving book-entry transfers of old notes in the exchange agent's account at DTC. If any validly tendered old notes are not accepted for any reason set forth in the terms and conditions of the exchange offer, including if old notes are validly withdrawn, such withdrawn old notes will be returned without expense to the tendering holder or such old notes will be credited to an account maintained at DTC designated by the DTC participant who delivered the old notes, in either case, promptly after the expiration or termination of the exchange offer.

## PROCEDURES FOR EXCHANGE

If you hold old notes and wish to exchange them for new notes and the exchange fee, you must validly tender, or cause the valid tender of, your old notes using the procedures described in this prospectus and in the accompanying letter of transmittal.

Only registered holders of old notes are authorized to tender the old notes. The procedures by which you may tender or cause to be tendered old notes will depend upon the manner in which the old notes are held, as described below.

### TENDER OF OLD NOTES HELD THROUGH A NOMINEE

If you are a beneficial owner of old notes that are held of record by a custodian bank, depositary, broker, dealer, trust company or other nominee, and you wish to tender old notes in the exchange offer, you should contact the record holder promptly and instruct the record holder to tender the old notes on your behalf using one of the procedures described below. Your nominee will provide you with its instruction letter, which you must use to give these instructions.

TENDER OF OLD NOTES THROUGH DTC

Pursuant to authority granted by DTC, if you are a DTC participant that has old notes credited to your DTC account and thereby held of record by DTC's nominee, you may directly tender your old notes as if you were the record holder. References to registered or record holders include DTC participants with old notes credited to their accounts. If you are not a DTC participant, you may tender your old notes by book-entry transfer by contacting your broker or opening an account with a DTC participant. Within two business days after the date of this prospectus, the exchange agent will establish accounts with respect to the old notes at DTC for purposes of the exchange offer.

Any participant in DTC may tender old notes by effecting a book-entry transfer of the old notes to be tendered in the exchange offer into the account of the exchange agent at DTC by electronically transmitting its acceptance of the exchange offer through DTC's ATOP procedures for transfer; if ATOP procedures are followed, DTC will then verify the acceptance, execute a book-entry delivery to the exchange agent's account at DTC and send an agent's message to the exchange agent. An "agent's message" is a message, transmitted by DTC to and received by the exchange agent and forming part of a book-entry confirmation, which states that DTC has received an express acknowledgment from a DTC participant tendering old notes that the participant has received and agrees to be bound by the terms of the letter of transmittal and that we may enforce the agreement against the participant. A "book-entry confirmation" is a timely confirmation of a book-entry transfer of old notes into the exchange agent's account at DTC. DTC participants following this procedure should allow sufficient time for completion of the ATOP procedures prior to 5:00 p.m. New York City time on the expiration date of the exchange offer.

Any DTC participant may also tender old notes by completing and signing the letter of transmittal according to the instructions and delivering it, together with any signature guarantees and other required documents, to the exchange agent at its address on the back cover page of this prospectus.

The letter of transmittal (or a signed facsimile thereof), with any required signature guarantees and other required documents, or (in the case of book-entry transfer) an agent's message in lieu of the letter of transmittal, must be transmitted to and received by the exchange agent, and the exchange agent must have received a timely book-entry confirmation, prior to the expiration date of the exchange offer at its addresses set forth on the back cover page of this prospectus. Delivery of such documents to DTC does not constitute delivery to the exchange agent.

LETTER OF TRANSMITTAL

Subject to and effective upon the acceptance for exchange and exchange of old notes for new notes, by executing and delivering a letter of transmittal (or agreeing to the terms of a letter of transmittal pursuant to an agent's message), a tendering holder of old notes:

- irrevocably sells, assigns and transfers to or upon our order all right, title and interest in and to, and all claims in respect of or arising or having arisen as a result of the holder's status as a holder of the old notes tendered thereby;

- waives any and all rights with respect to the old notes;

- releases and discharges us and the trustee with respect to the old notes from any and all claims such holder may have, now or in the future, arising out of or related to the old notes, including, without limitation, any claims that such holder is entitled to participate in any redemption of the old notes;

- represents and warrants that the old notes tendered were owned as of the date of tender, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind;

- designates an account number of a DTC participant in which the new notes are to be credited; and

- irrevocably appoints the exchange agent the true and lawful agent and attorney-in-fact of the holder with respect to any tendered old notes, with full powers of substitution and revocation

(such power of attorney being deemed to be an irrevocable power coupled with an interest) to cause the old notes tendered to be assigned, transferred and exchanged in the exchange offer.

PROPER EXECUTION AND DELIVERY OF LETTER OF TRANSMITTAL

If you wish to participate in the exchange offer, delivery of your old notes, signature guarantees and other required documents is your responsibility. Delivery is not complete until the required items are actually received by the exchange agent. If you mail these items, we recommend that you (1) use registered mail with return receipt requested, properly insured, and (2) mail the required items sufficiently in advance of the expiration date with respect to the exchange offer to allow sufficient time to ensure timely delivery.

Except as otherwise provided below, all signatures on a letter of transmittal or a notice of withdrawal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program. Signatures on a letter of transmittal need not be guaranteed if:

- the letter of transmittal is signed by a participant in DTC whose name appears on a security position listing of DTC as the owner of the old notes and the holder has not completed the portion entitled "Special Issuance and Payment Instructions" on the letter of transmittal; or

- the old notes are tendered for the account of an eligible guarantor institution.

GUARANTEED DELIVERY PROCEDURES

If you desire to tender your old notes and you cannot complete the procedures for book-entry transfer set forth above on a timely basis, you may still tender your old notes if:

- your tender is made through an eligible institution;

- prior to the expiration date, the exchange agent received from the eligible institution a properly completed and duly executed letter of transmittal, or a facsimile of such letter of transmittal or an electronic confirmation pursuant to DTC's ATOP system and notice of guaranteed delivery, substantially in the form provided by us, by facsimile transmission, mail or hand delivery, that:

  (1) sets forth the name and address of the holder of the old notes tendered;

  (2) states that the tender is being made thereby; and

  (3) guarantees that within three trading days after the expiration date a book-entry confirmation and any other documents required by the letter of transmittal, if any, will be deposited by the eligible institution with the exchange agent; and

- book-entry confirmation and all other documents, if any, required by the letter of transmittal are received by the exchange agent within three trading days after the expiration date.

WITHDRAWAL OF TENDERS

Tenders of old notes in connection with the exchange offer may be withdrawn at any time prior to 5:00 p.m. New York City time on the expiration date of the exchange offer, but you must withdraw all of your old notes previously tendered. Tenders of old notes may not be withdrawn at any time after such date unless the exchange offer is extended, in which case tenders of old notes may be withdrawn at any time prior to the expiration date, as extended. In addition, tenders may be withdrawn if we have not accepted old notes tendered for exchange at any time after , 2005.

Beneficial owners desiring to withdraw old notes previously tendered should contact the DTC participant through which such beneficial owners hold their old notes. In order to withdraw old notes previously tendered, a DTC participant may, prior to the expiration date of the exchange offer, withdraw its instruction previously

transmitted through ATOP by (1) withdrawing its acceptance through ATOP or (2) delivering to the exchange agent, by mail, hand delivery or facsimile transmission, a notice of withdrawal of such instruction. The notice of withdrawal must contain the name and number of the DTC participant. The method of notification is at the risk and election of the holder and must be timely received by the exchange agent. Withdrawal of a prior instruction will be effective upon receipt of the notice of withdrawal by the exchange agent. All signatures on a notice of withdrawal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program. However, signatures on the notice of withdrawal need not be guaranteed if the old notes being withdrawn are held for the account of an eligible guarantor institution. A withdrawal of an instruction must be executed by a DTC participant in the same manner as such DTC participant's name appears on its transmission through ATOP to which such withdrawal relates. A DTC participant may withdraw a tender only if such withdrawal complies with the provisions described in this paragraph.

Withdrawals of tenders of old notes may not be rescinded and any old notes withdrawn will thereafter be deemed not validly tendered for purposes of the exchange offer. Properly withdrawn old notes, however, may be retendered by following the procedures described above at any time prior to the expiration date of the exchange offer.

## MISCELLANEOUS

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of old notes in connection with the exchange offer will be determined by us, in our reasonable judgment, and our determination will be final and binding. We reserve the absolute right to reject any and all tenders not in proper form or the acceptance for exchange of which may, in the opinion of our counsel, be unlawful. We also reserve the absolute right to waive any defect or irregularity in the tender of any old notes in the exchange offer, and the interpretation by us of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding on all parties, provided that we will not waive any condition to the offer with respect to an individual holder of old notes unless we waive that condition for all such holders. None of us, the exchange agent, or any other person will be under any duty to give notification of any defects or irregularities in tenders or will incur any liability for failure to give any such notification.

Tenders of old notes involving any irregularities will not be deemed to have been made until such irregularities have been cured or waived. Old notes received by the exchange agent in connection with the exchange offer that are not validly tendered and as to which the irregularities have not been cured or waived will be returned by the exchange agent to the DTC participant who delivered such old notes by crediting an account maintained at DTC designated by such DTC participant promptly after the expiration date of the exchange offer or the withdrawal or termination of the exchange offer.

## TRANSFER TAXES

We will pay all transfer taxes, if any, applicable to the transfer and exchange of old notes to us in the exchange offer. If transfer taxes are imposed for any other reason, the amount of those transfer taxes, whether imposed on the registered holder or any other persons, will be payable by the tendering holder. Other reasons transfer taxes could be imposed include:

- if new notes in book-entry form are to be registered in the name of any person other than the person signing the letter of transmittal; or

- if tendered old notes are registered in the name of any person other than the person signing the letter of transmittal.

If satisfactory evidence of payment of or exemption from those transfer taxes is not submitted with the letter of transmittal, the amount of those transfer taxes will be billed directly to the tendering holder and/or withheld from any payments due with respect to the old notes tendered by such holder.

## OTHER FEES AND EXPENSES

Tendering holders of old notes will not be required to pay any expenses of soliciting tenders in the exchange offer. However, if a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other institution, such holder may be required to pay brokerage fees or commissions.

## EXCHANGE AGENT

JPMorgan Chase Bank, National Association has been appointed the exchange agent for the exchange offer. Letters of transmittal and all correspondence in connection with the exchange offer should be sent or delivered by each holder of old notes, or a beneficial owner's custodian bank, depositary, broker, dealer, trust company or other nominee, to the exchange agent at the address set forth on the back cover page of this prospectus. We will pay the exchange agent a fee of $7,500 plus $50 per tender for each tender in excess of 100 tenders for its services and will reimburse it for its reasonable, out-of-pocket expenses in connection with the exchange offer.

## INFORMATION AGENT

MacKenzie Partners, Inc. has been appointed as the information agent for the exchange offer and will receive customary compensation for its services. Questions concerning tender procedures and requests for additional copies of this prospectus or the letter of transmittal should be directed to the information agent at the address set forth on the back cover page of this prospectus. Holders of old notes may also contact their custodian bank, depositary, broker, dealer, trust company or other nominee for assistance concerning the exchange offer.

## DEALER MANAGER

We have retained Banc of America Securities LLC to act as dealer manager in connection with the exchange offer.

We have agreed to pay Banc of America Securities LLC customary fees for its services as dealer manager in connection with the offer and will reimburse the dealer manager for certain out-of-pocket expenses, including the fees and expenses of its legal counsel incurred in connection with the exchange offer. The obligations of the dealer manager are subject to certain conditions. We have agreed to indemnify the dealer manager against certain liabilities, including liabilities under the federal securities laws, or to contribute to payments that the dealer manager may be required to make in respect thereof. Questions regarding the terms of the exchange offer may be directed to the dealer manager at the address set forth on the back cover page of this prospectus.

From time to time, the dealer manager and its affiliates have provided investment banking, commercial banking and financial advisory services to us for customary compensation. At any given time, the dealer manager may trade the old notes or other securities of ours or our affiliates for its own accounts or for the accounts of its customers, and accordingly, may hold a long or a short position in the old notes or other securities. To the extent the dealer manager owns old notes in these accounts at the time of the exchange offer, the dealer manager may tender those old notes. The dealer manager was an initial purchaser in the private placement of the old notes.

None of the dealer manager, the information agent or the exchange agent assumes any responsibility for the accuracy or completeness of the information concerning us or our affiliates contained in this document or related documents or for any failure by us to disclose events that may have occurred and may affect the significance or accuracy of such information.

## DESCRIPTION OF THE NEW NOTES

We will issue the new notes under an indenture dated as of May 19, 2003 between us and JPMorgan Chase Bank, National Association (formerly JPMorgan Chase Bank), as trustee, as supplemented. The descriptions under this heading are summaries of the material provisions of the new notes and the indenture. Such summaries do not purport to be complete and are qualified in their entirety by reference to the indenture, the form of supplemental indenture and the form of new note which are included as exhibits to the registration statement of which this prospectus is a part and are incorporated by reference. For purposes of this summary, the terms "we," "our," "ours" and "us" refer only to CenterPoint Energy, Inc. and not to any of our subsidiaries.

We may issue debt securities from time to time in one or more series under the indenture. There is no limitation on the amount of debt securities we may issue under the indenture. In addition to the old notes, our 5.875% Senior Notes due 2008 ($200,000,000 outstanding), our 6.85% Senior Notes due 2015 ($200,000,000 outstanding), our 7.25% Senior Notes due 2010 ($200,000,000 outstanding) and our 2.875% Convertible Senior Notes due 2024 ($255,000,000 outstanding) are currently outstanding under the indenture.

### GENERAL

The new notes will mature on May 15, 2023. The new notes will be issued only in denominations of $1,000 principal amount and integral multiples of $1,000 principal amount. We may issue additional notes of the same series for a certain period of time after the exchange offer without the consent of the holders of the new notes, but the new notes will be limited to $575,000,000 in aggregate principal amount.

The new notes will:

- be general unsecured obligations,
- rank equally in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness, and
- with respect to the assets and earnings of our subsidiaries, effectively rank below all of the liabilities of our subsidiaries.

As of April 30, 2005, CenterPoint Energy, on an unconsolidated basis, had approximately $3.7 billion aggregate principal amount of outstanding indebtedness. Of this indebtedness, approximately $678 million of obligations relating to pollution control bonds issued on CenterPoint Energy's behalf are secured by general mortgage bonds and first mortgage bonds of CenterPoint Houston. Excluding subsidiaries issuing trust preferred securities and transition bonds, as of April 30, 2005, our subsidiaries had approximately $5.3 billion aggregate principal amount of external indebtedness, of which approximately $2.9 billion is secured, as well as other liabilities.

### ACCOUNTING FOR THE EXCHANGE

The new notes do not have substantially different terms than the old notes as defined in EITF Issue No. 96-19 "Debtor's Accounting for a Modification or Exchange of Debt Instruments" (EITF 96-19). Accordingly, the carrying amount of the new notes will be the carrying amount of the old notes, which is also their face value, and the conversion features of the new notes will not be valued at issuance. Exchange fees paid to the noteholders will be amortized over the life of the new notes and all other fees will be expensed. Upon conversion of the notes, amounts paid in cash will be compared to the recorded carrying value and a gain or loss on conversion will be recorded.

### STRUCTURAL SUBORDINATION

We are a holding company that conducts substantially all of our operations through our subsidiaries. Our only significant assets are the capital stock of our subsidiaries, and our subsidiaries generate substantially all of our operating income and cash flow. As a result, dividends or advances from our subsidiaries are the principal source of

funds necessary to meet our debt service obligations. Contractual provisions or laws, including the 1935 Act, as well as our subsidiaries' financial condition and operating requirements, may limit our ability to obtain cash from our subsidiaries that we may require to pay our debt service obligations, including payments on the new notes. In addition, the new notes will be effectively subordinated to all of the liabilities of our subsidiaries with regard to the assets and earnings of our subsidiaries.

INTEREST

Interest on the new notes will:

- accrue at the rate of 3.75% per year, from the last interest payment date on which interest was paid on the old notes,

- be payable semi-annually in arrears on May 15 and November 15 of each year, beginning November 15, 2005,

- be payable to the person in whose name the new notes are registered at the close of business on the May 1 and November 1 immediately preceding the applicable interest payment date, which we refer to with respect to the new notes as "regular record dates,"

- be computed on the basis of a 360-day year comprised of twelve 30-day months, and

- be payable on overdue interest (including contingent interest, if any) to the extent permitted by law at the same rate as interest is payable on principal.

If any interest payment date, the maturity date, or any redemption date or purchase date (including upon the occurrence of a Fundamental Change, as described below) 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 interest payment date, maturity date, redemption date or purchase date. The term "business day" means, with respect to any new 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.

In addition, we will pay contingent interest on the new notes under the circumstances described below under " -- Contingent Interest."

CONTINGENT INTEREST

We will pay contingent interest to the holders of new notes during any six-month period from May 15 to November 14 or from November 15 to May 14 commencing on or after May 15, 2008 for which the average trading price of a new note for the applicable five trading day reference period equals or exceeds 120% of the principal amount of the new note 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.

During any period when contingent interest is payable, the contingent interest payable per new note in respect of any six-month period will equal 0.25% of the average trading price of the new note for the applicable five trading day reference period.

The record date and payment date for contingent interest, if any, will be the same as the regular record date and payment date for the semi-annual interest payments on the new notes.

The "trading price" of the new notes on any date of determination means the average of the secondary market bid quotations per $1,000 principal amount of new notes obtained by the bid solicitation agent for $10 million principal amount of new notes at approximately 4:00 p.m., New York City time, on such determination date from three unaffiliated, nationally recognized securities dealers we select, provided that if:

- at least three such bids are not obtained by the bid solicitation agent, or

- in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the new notes,

then the trading price of the new notes will equal (a) the then applicable conversion rate of the new notes multiplied by (b) the average of the last reported sale prices of our common stock for the five trading days ending on such determination date, appropriately adjusted to take into account the occurrence, during the period commencing on the first trading day during that five day trading period and ending on such determination date, of any event that would result in an adjustment of the conversion rate under the indenture.

The "last reported sale price" of our common stock on any date means the closing sale price per share (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 asked prices) on that date as reported in composite transactions for the principal U.S. securities exchange on which our common stock is traded or, if our common stock is not listed on a U.S. national or regional securities exchange, as reported by the Nasdaq National Market.

If our common stock 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" will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization.

If our common stock is not so quoted, the "last reported sale price" will be the average of the mid-point of the last bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

The bid solicitation agent will initially be the trustee. We may change the bid solicitation agent at any time, but the bid solicitation agent may not be our affiliate. The bid solicitation agent will solicit bids from nationally recognized securities dealers we believe are willing to bid for the new notes.

We will notify the holders of the new notes upon a determination that they will be entitled to receive contingent interest during a six-month interest period. In connection with providing such notice, we 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 the information on our web site or through such other public medium as we may use at that time.

OPTIONAL REDEMPTION

No sinking fund is provided for the new notes. Prior to May 15, 2008, the new notes will not be redeemable. On or after May 15, 2008, we may redeem for cash all or part of the new notes at any time, upon not less than 30 nor more than 60 days' notice before the redemption date by mail to the trustee, the paying agent and each holder of new notes, for a price equal to 100% of the principal amount of the new notes to be redeemed plus any accrued and unpaid interest, including contingent interest, if any, to the redemption date.

If we decide to redeem fewer than all of the outstanding new notes, the trustee will select the new notes to be redeemed (in principal amounts of $1,000 or integral multiples of $1,000) by lot, on a pro rata basis or by another method the trustee considers fair and appropriate.

If the trustee selects a portion of your new note for partial redemption and you convert a portion of the same new note, the converted portion will be deemed to be from the portion selected for redemption.

In the event of any redemption in part, we will not be required to:

- issue, register the transfer of or exchange any new note during a period of 15 days before the mailing of the redemption notice, or

- register the transfer of or exchange any new note so selected for redemption, in whole or in part, except the unredeemed portion of any new note being redeemed in part.

CONVERSION RIGHTS

Subject to the conditions and during the periods and under the circumstances described below, holders may convert each of their new notes into a combination of cash and common stock as described under "-Net Share Settlement Upon Conversion," initially at a conversion rate of 86.3558 shares of common stock per $1,000 principal amount of new notes (equivalent to an initial conversion price of $11.58 per share of common stock) at any time prior to the close of business on May 15, 2023. The conversion rate and the equivalent conversion price in effect at any given time are referred to as the "applicable conversion rate" and the "applicable conversion price," respectively, and will be subject to adjustment as described below. A holder may convert fewer than all of such holder's new notes so long as the new notes converted are an integral multiple of $1,000 principal amount.

Except as otherwise described below, you will not receive any cash payment representing accrued and unpaid interest (including contingent interest, if any) upon conversion of a new note and we will not adjust the conversion rate to account for the accrued and unpaid interest. Delivery of cash and shares of common stock in a collective amount equal to the "conversion value" (as such term is defined under " - Net Share Settlement Upon Conversion") will be deemed to satisfy our obligation to pay the principal amount of the new notes, including accrued and unpaid interest (including contingent interest, if any). As a result, accrued and unpaid interest (including contingent interest, if any) will be deemed paid in full rather than canceled, extinguished or forfeited. The trustee will initially act as the conversion agent.

If a holder converts new notes, we will pay any documentary, stamp or similar issue or transfer tax due on any issue of shares of our common stock upon the conversion, unless the tax is due because the holder requests the shares to be issued or delivered to a person other than the holder, in which case the holder will pay that tax.

If a holder wishes to exercise its conversion right, such holder must deliver a conversion notice, together, if the new notes are in certificated form, with the certificated security, to the conversion agent along with appropriate endorsements and transfer documents, if required, and pay any transfer or similar tax, if required. The date you comply with these requirements is referred to as the "conversion date." Holders may obtain copies of the required form of the conversion notice from the conversion agent. Cash payable upon conversion, together with a certificate for the number of full shares of our common stock, if any, into which any notes are converted, will be delivered through the conversion agent promptly, but no later than the fifth business day, following the conversion date.

If a holder has already delivered a purchase notice as described under either " -- Purchase of New Notes by Us at the Option of the Holder" or " -- Fundamental Change Requires Purchase of New Notes by Us at the Option of the Holder" with respect to a new note, however, the holder may not surrender that new note for conversion until the holder has withdrawn the purchase notice in accordance with the indenture.

Holders of new 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 new notes at any time after the close of business on such regular record date. New 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 new notes; provided, however, that no such payment need be made if (1) we have specified a redemption date that is after a record date and on or prior to the immediately following interest payment date, (2) we have 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 new notes to the extent of such overdue interest.

Holders may surrender their new notes for conversion into cash and, if applicable, shares of our common stock prior to stated maturity in only the circumstances described below.

CONVERSION UPON SATISFACTION OF SALE PRICE CONDITION. A holder may surrender any of its new notes for conversion into cash and, if applicable, shares of our common stock in any calendar quarter (and only during such calendar quarter) if the last reported sale price of our 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 our common stock on such last trading day.

CONVERSION UPON REDEMPTION. If we redeem the new notes, holders may convert new notes into cash and, if applicable, shares of our common stock at any time prior to the close of business on the second business day immediately preceding the redemption date, even if the new notes are not otherwise convertible at such time.

CONVERSION UPON SPECIFIED CORPORATE TRANSACTIONS. If we elect to:

- distribute to all holders of our common stock certain rights entitling them to purchase, for a period expiring within 60 days after the date of the distribution, shares of our common stock at less than the last reported sale price of a share of our common stock on the trading day immediately preceding the declaration date of the distribution, or

- distribute to all holders of our common stock our assets, debt securities or certain rights to purchase our securities, which distribution has a per share value as determined by our board of directors exceeding 15% of the last reported sale price of a share of our common stock on the trading day immediately preceding the declaration date for such distribution,

we must notify the holders of the new notes at least 20 business days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their new notes for conversion into cash and, if applicable, common stock at any time until the earlier of the close of business on the business day immediately prior to the ex-dividend date or our announcement that such distribution will not take place, even if the new notes are not otherwise convertible at such time; provided, however, that a holder may not exercise this right to convert if the holder may participate in the distribution without conversion. The "ex-dividend date" is the first date upon which a sale of the common stock does not automatically transfer the right to receive the relevant dividend from the seller of the common stock to its buyer.

In addition, if we are party to a consolidation, merger or binding share exchange pursuant to which our common stock would be converted into cash or property other than securities, or if a transaction described in clause (3) of the definition of Fundamental Change in "Fundamental Change Requires Purchase of New Notes by Us at the Option of the Holder" (or in connection with a transaction that would have been a Fundamental Change under such clause (3) but for the existence of the 105% Trading Price Exception (as defined below)) occurs on or prior to and results in an increase in the conversion rate of the new notes as described under "Conversion Rate Adjustments - Adjustment to Conversion Rate Upon Certain Fundamental Changes - General," a holder may surrender new notes for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of 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 a right to require us to repurchase their new notes, until the Fundamental Change purchase date).

If and only to the extent holders elect to convert new notes in connection with a transaction described in clause (3) of the definition of Fundamental Change in "Fundamental Change Requires Purchase of New Notes by Us at the Option of the Holder" below (or in connection with a transaction that would have been a Fundamental Change under such clause (3) but for the existence of the 105% Trading Price Exception) that occurs on or prior to pursuant to which 10% or more of the consideration for our common stock (other than cash payments for fractional shares) in such Fundamental Change transaction consists of cash, 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, we will increase the conversion rate by a number of additional shares as described under "Conversion Rate Adjustments - Adjustment to Conversion Rate Upon Certain Fundamental Changes - General" or, in lieu thereof, we may in certain circumstances elect to adjust the conversion rate and related conversion obligation so that the new notes are convertible into shares of the acquiring or surviving entity as

described under "Conversion Rate Adjustments - Adjustment to Conversion Rate Upon Certain Fundamental Changes - Conversion Upon a Public Acquirer Change of Control."

If we engage in certain reclassifications of our common stock or are a party to a consolidation, merger, binding share exchange or transfer of all or substantially all of our assets pursuant to which our common stock is converted into cash, securities or other property, then at the effective time of the transaction, the conversion value and the "net share amount" (as such term is defined in " - Net Share Settlement Upon Conversion") will be based on the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its new notes immediately prior to the effectiveness of the transaction. In addition, if holders convert their new notes following the effectiveness of the transaction, the net share amount will be paid in such cash, securities or other property rather than shares of our common stock. Notwithstanding the first sentence of this paragraph, if we elect to adjust the conversion rate and our conversion obligation as described in "Conversion Rate Adjustments - Adjustment to Conversion Rate Upon Certain Fundamental Changes - Conversion Upon a Public Acquirer Change of Control," the provisions described in that section will apply instead of the provisions described in the first sentence of this paragraph.

If the transaction also constitutes a Fundamental Change, as defined below, a holder can require us to purchase all or a portion of its new notes as described below under " -- Fundamental Change Requires Purchase of New Notes by Us at the Option of the Holder."

CONVERSION UPON CREDIT RATINGS EVENT. A holder may convert new notes into our common stock and cash during any period in which the credit ratings assigned to the new notes by both Moody's Investors Service, Inc. and S&P's Ratings Services are lower than Ba2 and BB, respectively, or the new notes are no longer rated by at least one of these ratings services or their successors.

CONVERSION RATE ADJUSTMENTS. The conversion rate will be subject to adjustment, without duplication, upon the occurrence of any of the following events:

(1) the payment of dividends and other distributions on our common stock payable exclusively in shares of our common stock or our other capital stock,

(2) the issuance to all holders of our common stock of rights or warrants that allow the holders to purchase shares of our common stock for a period expiring within 60 days from the date of issuance of the rights or warrants at less than the market price on the record date for the determination of shareholders entitled to receive the rights or warrants,

(3) subdivisions, combinations, or certain reclassifications of our common stock,

(4) distributions to all holders of our common stock of our assets, debt securities or rights or warrants to purchase our securities (excluding (A) any dividend, distribution or issuance covered by clauses (1) or (2) above and (B) any dividend or distribution paid exclusively in cash), if these distributions, aggregated on a rolling twelve-month basis, have a per share value exceeding 15% of the market price of our common stock on the trading day immediately preceding the declaration of the distribution. In cases where (a) the fair market value per share of common stock of the assets, debt securities or rights or warrants to purchase our securities distributed to shareholders equals or exceeds the market price of our common stock on the record date for the determination of shareholders entitled to receive such distribution, or (b) the market price of our common stock on the record date for determining the shareholders entitled to receive the distribution exceeds the fair market value per share of common stock of the assets, debt securities or rights or warrants so distributed by less than $1.00, rather than being entitled to an adjustment in the conversion rate, the holder will be entitled to receive upon conversion, in addition to cash and, if applicable, shares of our common stock, the kind and amount of assets, debt securities or rights or warrants comprising the distribution that the holder would have received if the holder had converted the holder's new notes immediately prior to the record date for determining the shareholders entitled to receive the distribution, and

(5) distributions made during any of our quarterly fiscal periods consisting exclusively of cash to all holders of outstanding shares of common stock in an aggregate amount that, together with (A) other all-cash distributions made during such quarterly fiscal period, and (B) 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 any consideration payable in respect of any tender or exchange offer, by us or any of our subsidiaries for 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 our common stock) multiplied by the number of shares of common stock outstanding on the record date for such distribution.

With respect to paragraph (4) above, in the event that we make a distribution to all holders of our common stock consisting of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common stock, in each case based on the average last reported sales prices of those securities for the 10 trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such dividend or distribution on the New York Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted.

Notwithstanding the foregoing, in no event will the conversion rate exceed 129.5337, which we refer to as the "maximum conversion rate," as a result of an adjustment pursuant to paragraphs (4) and (5) above or pursuant to a transaction described in clause (3) of the definition of Fundamental Change (or in connection with a transaction that would have been a Fundamental Change under such clause (3) but for the existence of the 105% Trading Price Exception). The maximum conversion rate will be appropriately adjusted from time to time for any stock dividends on or subdivisions or combinations of our common stock.

In addition to these adjustments, we may increase the conversion rate as our board of directors considers advisable to avoid or diminish any income tax to holders of our common stock or rights to purchase our 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. We may also, from time to time, to the extent permitted by applicable law, increase the conversion rate by any amount for any period of at least 20 days if our board of directors has determined that such increase would be in our best interests. If our board of directors makes such a determination, it will be conclusive. We will give holders of new notes at least 15 days' notice of such an increase in the conversion rate.

As used in this prospectus, "market price" means the average of the last reported sale prices per share of our 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 the applicable date of determination), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the trading days during the 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 the indenture.

No adjustment to the conversion rate or the ability of a holder of a new note to convert will be made if the holder will otherwise participate in the distribution without conversion or in certain other cases.

The applicable conversion rate will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan,

- upon the issuance of any shares of our 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 us or any of our subsidiaries,

- upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in the preceding bullet and outstanding as of the date the new notes were first issued,

- for a change in the par value of our common stock, or

- for accrued and unpaid interest, including contingent interest, if any.

If, upon conversion of the new notes, holders will receive shares of our common stock, holders will also receive the rights under our shareholder rights plan or under any future rights plan we may adopt, whether or not the rights have separated from the common stock at the time of conversion unless, prior to conversion, the rights have expired, terminated or been redeemed or exchanged. See "Description of Capital Stock -- Shareholder Rights Plan."

No adjustment in the applicable conversion price will be required unless the adjustment would require an increase or decrease of at least 1% of the applicable conversion price. If the adjustment is not made because the adjustment does not change the applicable conversion price by more than 1%, then the adjustment that is not made will be carried forward and taken into account in any future adjustment.

ADJUSTMENT TO CONVERSION RATE UPON CERTAIN FUNDAMENTAL CHANGES.

GENERAL. If and only to the extent holders elect to convert new notes in connection with a transaction described in clause (3) of the definition of Fundamental Change in " -- Fundamental Change Requires Purchase of New Notes by Us at the Option of the Holder" below (or in connection with a transaction that would have been a Fundamental Change under such clause (3) but for the existence of the 105% Trading Price Exception) that occurs on or prior to pursuant to which 10% or more of the consideration for our 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, we will increase the conversion rate for the new notes surrendered for conversion by a number of additional shares (the "additional shares") as described below.

The number of additional shares will be determined by reference to the table below, based on the date on which such Fundamental Change transaction becomes effective (the "effective date") and the price (the "stock price") paid per share of our common stock in such Fundamental Change transaction. If holders of our common stock receive only cash in such Fundamental Change transaction, the stock price will be the cash amount paid per share. Otherwise, the stock price will be the average of the last reported sale prices of our common stock on the five trading days prior to but not including the effective date of such Fundamental Change transaction.

The stock prices set forth in the first row of the table below (i.e., column headers) will be adjusted as of any date on which the conversion rate of the new notes is adjusted, as described above under " - Conversion Rate Adjustments." 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 as so adjusted. The number of additional shares will be adjusted in the same manner as the conversion rate as set forth under " - Conversion Rate Adjustments."

The following table sets forth the hypothetical stock price and number of additional shares to be issuable per $1,000 principal amount of new notes:

| | STOCK PRICE | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $7.72 | $9.00 | $10.00 | $11.00 | $11.58 | $13.00 | $15.00 | $18.00 | $20.00 | $25.00 | $30.00 | $35.00 |
| EFFECTIVE DATE | | | | | | | | | | | | |
| May 15, 2006 | | | | | | | | | | | | |
| May 15, 2007 | | | | | | | | | | | | |
| May 15, 2008 | | | | | | | | | | | | |

The stock prices and additional share amounts set forth above are based on a common stock price of $7.72 at the time of the initial offering of the old notes on May 13, 2003 and an initial conversion rate of $86.3558.

The exact stock prices and effective dates may not be set forth in the table above, in which case:

- If the stock price is between the two stock price amounts in the table or the effective date is between two effective dates in the table, the number of additional shares will be determined by a straight-line interpolation between the number of additional shares set forth for the higher and lower stock price amounts and the two dates, as applicable, based on a 365-day year.

- If the stock price is in excess of $ per share (subject to adjustment), no additional shares will be issuable upon conversion.

- If the stock price is less than $ per share (subject to adjustment), no additional shares will be issuable upon conversion.

Our obligation to satisfy the additional share requirement could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

CONVERSION UPON A PUBLIC ACQUIRER CHANGE OF CONTROL. Notwithstanding the foregoing, in the case of a public acquirer change of control (as defined below), we may, in lieu of increasing the conversion rate by additional shares as described under " - Adjustment to Conversion Rate Upon Certain Fundamental Changes - General" above, 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 new notes will be entitled to convert their new notes (subject to the satisfaction of the conditions to conversion described under "Conversion Rights") into a number of shares of public acquirer common stock (as defined below) by adjusting the conversion rate in effect immediately prior to the public acquirer change of control by a fraction:

- the numerator of which will be (1) in the case of a share exchange, consolidation or merger, pursuant to which our common stock is converted into cash, securities or other property, the average value of all cash and any other consideration (as determined by our board of directors) paid or payable per share of common stock or (2) in the case of any other public acquirer change of control, the average of the last reported sale price of our common stock for the five consecutive trading days prior to but excluding the effective date of such public acquirer change of control, and

- the denominator of which will be the average of the last reported sale prices of the public acquirer common stock for the five consecutive 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 us to increase the conversion rate as described above under " - Adjustment to Conversion Rate Upon Certain Fundamental Changes - General" and the acquirer (or any other entity that directly or indirectly has beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) 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 Fundamental Change (the "public acquirer common stock").

Upon a public acquirer change of control, if we so elect, holders may convert their new notes (subject to the satisfaction of the conditions to conversion described under "Conversion Rights") at the adjusted conversion rate described in the second preceding paragraph but will not be entitled to the increased conversion rate described under

" - Adjustment to Conversion Rate Upon Certain Fundamental Changes - General." We are required to notify holders of new notes of our election in our notice to holders of such transaction. As described above under "Conversion Rights - Conversion Upon Specified Corporate Transactions," holders may convert their new notes upon a public acquirer change of control during the periods specified. In addition, a holder may also, subject to certain conditions, require us to repurchase all or a portion of its new notes as described under "Fundamental Change Requires Purchase of New Notes by Us at the Option of the Holder."

NET SHARE SETTLEMENT UPON CONVERSION. Subject to certain exceptions described above under " -- Conversion upon Specified Corporate Transactions," once new notes are tendered for conversion, holders tendering the new notes will be entitled to receive, per $1,000 principal amount of new notes, cash and, if applicable, shares of our common stock. The aggregate value of the cash and shares to which a holder is entitled upon conversion of each $1,000 principal amount of new notes is referred to as the "conversion value" and will be equal to the product of (1) the applicable conversion rate on the conversion date, and (2) the average of the closing price of our 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 submitted for conversion, which we refer to as the "10-day average price."

Subject to certain exceptions described above and under " -- Conversion upon Specified Corporate Transactions," we will deliver the conversion value of the notes surrendered for conversion to converting holders as follows:

- an amount in cash, referred to as the "principal return," equal to the lesser of (a) the aggregate conversion value of the notes to be converted and (b) the aggregate principal amount of the notes to be converted;

- if the aggregate conversion value of the notes to be converted is greater than the principal return, an amount equal to such aggregate conversion value less the principal return, referred to as the "net share amount," at our option, in whole shares, referred to as the "net shares," determined as set forth below, in cash or in a combination thereof; and

- an amount in cash in lieu of any fractional shares of common stock.

The cash payment and the number of net shares, if any, to be paid will be determined by dividing the net share amount by the 10-day average price.

The conversion value, principal return, net share amount and the number of net shares, if any, will be determined by us at the end of the 10 consecutive trading day period beginning on the second trading day immediately following the Conversion Date, referred to as the "determination date." We will pay the cash and deliver the net shares, if any, promptly after the determination date, but in no event later than five business days after the later of the determination date and the date the holder satisfies the conversion procedure requirements.

## PURCHASE OF NEW NOTES BY US AT THE OPTION OF THE HOLDER

Holders have the right to require us to purchase the new notes on May 15, 2008, May 15, 2013 and May 15, 2018 (each, a "purchase date"). Any new note purchased by us on a purchase date will be paid for in cash. We will be required to purchase any outstanding new notes for which a holder delivers a written purchase notice to the paying agent. This notice must be delivered during the period beginning at any time from the opening of business on the date that is 20 business days prior to the relevant purchase date until the close of business on the fifth business day prior to the purchase date. If the purchase notice is given and withdrawn during such period, we will not be obligated to purchase the related new notes. Our purchase obligation will be subject to some additional conditions as described in the indenture. Also, as described in the "Risk Factors" section of this prospectus under the caption "Risks Related to the New Notes -- We may not have the funds necessary to purchase the new notes at the option of the holders or make the required cash payments upon a conversion of the new notes," we may not have funds sufficient to purchase the new notes when we are required to do so. Our failure to purchase the new notes when we are required to do so will constitute an event of default under the indenture with respect to the new notes.

The purchase price payable will be equal to 100% of the principal amount of the new notes to be purchased plus any accrued and unpaid interest, including contingent interest, if any, to such purchase date. For a discussion of the United States federal income tax treatment of a holder receiving cash, see "Material United States Federal Income Tax Consequences."

On or before the 20th business day prior to each purchase date, we will provide to the trustee, the paying agent and to all holders of the new notes at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, a notice stating, among other things:

- the purchase price,
- the name and address of the paying agent and the conversion agent, and
- the procedures that holders must follow to require us to purchase their new notes.

In connection with providing such notice, we will issue a press release and publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on our web site or through such other public medium as we may use at that time.

A notice electing to require us to purchase your new notes must state:

- if certificated new notes have been issued, the certificate numbers of the new notes,
- the portion of the principal amount of new notes to be purchased, in integral multiples of $1,000, and
- that the new notes are to be purchased by us pursuant to the applicable provisions of the new notes and the indenture.

If the new notes are not in certificated form, your notice must comply with appropriate DTC procedures.

No new notes may be purchased at the option of holders 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 purchase price of the new notes.

You may withdraw any purchase notice in whole or in part by a written notice of withdrawal delivered to the paying agent prior to the close of business on the business day prior to the purchase date. The notice of withdrawal must state:

- the principal amount of the withdrawn new notes,
- if certificated new notes have been issued, the certificate numbers of the withdrawn new notes, and
- the principal amount, if any, which remains subject to the purchase notice.

If the new notes are not in certificated form, your notice must comply with appropriate DTC procedures.

You must either effect book-entry transfer or deliver the new notes, together with necessary endorsements, to the office of the paying agent to receive payment of the purchase price. You will receive payment promptly following the later of the purchase date or the time of book-entry transfer or the delivery of the new notes. If the paying agent holds money sufficient to pay the purchase price of the new notes on the business day following the purchase date, then on and after the purchase date:

- the new notes will cease to be outstanding and interest, including contingent interest, will cease to accrue (whether or not book-entry transfer of the new notes is made or whether or not the new notes are delivered to the paying agent), and

- all other rights of the holder will terminate (other than the right to receive the purchase price upon delivery or transfer of the new notes).

FUNDAMENTAL CHANGE REQUIRES PURCHASE OF NEW NOTES BY US AT THE OPTION OF THE HOLDER

If a Fundamental Change (as defined below in this section) occurs at any time prior to May 15, 2008, holders will have the right, at their option, to require us to purchase any or all of their new notes for cash, or any portion of the principal amount thereof, that is equal to $1,000 or an integral multiple of $1,000. The cash price we are required to pay is equal to 100% of the principal amount of the new notes to be purchased plus accrued and unpaid interest, including contingent interest, if any, to the Fundamental Change purchase date. If a Fundamental Change occurs on or after May 15, 2008 no holder will have a right to require us to purchase any new notes, except as described above under " - -- Purchase of New Notes by Us at the Option of the Holder." For a discussion of the United States federal income tax treatment of a holder receiving cash, see "Material United States Federal Income Tax Consequences."

A "Fundamental Change" will be deemed to have occurred at the time after the new notes are originally issued that any of the following occurs:

(1) our common stock or other common stock into which the new 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,

(2) a "person" or "group" within the meaning of Section 13(d) of the Securities Exchange Act of 1934 other than us, our subsidiaries or our or their employee benefit plans, files a Schedule TO or any other schedule, form or report under the Securities Exchange Act of 1934 disclosing that such person or group has become the direct or indirect ultimate "beneficial owner," as defined in Rule 13d-3 under the Securities Exchange Act of 1934, of our common equity representing more than 50% of the voting power of our common equity entitled to vote generally in the election of directors,

(3) consummation of any share exchange, consolidation or merger of us pursuant to which our 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 us and our subsidiaries, taken as a whole, to any person other than us or one or more of our subsidiaries; provided, however, that a transaction where the holders of our common equity immediately prior to such transaction have 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 entitled to vote generally in the election of directors immediately after such event shall not be a Fundamental Change, or

(4) continuing directors (as defined below in this section) cease to constitute at least a majority of our board of directors.

A Fundamental Change will not be deemed to have occurred in respect of any of the foregoing, however, if either:

(1) the last reported sale price of our common stock for any five trading days within the 10 consecutive trading days ending immediately before the later of the Fundamental Change or the public announcement thereof, equals or exceeds 105% of the conversion price of the new notes in effect immediately before the Fundamental Change or the public announcement thereof (the "105% Trading Exception"), or

(2) 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 will be so traded or quoted when issued or exchanged in connection with a Fundamental Change (these securities being referred to as "publicly traded securities") and as a result of this transaction or transactions the new notes become convertible into such publicly traded securities, excluding cash payments for fractional shares.

For purposes of the above paragraph 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.

"Continuing director" means a director who either was a member of our board of directors on May 13, 2003 who becomes a member of our board of directors subsequent to that date and whose appointment, election or nomination for election by our shareholders is duly approved by a majority of the continuing directors on our board of directors at the time of such approval, either by a specific vote or by approval of the proxy statement issued by us on behalf of the board of directors in which such individual is named as nominee for director.

On or before the 30th day after the occurrence of a Fundamental Change, we will provide to the trustee, the paying agent and to all holders of the new notes at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, a notice stating, among other things:

- the events causing the Fundamental Change,
- the date of the Fundamental Change,
- the last date on which a holder may exercise the purchase right,
- the Fundamental Change purchase price,
- the Fundamental Change purchase date,
- the name and address of the paying agent and the conversion agent,
- the conversion rate and any adjustments to the conversion rate,
- that new notes with respect to which a Fundamental Change purchase notice has been given by the holder may be converted only if the holder withdraws the Fundamental Change purchase notice in accordance with the terms of the indenture, and
- the procedures that holders must follow to require us to purchase their new notes.

In connection with providing such notice, we will issue a press release and publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on our web site or through such other public medium as we may use at that time.

To exercise the purchase right, holders must deliver, on or before the 35th day after the date of our notice of a Fundamental Change, subject to extension to comply with applicable law, the new notes to be purchased, duly endorsed for transfer, together with a written purchase notice and the form entitled "Form of Fundamental Change Purchase Notice" duly completed, to the paying agent. The purchase notice must state:

- if certificated, the certificate numbers of the new notes to be delivered for purchase,
- the portion of the principal amount of new notes to be purchased, which must be $1,000 or an integral multiple thereof, and
- that the new notes are to be purchased by us pursuant to the applicable provisions of the new notes and the indenture.

If the new notes are not in certificated form, the notice must comply with applicable DTC procedures.

Holders may withdraw any purchase notice (in whole or in part) by a written notice of withdrawal delivered to the paying agent prior to the close of business on the business day prior to the Fundamental Change purchase date. The notice of withdrawal must state:

- the principal amount of the withdrawn new notes,

- if certificated new notes have been issued, the certificate numbers of the withdrawn new notes, and

- the principal amount, if any, which remains subject to the purchase notice.

If the new notes are not in certificated form, the notice must comply with applicable DTC procedures.

We will be required to purchase the new notes no later than 35 days after the date of our notice of the occurrence of the relevant Fundamental Change, subject to extension to comply with applicable law. Holders will receive payment of the Fundamental Change purchase price promptly following the later of the Fundamental Change purchase date or the time of book-entry transfer or the delivery of the new notes. If the paying agent holds money or securities sufficient to pay the Fundamental Change purchase price of the new notes on the business day following the Fundamental Change purchase date, then on and after the Fundamental Change purchase date:

- the new notes will cease to be outstanding and interest, including contingent interest, if any, will cease to accrue (whether or not book-entry transfer of the new notes is made or whether or not the new notes are delivered to the paying agent), and

- all other rights of the holder will terminate (other than the right to receive the Fundamental Change purchase price upon delivery or transfer of the new notes).

The rights of the holders to require us to purchase their new notes upon a Fundamental Change could discourage a potential acquirer of us. The Fundamental Change purchase feature, however, is not the result of management's knowledge of any specific effort to accumulate shares of our common stock, to obtain control of us by any means or part of a plan by management to adopt a series of anti-takeover provisions.

We will comply with the federal securities laws, including Rule 13e-4 under the Exchange Act, in connection with the purchase of any new notes that we are required to make upon the occurrence of a Fundamental Change.

The term Fundamental Change is limited to specified transactions and may not include other events that might adversely affect our financial condition. In addition, the requirement that we offer to purchase the new notes upon a Fundamental Change may not protect holders in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us.

No new notes may be purchased at the option of 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 new notes.

The definition of Fundamental Change includes a phrase relating to the sale, lease or other transfer of "all or substantially all" of our consolidated assets. There is no precise, established definition of the phrase "substantially all" under applicable law. Accordingly, the ability of a holder of the new notes to require us to purchase its new notes as a result of the sale, lease or other transfer of less than all of our assets may be uncertain.

If a Fundamental Change were to occur, we may not have enough funds to pay the Fundamental Change purchase price. See "Risk Factors" under the caption "Risks Related to the New Notes -- We may not have the funds necessary to purchase the new notes at the option of the holders or make the required cash payments upon a conversion of the new notes." Our failure to purchase the new notes when required following a Fundamental Change will constitute an event of default under the indenture with respect to the new notes. In addition, we have, and may in the future incur, other indebtedness with similar change in control provisions permitting holders to

accelerate or to require us to purchase our indebtedness upon the occurrence of similar events or on some specific dates.

CONSOLIDATION, MERGER AND SALE OF ASSETS

Under the indenture, we may not consolidate with or merge into, or convey, transfer or lease our properties and assets substantially as an entirety to, any person, referred to as a "successor person" unless:

- the successor person is a corporation, partnership, trust or other entity organized and validly existing under the laws of the United States of America or any state thereof or the District of Columbia,

- the successor person expressly assumes our obligations with respect to the new notes and the indenture,

- immediately after giving effect to the transaction, no event of default, and no event which, after notice or lapse of time or both, would become an event of default, would occur and be continuing, and

- we have delivered to the trustee the certificates and opinions required under the indenture.

However, certain of these transactions occurring prior to May 15, 2008 could constitute a Fundamental Change (as defined above) permitting each holder to require us to purchase the new notes of such holder as described above.

EVENTS OF DEFAULT

Each of the following will be an event of default under the indenture with respect to the new notes:

- our failure to pay the principal of or premium, if any, on the new notes when due,

- our failure to pay any interest, including contingent interest, if any, on the new notes for 30 days after the interest becomes due,

- our failure to perform, or our breach, in any material respect, of any other covenant or warranty in the indenture, other than a covenant or warranty included in the indenture solely for the benefit of another series of debt securities issued under the indenture, for 90 days after either the trustee or holders of at least 25% in principal amount of the outstanding new notes have given us written notice of the failure or breach in the manner required by the indenture,

- the default by us, 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 us, 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 us in accordance with the terms of the Indebtedness; provided that such payment default or acceleration of CERC or CenterPoint Houston will not be an event of default if, at the time such event occurs, CERC or CenterPoint Houston, as the case may be, is not one of our affiliates,

- specified events involving bankruptcy, insolvency or reorganization of us, CERC or CenterPoint Houston; provided that any specified event involving CERC or CenterPoint Houston will not be an event of default if, at the time such event occurs, CERC or CenterPoint Houston, as the case may be, is not one of our affiliates,

- our failure to redeem new notes after we have exercised our redemption option,

- our failure to satisfy our conversion obligation upon exercise of a holder's conversion right, and

- our failure to purchase new notes upon the occurrence of a Fundamental Change or exercise by a holder of its option to require us to purchase such holder's new notes,

provided, however, that no event described in the third bullet point above will be an event of default until an officer of the trustee, assigned to and working in the trustee's corporate trust department, has actual knowledge of the event or until the trustee receives written notice of the event at its corporate trust office, and the notice refers to the new notes generally, us and the indenture.

If an event of default occurs and is continuing, either the trustee or the holders of at least 25% in principal amount of the outstanding new notes may declare the principal amount of the new notes due and immediately payable. In order to declare the principal amount of the new notes due and immediately payable, the trustee or the holders must deliver a notice that satisfies the requirements of the indenture. Upon a declaration by the trustee or the holders, we will be obligated to pay the principal amount of the new notes plus accrued and unpaid interest, including contingent interest, if any, which has then been accrued.

This right does not apply if an event of default described in the fifth bullet point above occurs. If one of the events of default described in the fifth bullet point above occurs and is continuing, the new notes then outstanding under the indenture shall be due and payable immediately.

At any time after any declaration of acceleration of the new notes, but before a judgment or decree for payment of the money due has been obtained by the trustee, the event of default giving rise to the declaration of acceleration will, without further act, be deemed to have been waived, and such declaration and its consequences will, without further act, be deemed to have been rescinded and annulled if:

- we have paid or deposited with the trustee a sum sufficient to pay:

  - all overdue installments of interest on the new notes, including contingent interest, if any,

  - the principal of (and premium, if any, on) the new notes which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor,

  - to the extent lawfully permitted, interest upon overdue interest, and

  - all sums owed to the trustee under the indenture, and

- all events of default, other than the non-payment of the principal amount of the new notes which became due solely by such declaration of acceleration, have been cured or waived as provided in the indenture. See " -- Modification and Waiver" below.

If an event of default occurs and is continuing, the trustee will generally have no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless the holders offer reasonable indemnity to the trustee. The holders of a majority in principal amount of the outstanding new notes will generally have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee for the new notes, provided that:

- the direction is not in conflict with any law or the indenture,

- the trustee may take any other action it deems proper which is not inconsistent with the direction, and

- the trustee will generally have the right to decline to follow the direction if an officer of the trustee determines, in good faith, that the proceeding would involve the trustee in personal liability or would otherwise be contrary to applicable law.

A holder of a new note may only pursue a remedy under the indenture if:

- the holder has previously given the trustee written notice of a continuing event of default for the new notes,

- holders of at least 25% in principal amount of the outstanding new notes have made a written request to the trustee to pursue that remedy,

- the holders have offered reasonable indemnity to the trustee,

- the trustee fails to pursue that remedy within 60 days after receipt of the request, and

- during that 60-day period, the holders of a majority in principal amount of the new notes do not give the trustee a direction inconsistent with the request.

However, these limitations do not apply to a suit by a holder of a new note demanding payment of the principal, premium, if any, or interest on a new note on or after the date the payment is due.

We will be required to furnish to the trustee annually a statement by some of our officers regarding our performance or observance of any of the terms of the indenture and specifying all of our known defaults, if any.

MODIFICATION AND WAIVER

We may enter into one or more supplemental indentures with the trustee without the consent of the holders of the new notes in order to:

- evidence the succession of another corporation to us, or successive successions and the assumption of our covenants, agreements and obligations by a successor,

- add to our covenants for the benefit of the holders of any series of debt securities issued under the indenture or to surrender any of our rights or powers,

- add events of default for any series of debt securities issued under the indenture,

- add to or change any provision of the indenture to the extent necessary to issue new notes in bearer form,

- add to, change or eliminate any provision of the indenture applying to one or more series of debt securities issued under the indenture, provided that if such action adversely affects the interests of any holder of any series of debt securities, the addition, change or elimination will become effective with respect to that series only when no security of that series remains outstanding,

- convey, transfer, assign, mortgage or pledge any property to or with the trustee or to surrender any right or power conferred upon us by the indenture,

- establish the form or terms of any series of debt securities issued under the indenture,

- provide for uncertificated securities in addition to certificated securities,

- evidence and provide for successor trustees or to add to or change any provisions to the extent necessary to appoint a separate trustee or trustees for a specific series of debt securities,

- correct any ambiguity, defect or inconsistency under the indenture, provided that such action does not adversely affect the interests of the holders of any series of debt securities,

- supplement any provisions of the indenture necessary to defease and discharge any series of debt securities, provided that such action does not adversely affect the interests of the holders of any series of debt securities,

- comply with the rules or regulations of any securities exchange or automated quotation system on which any debt securities are listed or traded, or

- add, change or eliminate any provisions of the indenture in accordance with any amendments to the Trust Indenture Act of 1939, provided that the action does not adversely affect the rights or interests of any holder of debt securities.

We may enter into one or more supplemental indentures with the trustee in order to add to, change or eliminate provisions of the indenture or to modify the rights of the holders of one or more series of debt securities, including the new notes, if we obtain the consent of the holders of a majority in principal amount of the outstanding debt securities of each series affected by the supplemental indenture, treated as one class. However, without the consent of the holders of each outstanding debt security affected by the supplemental indenture, we may not enter into a supplemental indenture that:

- changes the stated maturity of the principal of, or any installment of principal of or interest on, any debt security, except to the extent permitted by the indenture,

- reduces the principal amount of, or any premium or interest on, any debt security,

- reduces the redemption price, purchase price or Fundamental Change purchase price of the new notes or changes the terms applicable to redemption or purchase in a manner adverse to the holder,

- reduces the amount of principal of an original issue discount security or any other debt security payable upon acceleration of the maturity thereof,

- changes the place or currency of payment of principal, premium, if any, or interest,

- impairs the right to institute suit for the enforcement of any payment on any new note,

- reduces the percentage in principal amount of outstanding debt securities of any series, the consent of whose holders is required for modification or amendment of the indenture,

- reduces the percentage in principal amount of outstanding debt securities of any series necessary for waiver of compliance with certain provisions of the indenture or for waiver of certain defaults,

- makes certain modifications to such provisions with respect to modification and waiver,

- makes any change that adversely affects the right to convert or exchange any debt security, including the new notes, or decreases the conversion or exchange rate or increases the conversion price of any convertible or exchangeable debt security,

- alters the manner of calculation or rate of contingent interest payable on any new note or extends the time for payment of any such amount, or

- changes the terms and conditions pursuant to which any series of debt securities that is secured in a manner adverse to the holders of the debt securities.

Holders of a majority in principal amount of the outstanding new notes may waive past defaults or noncompliance with restrictive provisions of the indenture. However, the consent of holders of each outstanding new note is required to:

- waive any default in the payment of principal, premium, if any, or interest,

- waive any covenants and provisions of the indenture that may not be amended without the consent of the holder of each outstanding new note,

- waive any default in any payment of redemption price, purchase price or Fundamental Change purchase price with respect to any new notes, or

- waive any default which constitutes a failure to convert any new note in accordance with its terms and the terms of the indenture.

In order to determine whether the holders of the requisite principal amount of the outstanding debt securities have taken an action under the indenture as of a specified date:

- the principal amount of an "original issue discount security" that will be deemed to be outstanding will be the amount of the principal that would be due and payable as of such date upon acceleration of the maturity to such date,

- if, as of such date, the principal amount payable at the stated maturity of a debt security is not determinable, for example, because it is based on an index, the principal amount of such debt security deemed to be outstanding as of such date will be an amount determined in the manner prescribed for such debt security,

- the principal amount of a debt security denominated in one or more foreign currencies or currency units that will be deemed to be outstanding will be the $U.S. equivalent, determined as of such date in the manner prescribed for such debt security, of the principal amount of such debt security or, in the case of a debt security described in the two preceding bullet points, of the amount described above, and

- debt securities owned by us or any other obligor upon the debt securities or any of our or their affiliates will be disregarded and deemed not to be outstanding.

An "original issue discount security" means a debt security issued under the indenture which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of maturity. Some debt securities, including those for the payment or redemption of which money has been deposited or set aside in trust for the holders and those that have been fully defeased pursuant to Section 1402 of the indenture, will not be deemed to be outstanding.

We will generally be entitled to set any day as a record date for determining the holders of outstanding new notes entitled to give or take any direction, notice, consent, waiver or other action under the indenture. In limited circumstances, the trustee will be entitled to set a record date for action by holders of outstanding new notes. If a record date is set for any action to be taken by holders, the action may be taken only by persons who are holders of outstanding new notes on the record date. To be effective, the action must be taken by holders of the requisite principal amount of new notes within a specified period following the record date. For any particular record date, this period will be 180 days or such shorter period as we may specify, or the trustee may specify, if it set the record date. This period may be shortened or lengthened by not more than 180 days.

DEFEASANCE

The new notes will be subject to both legal defeasance and discharge and covenant defeasance at our option. However, our obligations with respect to the convertibility of the new notes will survive any such action by us.

DEFEASANCE AND DISCHARGE. We will be discharged from all of our obligations with respect to the new notes, except for certain obligations to convert, exchange or register the transfer of new notes, to replace stolen, lost or mutilated new notes, to maintain paying agencies and to hold moneys for payment in trust, upon the deposit in trust for the benefit of the holders of the new notes of money or U.S. government obligations, or both, which,

through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay the principal, premium, if any, and interest on the new notes to the stated maturity of the new notes in accordance with the terms of the indenture and the new notes. Such defeasance or discharge may occur only if, among other things, we have delivered to the trustee an opinion of counsel to the effect that we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that holders of the new notes will not recognize gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge were not to occur.

DEFEASANCE OF CERTAIN COVENANTS. In certain circumstances, we may omit to comply with specified restrictive covenants, and that in those circumstances the occurrence of certain events of default, which are described in the third bullet point under " -- Events of Default" above, with respect to such restrictive covenants, and those described in the fourth bullet point under " -- Events of Default" above, will be deemed not to be or result in an event of default, in each case with respect to the new notes. We, in order to exercise such option, will be required to deposit, in trust for the benefit of the holders of the new notes, money or U.S. government obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay the principal, premium, if any, and interest on the new notes to the stated maturity in accordance with the terms of the indenture and the new notes. However, our obligations with respect to the convertibility of the new notes will survive any such action by us. We will also be required, among other things, to deliver to the trustee an opinion of counsel to the effect that holders of the new notes will not recognize gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and defeasance were not to occur. In the event we exercise this option with respect to any new notes and the new notes were declared due and payable because of the occurrence of any event of default, the amount of money and U.S. government obligations so deposited in trust would be sufficient to pay amounts due on the new notes at the time of their stated maturity, but might not be sufficient to pay amounts due on such new notes upon any acceleration resulting from the event of default. In such case, we would remain liable for those payments.

## SATISFACTION AND DISCHARGE

We may discharge our obligations under the indenture while new notes remain outstanding, other than our obligations in respect of conversion, if (1) all outstanding debt securities issued under the indenture have become due and payable, whether at stated maturity, or any redemption date or any purchase date, (2) all outstanding debt securities issued under the indenture have or will become due and payable at their scheduled maturity within one year, or (3) all outstanding debt securities issued under the indenture are scheduled for redemption in one year, and in each case, we have deposited with the trustee an amount sufficient to pay and discharge all outstanding debt securities issued under the indenture on the date of their scheduled maturity or the scheduled date of redemption or purchase.

## CALCULATIONS IN RESPECT OF NEW NOTES

We will be responsible for making all calculations called for under the new notes. These calculations include, but are not limited to, determinations of the market prices of our common stock, accrued interest payable on the new notes and the conversion price of the new notes. We will make all these calculations in good faith and, absent manifest error, our calculations will be final and binding on holders of new notes. We will provide a schedule of our calculations to each of the trustee and the conversion agent, and each of the trustee and conversion agent is entitled to rely upon the accuracy of our calculations without independent verification. The trustee will forward our calculations to any holder of new notes upon the request of that holder.

## SINKING FUND

We are not obligated to make mandatory redemption or sinking fund payments with respect to the new notes.

RESTRICTIVE COVENANT

Other than the covenant described below, the indenture does not contain financial covenants and does not restrict us from paying dividends, incurring additional indebtedness or issuing or repurchasing any of our other securities. The indenture also does not protect holders in the event of a highly leveraged transaction, except to the extent described under " -- Fundamental Change Requires Purchase of New Notes by Us at the Option of the Holder," " -- Consolidation, Merger and Sale of Assets" and " -- Conversion Rights -- Conversion Upon Specified Corporate Transactions."

LIMITATIONS ON LIENS. So long as any of the new notes are outstanding, we will not pledge, mortgage, hypothecate or grant a security interest in, or permit any such mortgage, pledge, security interest or other lien upon, any capital stock or other equity interests owned by us of any Significant Subsidiary to secure any Indebtedness, without making effective provision whereby the outstanding new notes are equally and ratably secured. This restriction shall not apply to:

- any mortgage, pledge, security interest, lien or encumbrance upon the capital stock of Texas Genco to secure obligations under our current credit facility or any extension, renewal, refunding, amendment or replacement thereof,

- any mortgage, pledge, security interest, lien or encumbrance upon the capital stock or other equity interests of CenterPoint Energy Transition Bond Company, LLC or any other special purpose subsidiary created on or after May 13, 2003 by us in connection with the issuance of securitization bonds for the economic value of generation-related regulatory assets and stranded costs,

- any mortgage, pledge, security interest, lien or encumbrance upon any capital stock or other equity interests in an entity which was not affiliated with us prior to one year before the grant of such mortgage, pledge, security interest, lien or encumbrance (or the capital stock or other equity interests of a holding company formed to acquire or hold such capital stock or other equity interests) created at the time of our acquisition of the capital stock or other equity interests or within one year after such time to secure all or a portion of the purchase price for such capital stock or other 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,

- any mortgage, pledge, security interest, lien or encumbrance existing upon capital stock or other equity interests in an entity which was not affiliated with us prior to one year before the grant of such mortgage, pledge, security interest, lien or encumbrance at the time of our acquisition of such capital stock or other equity interests (whether or not the obligations secured thereby are assumed by us or such subsidiary becomes a Significant Subsidiary); provided that (i) such mortgage, pledge, security interest, lien or encumbrance existed at the time such entity 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 entity becomes a Significant Subsidiary,

- 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 we have provided adequate reserves for the payment thereof in accordance with generally accepted accounting principles,

- pledges or deposits in the ordinary course of business to secure obligations under workers' compensation laws or similar legislation,

- 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,

- 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,

- other liens not otherwise referred to in the above bullets, provided that the Indebtedness secured by such liens in the aggregate, shall not exceed 1% of our consolidated gross assets appearing in our most recent audited consolidated financial statements at any one time outstanding,

- any mortgage, pledge, security interest, lien or encumbrance on the capital stock or other equity interests of any subsidiary that was otherwise permitted under this covenant if such subsidiary subsequently becomes a Significant Subsidiary, or

- any extension, renewal or refunding of Indebtedness secured by any mortgage, pledge, security interest, lien or encumbrance described in the above bullets; 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.

DEFINED TERMS

An "affiliate" of, or a person "affiliated" with, a specific person is 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.

The term "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.

"Indebtedness," as applied to any person, means bonds, debentures, notes and other instruments or arrangements representing obligations created or assumed by such person, in respect of:

- obligations for money borrowed, other than unamortized debt discount or premium,

- obligations evidenced by a note or similar instrument given in connection with the acquisition of any business, properties or assets of any kind,

- obligations as lessee under a capital lease, and

- amendments, renewals, extensions, modifications and refundings of any such indebtedness or obligations listed in the three immediately preceding bullet points.

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, is also 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 will for all purposes of the indenture be deemed to be indebtedness of such person, but no other contingent obligation of such person in respect of indebtedness incurred by any other persons will be deemed indebtedness of such person.

"Significant Subsidiary" means CERC, CenterPoint Houston and Texas Genco, and any other subsidiary which, at the time of the creation of a pledge, mortgage, security interest or other lien upon any capital stock or other

equity interests of such subsidiary, has consolidated gross assets (having regard to our beneficial interest in the shares, or the like, of that subsidiary) that represent at least 25% of our consolidated gross assets appearing in our most recent audited consolidated financial statements.

A "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 capital stock or comparable interest 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 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.

PAYMENT AND PAYING AGENT

We will pay interest on the new notes to the persons in whose names the new notes are registered at the close of business on the applicable record date for each interest payment. However, we will pay the interest payable on the new notes at their stated maturity to the persons to whom we pay the principal amount of the new notes.

We will pay principal, premium, if any, and interest on the new notes at the offices of the paying agents we designate. However, except in the case of a global security, we may pay interest by:

- check mailed to the address of the person entitled to the payment as it appears in the security register, or

- by wire transfer in immediately available funds to the place and account designated in writing by the person entitled to the payment as specified in the security register.

We have designated the trustee as the sole paying agent for the new notes. At any time, we may designate additional paying agents or rescind the designation of any paying agents. However, we are required to maintain a paying agent in each place of payment for the new notes at all times.

Any money deposited with the trustee or any paying agent or then held by us for the payment of principal, premium, if any, and interest on the new notes that remains unclaimed for two years after the date the payments became due, may be repaid to us. After we have been repaid, holders entitled to those payments may only look to us for payment as our unsecured general creditors. The trustee and any paying agents will not be liable for those payments after we have been repaid.

EXCHANGE AND TRANSFER OF THE NEW NOTES

We will issue the new notes in registered form, without coupons. We will only issue new notes in denominations of integral multiples of $1,000.

Holders may present new notes for exchange or for registration of transfer at the office of the security registrar or at the office of any transfer agent we designate for that purpose. The security registrar or designated transfer agent will exchange or transfer the new notes if it is satisfied with the documents of title and identity of the person making the request. We will not charge a service charge for any exchange or registration of transfer of new notes. However, we may require payment of a sum sufficient to cover any tax or other governmental charge payable for the registration of transfer or exchange. The trustee will serve as the security registrar for the new notes. At any time we may:

- designate additional transfer agents,

- rescind the designation of any transfer agent, or

- approve a change in the office of any transfer agent.

However, we are required to maintain a transfer agent in each place of payment for the new notes at all times.

In the event we elect to redeem the new notes, neither we nor the trustee will be required to register the transfer or exchange of new notes:

- during the period beginning at the opening of business 15 days before the day we mail the notice of redemption for the new notes and ending at the close of business on the day the notice is mailed, or

- if we have selected the new notes for redemption, in whole or in part, except for the unredeemed portion of the new notes.

BOOK-ENTRY SYSTEM

We will issue the new notes in the form of global securities. The global securities will be deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Except under circumstances described below, the new notes will not be issued in definitive form.

Ownership of beneficial interests in a global security will be limited to persons that have accounts with DTC or its nominee ("participants") or persons that may hold interests through participants. Ownership of beneficial interests in a global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of persons other than participants). The laws of some states require that some purchasers of securities take physical delivery of the securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a global security.

So long as DTC or its nominee is the registered owner of a global security, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the new notes represented by that global security for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global security will not be entitled to have new notes represented by that global security registered in their names, will not receive or be entitled to receive physical delivery of new notes in definitive form and will not be considered the owners or holders thereof under the indenture. Principal and interest payments, if any, on new notes registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the relevant global security. Neither we, the trustee, any paying agent or the security registrar for the new notes will have any responsibility or liability for any aspect of the records relating to nor payments made on account of beneficial interests in a global security or for maintaining, supervising or reviewing any records relating to such beneficial interests.

We expect that DTC or its nominee, upon receipt of any payment of principal or interest will credit immediately participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant global security as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in a global security held through these participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the participants.

Beneficial owners of interests in global securities who desire to convert their interests into common stock should contact their brokers or other participants or indirect participants through whom they hold such beneficial interests to obtain information on procedures, including proper forms and cut-off times, for submitting requests for conversion.

Unless and until they are exchanged in whole or in part for new notes in definitive form, the global securities may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC. Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

If DTC at any time is unwilling or unable to continue as a depositary, defaults in the performance of its duties as depositary or ceases to be a clearing agency registered under the Securities Exchange Act of 1934 or other applicable statute or regulation, and a successor depositary is not appointed by us within 90 days, we will issue new

notes in definitive form in exchange for the global securities relating to the new notes. In addition, we may at any time and in our sole discretion determine not to have the new notes or portions of the new notes represented by one or more global securities and, in that event, will issue individual new notes in exchange for the global security or securities representing the new notes. Further, if we so specify with respect to any new notes, an owner of a beneficial interest in a global security representing the new notes may, on terms acceptable to us and the depositary for the global security, receive individual new notes in exchange for the beneficial interest. In any such instance, an owner of a beneficial interest in a global security will be entitled to physical delivery in definitive form of new notes represented by the global security equal in principal amount to the beneficial interest, and to have the new notes registered in its name. New notes so issued in definitive form will be issued as registered new notes in denominations of $1,000 and integral multiples thereof, unless otherwise specified by us.

GOVERNING LAW

New York law will govern the indenture and the new notes.

THE TRUSTEE

JPMorgan Chase Bank, National Association (formerly JPMorgan Chase Bank) will be the trustee, security registrar, paying agent and conversion agent under the indenture for the new notes. As of April 30, 2005, the trustee served as trustee for $2.3 billion aggregate principal amount of our outstanding debt securities and $1.2 billion aggregate principal amount of outstanding pollution control bonds issued on our behalf. In addition, the trustee serves as trustee for debt securities of some of our subsidiaries. The trustee and its affiliates are also parties to credit agreements under which we and our affiliates have bank lines of credit. We and our affiliates also maintain depository and other banking, investment banking and investment management relationships with the trustee and its affiliates. The trustee also serves as rights agent under our shareholder rights plan.

NOTICES

Except as otherwise described herein, notice to holders of the new notes will be given by mail to the addresses as they appear in the security register.

LISTING

We do not intend to list the new notes on any national securities exchange or automatic quotation system.

## DESCRIPTION OF CAPITAL STOCK

The following descriptions are summaries of material terms of our common stock, preferred stock, articles of incorporation and bylaws. This summary is qualified by reference to our amended and restated articles of incorporation and amended and restated bylaws, each as amended to date, copies of which we have previously filed with the SEC, and by the provisions of applicable law. Our authorized capital stock consists of:

- 1,000,000,000 shares of common stock, par value $0.01 per share, of which 309,039,696 shares were outstanding as of May 1, 2005 and

- 20,000,000 shares of preferred stock, par value $0.01 per share, of which no shares were outstanding as of May 1, 2005.

A series of our preferred stock, designated Series A Preferred Stock, has been reserved for issuance upon exercise of the preferred stock purchase rights attached to each share of our common stock pursuant to the shareholder's rights plan discussed below.

### COMMON STOCK

VOTING RIGHTS. Holders of our common stock are entitled to one vote for each share on all matters submitted to a vote of shareholders, including the election of directors. There are no cumulative voting rights. Subject to the voting rights expressly conferred under prescribed conditions to the holders of our preferred stock, the holders of our common stock possess exclusive full voting power for the election of directors and for all other purposes.

DIVIDENDS. Subject to preferences that may be applicable to any of our outstanding preferred stock, the holders of our common stock are entitled to dividends when, as and if declared by the board of directors out of funds legally available for that purpose.

LIQUIDATION RIGHTS. If we are liquidated, dissolved or wound up, the holders of our common stock will be entitled to a pro rata share in any distribution to shareholders, but only after satisfaction of all of our liabilities and of the prior rights of any outstanding class of our preferred stock, which may include the right to participate further with the holders of our common stock in the distribution of any of our remaining assets.

PREEMPTIVE RIGHTS. Holders of our common stock are not entitled to any preemptive or conversion rights or other subscription rights.

TRANSFER AGENT AND REGISTRAR. Our shareholder services division serves as transfer agent and registrar for our common stock.

OTHER PROVISIONS. There are no redemption or sinking fund provisions applicable to our common stock. No personal liability will attach to holders of such shares under the laws of the State of Texas. Subject to the provisions of our articles of incorporation and bylaws imposing certain supermajority voting provisions, the rights of the holders of shares of our common stock may not be modified except by a vote of at least a majority of the shares outstanding, voting together as a single class.

### PREFERRED STOCK

Our board of directors may cause us to issue preferred stock from time to time in one or more series and may fix the number of shares and the terms of each series without the approval of our shareholders. Our board of directors may determine the terms of each series, including:

- the designation of the series,

- dividend rates and payment dates,

- redemption rights,

- liquidation rights,

- sinking fund provisions,

- conversion rights,

- voting rights, and

- any other terms.

The issuance of preferred stock, while providing desired flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power of holders of our common stock. It could also affect the likelihood that holders of our common stock will receive dividend payments and payments upon liquidation. The issuance of shares of preferred stock, or the issuance of rights to purchase shares of preferred stock, could be used to discourage an attempt to obtain control of us. For example, if, in the exercise of its fiduciary obligations, our board were to determine that a takeover proposal was not in our best interest, the board could authorize the issuance of a series of preferred stock containing class voting rights that would enable the holder or holders of the series to prevent or make the change of control transaction more difficult. Alternatively, a change of control transaction deemed by the board to be in our best interest could be facilitated by issuing a series of preferred stock having sufficient voting rights to provide a required percentage vote of the shareholders.

For purposes of the rights plan described below, our board of directors has designated a series of preferred stock to constitute the Series A Preferred Stock. For a description of the rights plan, see " -- Anti-Takeover Effects of Texas Laws and Our Charter and Bylaw Provisions" and " -- Shareholder Rights Plan."

ANTI-TAKEOVER EFFECTS OF TEXAS LAWS AND OUR CHARTER AND BYLAW PROVISIONS

Some provisions of Texas law and our articles of incorporation and bylaws could make the following more difficult:

- acquisition of us by means of a tender offer,

- acquisition of control of us by means of a proxy contest or otherwise, or

- removal of our incumbent officers and directors.

These provisions, as well as our shareholder rights plan, are designed to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of this increased protection gives us the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us, and that the benefits of this increased protection outweigh the disadvantages of discouraging those proposals, because negotiation of those proposals could result in an improvement of their terms.

CHARTER AND BYLAW PROVISIONS

ELECTION AND REMOVAL OF DIRECTORS. The exact number of members of our board of directors will be fixed from time to time by resolution of the board of directors. Our board of directors is divided into three classes, Class I, Class II and Class III. Each class is as nearly equal in number of directors as possible. The terms of office of the directors of Class I expire at the annual meeting of shareholders in 2006, of Class II expire at the annual meeting of shareholders in 2007 and of Class III expire at the annual meeting of shareholders in 2005. At each annual meeting, the shareholders elect the number of directors equal to the number in the class whose term expires at the meeting to hold office until the third succeeding annual meeting. This system of electing and removing directors may discourage a third party from making a tender offer for or otherwise attempting to obtain control of us, because it generally makes it more difficult for shareholders to replace a majority of the directors. In addition, no director may be removed except for cause, and, subject to the voting rights expressly conferred under prescribed conditions to the holders of our preferred stock, directors may be removed for cause only by the holders of a majority of the shares of capital stock entitled to vote at an election of directors. Subject to the voting rights expressly conferred under prescribed conditions to the holders of our preferred stock, any vacancy occurring on the board of directors and any newly created directorship may be filled by a majority of the remaining directors in office or by election by the shareholders.

SHAREHOLDER MEETINGS. Our articles of incorporation and bylaws provide that special meetings of holders of common stock may be called only by the chairman of our board of directors, our chief executive officer, the president, the secretary, a majority of our board of directors or the holders of at least 50% of the shares outstanding and entitled to vote.

MODIFICATION OF ARTICLES OF INCORPORATION. In general, amendments to our articles of incorporation which are recommended by the board of directors require the affirmative vote of holders of at least a majority of the voting power of all outstanding shares of capital stock entitled to vote in the election of directors. The provisions described above under " -- Election and Removal of Directors" and " -- Shareholder Meetings" may be amended only by the affirmative vote of holders of at least 66 2/3% of the voting power of all outstanding shares of capital stock entitled to vote in the election of directors. The provisions described below under " -- Modification of Bylaws" may be amended only by the affirmative vote of holders of at least 80% of the voting power of all outstanding shares of capital stock entitled to vote in the election of directors.

MODIFICATION OF BYLAWS. Our board of directors has the power to alter, amend or repeal the bylaws or adopt new bylaws by the affirmative vote of at least 80% of all directors then in office at any regular or special meeting of the board of directors called for that purpose. The shareholders also have the power to alter, amend or repeal the bylaws or adopt new bylaws by the affirmative vote of holders of at least 80% of the voting power of all outstanding shares of capital stock entitled to vote in the election of directors, voting together as a single class.

OTHER LIMITATIONS ON SHAREHOLDER ACTIONS. Our bylaws also impose some procedural requirements on shareholders who wish to:

- make nominations in the election of directors,
- propose that a director be removed,
- propose any repeal or change in the bylaws, or
- propose any other business to be brought before an annual or special meeting of shareholders.

Under these procedural requirements, a shareholder must deliver timely notice to the corporate secretary of the nomination or proposal along with evidence of:

- the shareholder's status as a shareholder,
- the number of shares beneficially owned by the shareholder,
- a list of the persons with whom the shareholder is acting in concert, and

- the number of shares such persons beneficially own.

To be timely, a shareholder must deliver notice:

- in connection with an annual meeting of shareholders, not less than 90 nor more than 180 days prior to the date on which the immediately preceding year's annual meeting of shareholders was held; provided that if the date of the annual meeting is advanced by more than 30 days prior to or delayed by more than 60 days after the date on which the immediately preceding year's annual meeting of shareholders was held, not less than 180 days prior to such annual meeting and not later than the last to occur of (i) the 90th day prior to such annual meeting or (ii) the 10th day following the day on which we first make public announcement of the date of such meeting, or

- in connection with a special meeting of shareholders, not less than 40 nor more than 60 days prior to the date of the special meeting.

In order to submit a nomination for the board of directors, a shareholder must also submit information with respect to the nominee that we would be required to include in a proxy statement, as well as some other information. If a shareholder fails to follow the required procedures, the shareholder's nominee or proposal will be ineligible and will not be voted on by our shareholders.

LIMITATION ON LIABILITY OF DIRECTORS. Our articles of incorporation provide that no director will be personally liable to us or our shareholders for monetary damages for breach of fiduciary duty as a director, except as required by law as in effect from time to time. Currently, Texas law requires that liability be imposed for the following:

- any breach of the director's duty of loyalty to us or our shareholders,

- any act or omission not in good faith that constitutes a breach of duty of the director to the corporation or an act or omission that involves intentional misconduct or a knowing violation of law,

- a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of a director's office, and

- an act or omission for which the liability of a director is expressly provided for by statute.

Our bylaws provide that we will indemnify our officers and directors and advance expenses to them in connection with proceedings and claims, to the fullest extent permitted by the Texas Business Corporation Act ("TBCA"). The bylaws authorize our board of directors to indemnify and advance expenses to people other than our officers and directors in certain circumstances.

TEXAS ANTI-TAKEOVER LAW

We are subject to Article 13.03 of the TBCA. That section prohibits Texas corporations from engaging in a wide range of specified transactions with any affiliated shareholder during the three-year period immediately following the affiliated shareholder's acquisition of shares in the absence of certain board of director or shareholder approvals. An affiliated shareholder is any person, other than the corporation and any of its wholly owned subsidiaries, that is or was within the preceding three-year period the beneficial owner of 20% or more of any class or series of stock entitled to vote generally in the election of directors. Article 13.03 may deter any potential unfriendly offers or other efforts to obtain control of us that are not approved by our board. This may deprive the shareholders of opportunities to sell shares of our common stock at a premium to the prevailing market price.

SHAREHOLDER RIGHTS PLAN

Each share of our common stock includes one right to purchase from us a unit consisting of one one-thousandth of a share of our Series A Preferred Stock at a purchase price of $42.50 per unit, subject to adjustment. The rights are issued pursuant the Rights Agreement dated as of January 1, 2002 between us and JPMorgan Chase

Bank, National Association (formerly JPMorgan Chase Bank) (the "Rights Agreement"). We have summarized selected portions of the Rights Agreement and the rights below. This summary is qualified by reference to the Rights Agreement, a copy of which we have previously filed with the SEC.

DETACHMENT OF RIGHTS; EXERCISABILITY. The rights will attach to all certificates representing our common stock issued prior to the "release date." That date will occur, except in some cases, on the earlier of:

- ten days following a public announcement that a person or group of affiliated or associated persons, whom we refer to collectively as an "acquiring person," has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of our common stock, or

- ten business days following the start of a tender offer or exchange offer that would result in a person becoming an acquiring person.

Our board of directors may defer the release date in some circumstances. Also, some inadvertent acquisitions of our common stock will not result in a person becoming an acquiring person if the person promptly divests itself of sufficient common stock.

Until the release date:

- common stock certificates will evidence the rights,

- the rights will be transferable only with those certificates,

- new common stock certificates will contain a notation incorporating the Rights Agreement by reference, and

- the surrender for transfer of any common stock certificate will also constitute the transfer of the rights associated with the common stock represented by the certificate.

The rights are not exercisable until the release date and will expire at the close of business on December 31, 2011, unless we redeem or exchange them at an earlier date as described below.

As soon as practicable after the release date, the rights agent will mail certificates representing the rights to holders of record of common stock as of the close of business on the release date. From that date on, only separate rights certificates will represent the rights. We will also issue rights with all shares of common stock issued prior to the release date. We will also issue rights with shares of common stock issued after the release date in connection with some employee benefit plans or upon conversion of some securities, including the notes offered by this prospectus. Except as otherwise determined by our board of directors, we will not issue rights with any other shares of common stock issued after the release date.

FLIP-IN EVENT. A flip-in event will occur under the Rights Agreement when a person becomes an acquiring person other than pursuant to a "permitted offer." The Rights Agreement defines "permitted offer" as a tender or exchange offer for all outstanding shares of our common stock at a price and on terms that a majority of the independent directors of our board of directors determines to be fair to and otherwise in the best interests of us and the best interest of our shareholders.

If a flip-in event occurs, each right, other than any right that has become null and void as described below, will become exercisable to receive (in lieu of the shares of Series A Preferred Stock otherwise purchasable) the number of shares of common stock, or in certain circumstances, cash, property or other securities, which has a "current market price" equal to two times the exercise price of the right. Please refer to the Rights Agreement for the definition of "current market price."

FLIP-OVER EVENT. A "flip-over event" will occur under the Rights Agreement when, at any time from and after the time a person becomes an acquiring person:

- we are acquired or we acquire any person in a merger or other business combination transaction, other than specified mergers that follow a permitted offer, or

- 50% or more of our assets, cash flow or earning power is sold or transferred.

If a flip-over event occurs, each holder of a right, except rights that are voided as described below, will thereafter have the right to receive, on exercise of the right, a number of shares of common stock of the acquiring company that has a current market price equal to two times the exercise price of the right.

When a flip-in event or a flip-over event occurs, all rights that then are, or under the circumstances the Rights Agreement specifies previously were, beneficially owned by an acquiring person or specified related parties will become null and void in the circumstances the Rights Agreement specifies.

SERIES A PREFERRED STOCK. After the release date, each right will entitle the holder to purchase a one one-thousandth share of our Series A Preferred Stock, which fraction will be essentially the economic equivalent of one share of common stock.

ANTI-DILUTION. The number of outstanding rights associated with a share of common stock, the number of fractional shares of Series A Preferred Stock issuable upon exercise of a right and the exercise price of the right are subject to adjustment in the event of certain stock dividends on, or a subdivision, combination or reclassification of, our common stock occurring prior to the release date. The exercise price of the rights and the number of fractional shares of Series A Preferred Stock or other securities or property issuable on exercise of the rights are subject to adjustment from time to time to prevent dilution in the event of certain transactions affecting the Series A Preferred Stock.

With some exceptions, we will not be required to adjust the exercise price of the rights until cumulative adjustments amount to at least 1% of the exercise price. The Rights Agreement also will not require us to issue fractional shares of Series A Preferred Stock that are not integral multiples of the specified fractional share and, in lieu thereof, we will make a cash adjustment based on the market price of the Series A Preferred Stock on the last trading date prior to the date of exercise. Pursuant to the Rights Agreement, we reserve the right to require prior to the occurrence of any flip-in event or flip-over event that, on any exercise of rights, a number of rights must be exercised so that it will issue only whole shares of Series A Preferred Stock.

REDEMPTION OF RIGHTS. At any time until the time a person becomes an acquiring person, we may redeem the rights in whole, but not in part at a price of $.005 per right, payable, at our option, in cash, shares of common stock or such other consideration as our board of directors may determine. Upon such redemption, the rights will terminate and the only right of the holders of rights will be to receive the $.005 redemption price.

EXCHANGE OF RIGHTS. At any time after the occurrence of a flip-in event, and prior to a person's becoming the beneficial owner of 50% or more of our outstanding common stock or the occurrence of a flip-over event, we may exchange the rights (other than rights owned by an acquiring person or an affiliate or an associate of an acquiring person, which will have become void, in whole or in part), at an exchange ratio of one share of common stock, and/or other equity securities deemed to have the same value as one share of common stock, per right, subject to adjustment.

SUBSTITUTION. If we have an insufficient number of authorized but unissued shares of common stock available to permit an exercise or exchange of rights upon the occurrence of a flip-in event, we may substitute certain other types of property for common stock so long as the total value received by the holder of the rights is equivalent to the value of the common stock that the shareholder would otherwise have received. We may substitute cash, property, equity securities or debt, reduce the exercise price of the rights or use any combination of the foregoing.

NO RIGHTS AS A SHAREHOLDER. Until a right is exercised, a holder of rights will have no rights to vote or receive dividends or any other rights as a holder of our preferred or common stock.

AMENDMENT OF TERMS OF RIGHTS. Our board of directors may amend any of the provisions of the Rights Agreement, other than the redemption price, at any time prior to the time a person becomes an acquiring person.

Thereafter, the board of directors may only amend the Rights Agreement in order to cure any ambiguity, defect or inconsistency or to make changes that do not materially and adversely affect the interests of holders of the rights, excluding the interests of any acquiring person.

RIGHTS AGENT. JPMorgan Chase Bank, National Association (formerly JPMorgan Chase Bank) will serve as rights agent with regard to the rights.

ANTI-TAKEOVER EFFECTS. The rights will have anti-takeover effects. They will cause substantial dilution to any person or group that attempts to acquire us without the approval of our board of directors. As a result, the overall effect of the rights may be to make more difficult or discourage any attempt to acquire us even if such acquisition may be favorable to the interests of our shareholders. Because our board of directors can redeem the rights or approve a permitted offer, the rights should not interfere with a merger or other business combination approved by the board of directors.

## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

### GENERAL

The following sections under this heading describe the material United States federal income tax consequences relating to the exchange offer and the ownership and disposition of the new notes. The statements of legal conclusion herein constitute the opinion of our tax counsel, Baker Botts L.L.P., and are based on the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), final and temporary Treasury regulations, rulings and judicial decisions now in effect, all of which are subject to change possibly with retroactive effect or differing interpretations. We have not sought any ruling from the Internal Revenue Service (the "IRS") with respect to the conclusions reached herein, and the IRS may challenge one or more of the conclusions described herein. In such event, the United States federal income tax consequences of the exchange offer and the ownership and disposition of the new notes could differ from those described herein. Except where noted, the following deals only with old notes and new notes held as capital assets by U.S. holders (as defined below) who own old notes and acquire new notes pursuant to the exchange offer.

The following sections do not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, certain former citizens or former long-term residents of the United States, tax-exempt entities, persons holding old notes or new notes in a tax-deferred or tax-advantaged account or persons holding old notes or new notes as a hedge against currency risks, as a position in a "straddle" or as part of a "hedging" or "conversion" transaction for tax purposes.

We do not address all of the tax consequences that may be relevant to an investor in old notes or new notes. In particular, we do not address:

- the United States federal income tax consequences to shareholders in, or partners or beneficiaries of, an entity that is a holder of old notes or new notes,
- the United States federal estate, gift or alternative minimum tax consequences of the purchase, ownership or disposition of old notes or new notes,
- the United States federal income tax consequences to U.S. holders whose functional currency is not the United States dollar, or
- any state, local or foreign tax consequences of the purchase, ownership or disposition of old notes or new notes.

Persons considering the exchange offer should consult their own tax advisors concerning the application of the United States federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of old notes or new notes arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

For purposes of the following sections, a U.S. holder is a beneficial owner of old notes or new notes that for U.S. federal income tax purposes is:

- an individual citizen or resident of the United States,
- a corporation, including any entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States, or any political subdivision thereof,

- an estate if its income is subject to United States federal income taxation regardless of its source, or

- a trust (1) that is subject to the primary supervision of a United States court and the control of one or more United States persons or (2) that has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

A non-U.S. holder is a beneficial owner of old notes or new notes that is neither a U.S. holder nor a partnership.

If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of old notes or new notes, the United States federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A holder of old notes or new notes that is a partnership and partners in such partnership should consult their individual tax advisors about the United States federal income tax consequences of holding and disposing of old notes or new notes.

## EXCHANGE OF OLD NOTES FOR NEW NOTES

### CHARACTERIZATION OF THE EXCHANGE

Under current Treasury regulations, the exchange of old notes for new notes pursuant to the exchange offer will be treated as an exchange for United States federal income tax purposes (a "Tax Exchange") only if, based on all of the facts and circumstances, the legal rights and obligations under the new notes differ from those under the old notes to a degree that is economically significant. Although there is no authority directly on point interpreting these regulations, our tax counsel is of the opinion that the exchange should not result in a Tax Exchange because in their opinion the differences between the legal rights and obligations under the new notes and those under the old notes should not be viewed as being economically significant. Accordingly, we intend to take the position that the exchange will not constitute a Tax Exchange. That position, however, is subject to uncertainty and could be challenged by the IRS.

### TREATMENT IF NO TAX EXCHANGE

If the legal rights and obligations under the new notes do not differ from those under the old notes to an economically significant degree, the exchange will not be treated as a Tax Exchange and the new notes will be treated as a continuation of the old notes. In that case, apart from the receipt of the exchange fee (discussed below), there will be no United States federal income tax consequences to a holder who exchanges old notes for new notes pursuant to the exchange offer, and any such holder will have the same adjusted tax basis and holding period in the new notes as it had in the old notes immediately before the exchange. We intend to treat payment of the exchange fee as consideration to holders for participating in the exchange offer and we will report such payments to holders and to the IRS for information reporting purposes in accordance with such treatment. Under that treatment, such payment generally would result in ordinary income to holders participating in the exchange offer.

### POSSIBLE ALTERNATIVE TAX CHARACTERIZATION OF THE EXCHANGE

As stated above, in the opinion of our tax counsel, the exchange should not constitute a Tax Exchange. However, the IRS may not agree with this conclusion. If the exchange were determined to constitute a Tax Exchange, the United States federal income tax consequences of the exchange would depend on whether or not the exchange was treated as a tax-free reorganization. If the exchange were so treated, a holder of old notes would not recognize any loss on the exchange and would recognize gain on the exchange only to the extent of the exchange fee. If the exchange constituted a Tax Exchange but was not treated as a tax-free reorganization, the exchange would be a fully taxable transaction, and an exchanging holder would be required to recognize any gain (taxable as ordinary income) or any loss in an amount equal to the difference between the amount realized on the exchange and the holder's adjusted basis in the old notes surrendered. Under certain circumstances, all or part of any loss on such exchange may be a capital loss. For these purposes, such

holder's amount realized generally would equal the fair market value of the new notes received plus the exchange fee.

## CLASSIFICATION AND TREATMENT OF THE NEW NOTES

### TREATMENT IF NO TAX EXCHANGE

If the exchange of the old notes for new notes does not constitute a Tax Exchange, then, apart from the treatment of the exchange fee, the material United States federal income tax consequences to holders of the new notes will be the same as those relating to the old notes. As such, holders of the new notes will continue to be subject to the contingent payment debt instrument regulations ("CPDI Regulations"), discussed immediately below.

### CLASSIFICATION UNDER THE CPDI REGULATIONS

As with the old notes, we intend to treat the new notes as indebtedness subject to the CPDI Regulations for United States federal income tax purposes. Pursuant to the terms of the indenture under which the new notes will be issued, we and each holder of the new notes agree to treat the new notes as debt instruments subject to the CPDI Regulations. In addition, under the indenture, each holder will be deemed to have agreed to treat the fair market value of our common stock received by such holder upon conversion as a contingent payment and to accrue interest with respect to the new notes as original issue discount for United States federal income tax purposes according to the "noncontingent bond method," set forth in section 1.1275-4(b) of the CPDI Regulations, using the comparable yield (as defined below) compounded semiannually and the projected payment schedule (as defined below) determined by us. The following sections describe the U.S. federal income tax consequences of the ownership and disposition of the new notes based on the treatment described above.

The application of the CPDI Regulations to instruments such as the new notes is uncertain in several respects, however, and, as a result, the IRS or a court may not agree with the treatment described in this prospectus. Any differing treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in the new notes. In particular, a holder might be required to accrue interest income at a higher or lower rate, might not recognize income, gain or loss upon conversion of the new notes into shares of our common stock, and might recognize capital gain or loss upon a taxable disposition of the new notes. Holders should consult their tax advisors concerning the tax treatment of holding and disposing of the new notes.

### ACCRUAL OF INTEREST ON THE NEW NOTES

Pursuant to the CPDI Regulations, a U.S. holder will be required to accrue interest income on the new notes, which we sometimes refer to as original issue discount, in the amounts described below, regardless of whether the U.S. holder uses the cash or accrual method of tax accounting. Accordingly, U.S. holders will likely be required to include in taxable income in each year in excess of the accruals on the new notes for non-tax purposes (i.e., in excess of the stated semi-annual cash interest payable on the notes and any contingent interest payments actually received in that year).

The CPDI Regulations provide that a U.S. holder must accrue an amount of ordinary interest income, as original issue discount for United States federal income tax purposes, for each accrual period prior to and including the maturity date of the notes that equals:

- the product of (1) the adjusted issue price (as defined below) of the notes as of the beginning of the accrual period and (2) the comparable yield (as defined below) of the notes, adjusted for the length of the accrual period,

- divided by the number of days in the accrual period, and

- multiplied by the number of days during the accrual period that the U.S. holder held the notes.

The new notes' issue price is the first price at which a substantial amount of the old notes were sold to the public, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The adjusted issue price of a new note is its issue price increased by any interest income previously accrued on the old notes and new notes, determined without regard to any adjustments to interest accruals described below, and decreased by the amount of any projected payments (as defined below) previously made (including payments of stated cash interest) with respect to the old notes and the new notes.

Unless certain conditions are met, the term "comparable yield" means the annual yield we would pay, as of the initial issue date of the old notes, on a noncontingent, nonconvertible, fixed-rate debt instrument with terms and conditions otherwise comparable to those of the old notes. We intend to take the position that the comparable yield for the new notes is the same as that for the old notes, which is 5.81%, compounded semiannually. The precise manner of calculating the comparable yield, however, is not entirely clear. If the comparable yield were successfully challenged by the IRS, the redetermined yield could differ materially from the comparable yield provided by us. Moreover, the projected payment schedule could differ materially from the projected payment schedule provided by us.

The CPDI Regulations require that we provide to U.S. holders, solely for the United States federal income tax purposes, a schedule of the projected amounts of payments, which we refer to as projected payments, on the new notes. This schedule must produce the comparable yield. The projected payment schedule includes the semiannual stated cash interest payable on the new notes and the old notes at the rate of 3.75% per annum, estimates for certain contingent interest payments and an estimate for a payment at maturity taking into account the conversion feature. In this connection, the fair market value of any common stock (and cash, if any) received by a holder upon conversion will be treated as a contingent payment.

The comparable yield and the schedule of projected payments for the new notes will be the same as those set forth in the indenture relating to the old notes, and will also be set forth in the indenture relating to the new notes. U.S. holders may also obtain the projected payment schedule by submitting a written request for such information to: CenterPoint Energy, Inc., 1111 Louisiana, Houston, Texas 77002, Attention: Treasurer.

The comparable yield and the schedule of projected payments are not determined for any purpose other than for the determination of a U.S. holder's interest accruals and adjustments thereof in respect of the new notes for United States federal income tax purposes and do not constitute a projection or representation regarding the actual amounts payable on the new notes.

Amounts treated as interest under the CPDI Regulations are treated as original issue discount for all purposes of the Code.

ADJUSTMENTS TO INTEREST ACCRUALS ON THE NEW NOTES

As noted above, the projected payment schedule includes amounts attributable to the stated semi-annual cash interest payable on the new notes and the old notes. Accordingly, the receipt of the stated semi-annual cash interest payments will not be separately taxable to U.S. holders. If, during any taxable year, a U.S. holder receives actual payments with respect to the new notes for that taxable year that in the aggregate exceed the total amount of projected payments for that taxable year, the U.S. holder will incur a "net positive adjustment" under the CPDI Regulations equal to the amount of such excess. The U.S. holder will treat a "net positive adjustment" as additional interest income. For this purpose, the payments in a taxable year include the fair market value of property received in that year, including the fair market value of our common stock received upon conversion.

If a U.S. holder receives in a taxable year actual payments with respect to the new notes for that taxable year that in the aggregate are less than the amount of projected payments for that taxable year, the U.S. holder will incur a "net negative adjustment" under the CPDI Regulations equal to the amount of such deficit. This adjustment will (a) first reduce the U.S. holder's interest income on the new notes for that taxable year and (b) to the extent of any excess after the application of (a), give rise to an ordinary loss to the extent of the U.S. holder's interest income on the new notes during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments. Any negative adjustments in excess of the amounts described in (a) and (b) will be carried forward and treated as a negative adjustment in the succeeding taxable year and will offset future interest income accruals in respect of the new notes or will reduce the amount realized on the sale, exchange, or purchase by us at the holder's option, conversion, redemption or retirement of the new notes.

SALE, EXCHANGE, CONVERSION OR REDEMPTION OF THE NEW NOTES

Generally, the sale or exchange of a new note, the purchase of a new note by us at the holder's option or the redemption or retirement of a new note for cash will result in taxable gain or loss to a U.S. holder. As described above, our calculation of the comparable yield and the schedule of projected payments for the new notes includes the receipt of common stock upon conversion as a contingent payment with respect to the new notes. Accordingly, we intend to treat the receipt of our common stock by a U.S. holder upon the conversion of a new note as a contingent payment under the CPDI Regulations. Under this treatment, conversion also would result in taxable gain or loss to the U.S. holder. As described above, holders will be deemed to have agreed to be bound by our determination of the comparable yield and the schedule of projected payments.

The amount of gain or loss on a taxable sale, exchange, purchase by us at the holder's option, conversion, redemption or retirement would be equal to the difference between (a) the amount of cash plus the fair market value of any other property received by the U.S. holder, including the fair market value of any of our common stock received, and (b) the U.S. holder's adjusted tax basis in the new note. A U.S. holder's adjusted tax basis in a new note will generally be equal to the U.S. holder's original purchase price for the old note, increased by any interest income previously accrued by the U.S. holder with respect to the old notes and the new notes (determined without regard to any adjustments to interest accruals described above), and decreased by the amount of any projected payments that have been previously made in respect of the old notes and the new notes to the U.S. holder (without regard to the actual amount paid). Gain recognized upon a sale, exchange, purchase by us at the holder's option, conversion, redemption or retirement of a new note will generally be treated as ordinary interest income; any loss will be ordinary loss to the extent of interest previously included in income, and thereafter, capital loss (which will be long-term if the note is held for more than one year). The deductibility of net capital losses by individuals and corporations is subject to limitations.

A U.S. holder's tax basis in our common stock received upon a conversion of a new note will equal the then current fair market value of such common stock. The U.S. holder's holding period for the common stock received will commence on the day immediately following the date of conversion.

TREATMENT IF TAX EXCHANGE

If the exchange does constitute a Tax Exchange, we would need to determine a new comparable yield and projected payment schedule for the new notes. Holders would remain subject to the requirements of the CPDI Regulations, including, among other things, the requirement that holders accrue interest for United States federal income tax purposes based on the new comparable yield, and holders may be required to accrue interest income at a significantly different rate and on a significantly different schedule than is applicable to the old notes. For purposes of the CPDI Regulations, the issue price of the new notes generally would be equal to their fair market value at the time of the exchange and would be adjusted in subsequent periods in a manner consistent with the description above in " -- Classification Under the CPDI Regulations -- Adjustments to Interest Accruals on the New Notes."

CONSTRUCTIVE DIVIDENDS

If at any time we make a distribution of property to our stockholders that would be taxable to the stockholders as a dividend for United States federal income tax purposes and, in accordance with the anti-dilution provisions of the new notes, the conversion rate of the new notes is increased, such increase may be deemed to be the payment of a taxable dividend to holders of the new notes. Generally, a holder's basis in a new note will be increased by the amount of any such deemed taxable dividend. Such treatment could also occur if and to the extent certain adjustments in the conversion rate (such as the adjustment to the conversion rate described in "Description of the New Notes -- Conversion Rights - -- Adjustment to the Conversion Rate Upon Certain Fundamental Changes") increase the proportionate interest of a holder of the notes in the fully diluted common stock, whether or not such holder ever exercises its conversion privilege.

### INFORMATION REPORTING AND BACKUP WITHHOLDING

Certain holders may be subject to the United States information reporting and backup withholding rules as explained in the registration statement relating to the old notes. These rules may also apply to the payment of the exchange fee in connection with the exchange offer.

## ADDITIONAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES FOR NON-U.S. HOLDERS

### TREATMENT IF NO TAX EXCHANGE

If, consistent with the opinion of our tax counsel, the exchange is not treated as a Tax Exchange, then, as discussed above, the new notes will be treated as a continuation of the old notes and, apart from the receipt of the exchange fee, there will be no United States federal income tax consequences to a holder who exchanges old notes for new notes pursuant to the exchange offer. In that case, a non-U.S. holder generally should have the same United States federal income tax consequences as would have arisen if it continued to hold the old notes, including the withholding tax and other consequences described in the registration statement relating to the old notes. The receipt of the exchange fee by non-U.S. holders participating in the exchange offer may be subject to United States federal withholding tax.

### TREATMENT IF TAX EXCHANGE

If the exchange is treated as a Tax Exchange, then any gain realized by a non-U.S. holder on the Tax Exchange will be eligible for exemption from United States federal income or withholding tax as described in the registration statement relating to the old notes. In addition, payments on the new notes made to a non-U.S. holder, including a payment in cash or common stock pursuant to a conversion, and any gain realized on a sale or exchange of the new notes, will generally be exempt from United States federal income or withholding tax, as described in the registration statement relating to the old notes. Constructive dividends made to non-U.S. holders, however, will generally be subject to United States federal withholding tax.

## LEGAL MATTERS

The validity of the new notes and the common stock that may be issued upon conversion of the new notes will be passed upon for us by Baker Botts L.L.P., Houston, Texas.

## EXPERTS

The consolidated financial statements of CenterPoint Energy and its subsidiaries as of December 31, 2003 and 2004, and for each of the three years in the period ended December 31, 2004, management's report on the effectiveness of internal control over financial reporting as of December 31, 2004 and the related financial statement schedules, incorporated by reference in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports (which reports (1) express an unqualified opinion and include an explanatory paragraph relating to the definitive agreement to sell CenterPoint Energy's subsidiary, Texas Genco, (2) express an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting and (3) express an unqualified opinion on the effectiveness of internal control over financial reporting), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain further information regarding the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. Our filings are also available to the public on the SEC's Internet site located at http://www.sec.gov.

We are "incorporating by reference" into this prospectus information we file with the SEC. This means we are disclosing important information to you by referring you to the documents containing the information. The information we incorporate by reference is considered to be part of this prospectus. Information that we file later with the SEC that is deemed incorporated by reference into this prospectus (but not information deemed to be furnished and not filed with the SEC) will automatically update and supersede information previously included.

We are incorporating by reference into this prospectus the documents listed below and any subsequent filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act") (excluding information deemed to be furnished and not filed with the SEC) until this offering is terminated.

- our Annual Report on Form 10-K for the year ended December 31, 2004,
- our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005,
- our Current Report on Form 8-K filed January 26, 2005,
- our Current Report on Form 8-K filed February 25, 2005,
- Item 8.01 of our Current Report on Form 8-K filed March 8, 2005 relating to fourth quarter and full year 2004 results,
- our Current Report on Form 8-K filed March 8, 2005 relating to our filing of a registration statement on Form S-4,
- our Current Report on Form 8-K filed March 11, 2005,

- our Current Report on Form 8-K filed March 18, 2005,

- our Current Report on Form 8-K filed April 8, 2005,

- our Current Report on Form 8-K filed April 15, 2005,

- Item 8.01 of our Current Report on Form 8-K filed April 29, 2005, and

- the description of our common stock (including the related preferred share purchase rights) contained in our Current Report on Form 8-K filed September 6, 2002, as we may update that description from time to time."

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

In this prospectus, including the information we incorporate by reference, 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. Actual results may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predicts," "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 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" beginning on page 13 of this prospectus. Other such factors are described in other documents we file with the SEC and incorporate by reference into this prospectus.

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

[CENTERPOINT ENERGY LOGO]

CENTERPOINT ENERGY, INC.
OFFER TO EXCHANGE
3.75% CONVERTIBLE SENIOR NOTES DUE 2023, SERIES B AND AN EXCHANGE FEE
FOR ALL OF OUR OUTSTANDING
3.75% CONVERTIBLE SENIOR NOTES DUE 2023

The exchange agent for the exchange offer is:

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

| By overnight, courier or hand: | By mail: | By facsimile: |
|---|---|---|
| JPMorgan Chase Bank, National Association<br>Institutional Trust Services<br>2001 Bryan Street, 9th Floor<br>Dallas, Texas 75201<br>Attn: Frank Ivins | P.O. Box 2320<br>Dallas, Texas 75521-2320 | (214) 468-6494<br>Attention: Frank Ivins<br><br>For information:<br>(800) 275-2084 |

Questions, requests for assistance and requests for additional copies of this prospectus and related letter of transmittal may be directed to the information agent at the phone numbers listed below. You may also contact the dealer manager at the telephone number set forth below or your custodian bank, depositary, broker, trust company or other nominee for assistance concerning the exchange offer.

The information agent for the exchange offer is:
MACKENZIE PARTNERS, INC.
105 Madison Avenue
New York, New York 10016
Phone: (212) 929-5500 (Call Collect)
or
(800) 322-2885 (Toll Free)
Fax: (212)929-0308
Email: proxy@mackenziepartners.com

The dealer manager for the exchange offer is:

BANC OF AMERICA SECURITIES LLC

Equity-Linked Liability Management
9 West 57th Street
New York, NY 10019
(212)933-2200(call collect)
or
(888) 583-8900 x 2200(toll free)

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article 2.02.A.(16) and Article 2.02-1 of the Texas Business Corporation Act and Article V of the Amended and Restated Bylaws of CenterPoint Energy, Inc., a Texas corporation ("CenterPoint"), provide CenterPoint with broad powers and authority to indemnify its directors and officers and to purchase and maintain insurance for such purposes. Pursuant to such statutory and Bylaw provisions, CenterPoint has purchased insurance against certain costs of indemnification that may be incurred by it and by its officers and directors.

Additionally, Article IX of CenterPoint's Amended and Restated Articles of Incorporation provides that a director of CenterPoint is not liable to CenterPoint or its shareholders for monetary damages for any act or omission in the director's capacity as director, except that Article IX does not eliminate or limit the liability of a director for (i) any breach of such director's duty of loyalty to CenterPoint or its shareholders, (ii) any act or omission not in good faith that constitutes a breach of duty of such director to CenterPoint or an act or omission that involves intentional misconduct or a knowing violation of law, (iii) a transaction from which such director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office or (iv) an act or omission for which the liability of a director is expressly provided for by statute.

Article IX also provides that any subsequent amendments to Texas statutes that further limit the liability of directors will inure to the benefit of the directors, without any further action by shareholders. Any repeal or modification of Article IX shall not adversely affect any right of protection of a director of CenterPoint existing at the time of the repeal or modification.

See "Item 22. Undertakings" for a description of Securities and Exchange Commission's, or the SEC's, position regarding such indemnification provisions.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

INDEX TO EXHIBITS

| EXHIBIT NUMBER | DOCUMENT DESCRIPTION | REPORT OR REGISTRATION STATEMENT | SEC FILE OR REGISTRATION STATEMENT | EXHIBIT REFERENCE |
|---|---|---|---|---|
| 1.1 | Form of Dealer Manager Agreement between CenterPoint Energy, Inc. and Banc of America Securities LLC | | | |
| 3.1 | Amended and Restated Articles of Incorporation of CenterPoint Energy, Inc. | Registration Statement on Form S-4 of CenterPoint Energy, Inc. | 333-69502 | 3.1 |
| 3.1.1 | Articles of Amendment to the Amended and Restated Articles of Incorporation of CenterPoint Energy, Inc. | Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2001 | 1-31447 | 3.1.1 |
| 3.2 | Amended and Restated Bylaws of CenterPoint Energy, Inc. | Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2001 | 1-31447 | 3.2 |

| | | | | |
|---|---|---|---|---|
| 3.3 | Statement of Resolution Establishing Series of Shares Designated Series A Preferred Stock and Form of Rights Certificate | Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2001 | 1-31447 | 3.3 |
| 4.1 | Rights Agreement dated as of January 1, 2002 between CenterPoint Energy, Inc. and JPMorgan Chase Bank, as Rights Agent | Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2001 | 1-31447 | 4.2 |
| 4.2 | Form of CenterPoint Energy, Inc. Stock Certificate | Registration Statement on Form S-4 of CenterPoint Energy, Inc. | 333-69502 | 4.1 |
| 4.3 | Indenture, dated as of May 19, 2003, between CenterPoint Energy, Inc. and JPMorgan Chase Bank as trustee (the "Trustee") | Current Report on Form 8-K of CenterPoint Energy, Inc. filed June 3, 2003 | 1-31447 | 4.1 |
| 4.4 | Supplemental Indenture No. 1, dated as of May 19, 2003, between CenterPoint Energy, Inc. and the Trustee, with respect to $575,000,000 aggregate principal amount of 3.75% Convertible Senior Notes due 2023 (including the form of Note) | Current Report on Form 8-K of CenterPoint Energy, Inc. filed June 3, 2003 | 1-31447 | 4.2 |
| 4.5 | Form of Supplemental Indenture No. 6 with respect to $575,000,000 aggregate principal amount of 3.75% Convertible Senior Notes, Series B due 2023 (including the form of Note) | | | |
| 5.1 | Opinion of Baker Botts L.L.P. as to the legality of the securities | | | |
| 8.1 | Opinion of Baker Botts L.L.P. as to certain U.S. federal income tax matters | | | |
| 12.1 | Statement Regarding Computation of Ratios of Earnings to Fixed Charges for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 | Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2004 | 1-31447 | 12 |
| 12.2 | Statement Regarding Computation of Ratio of Earnings to Fixed Charges for the three months ended March 31, 2005 | | | |

| | | | |
|---|---|---|---|
| 21.1 Subsidiaries | Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2004 | 1-31447 | 21 |

23.1 Consent of Deloitte & Touche LLP

23.2 Consent of Baker Botts L.L.P. (contained in Exhibit 5.1 and Exhibit 8.1)

*24.1 Power of Attorney

25.1 Statement of Eligibility of Trustee

99.1 Form of Letter of Transmittal

99.2 Form of Notice of Guaranteed Delivery

99.3 Form of Letter to Depository Trust Company Participants

99.4 Form of Letter to Clients

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* Previously filed.

(b) Financial Statement Schedules

Not applicable.

ITEM 22. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant

pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless, in the opinion of its counsel, the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(d) The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(e) The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on May 26, 2005.

CENTERPOINT ENERGY, INC.

By: /s/ David M. McClanahan
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David M. McClanahan
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on May 26, 2005.

| SIGNATURE | TITLE |
|---|---|
| /s/ David M. McClanahan<br>David M. McClanahan | President, Chief Executive Officer and Director (Principal Executive Officer) |
| /s/ Gary L. Whitlock<br>Gary L. Whitlock | Executive Vice President and Chief Financial Officer (Principal Financial Officer) |
| /s/ James S. Brian<br>James S. Brian | Senior Vice President and Chief Accounting Officer (Principal Accounting Officer) |
| *<br>Milton Carroll | Director |
| *<br>Derrill Cody | Director |

| | |
|---|---|
| * | Director |
| John T. Cater | |
| * | Director |
| O. Holcombe Crosswell | |
| * | Director |
| Thomas F. Madison | |
| * | Director |
| Robert T. O'Connell | |
| * | Director |
| Michael E. Shannon | |

*By: /s/ Rufus S. Scott
Rufus S. Scott
Attorney-in-fact

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| 4.4 | Supplemental Indenture No. 1, dated as of May 19, 2003, between CenterPoint Energy, Inc. and the Trustee, with respect to $575,000,000 aggregate principal amount of 3.75% Convertible Senior Notes due 2023 (including the form of Note) | Current Report on Form 8-K of CenterPoint Energy, Inc. filed June 3, 2003 | 1-31447 | 4.2 |

| | | | | |
|---|---|---|---|---|
| 4.5 | Form of Supplemental Indenture No. 6 with respect to $575,000,000 aggregate principal amount of 3.75% Convertible Senior Notes, Series B due 2023 (including the form of Note) | | | |
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| *24.1 | Power of Attorney | | | |
| 25.1 | Statement of Eligibility of Trustee | | | |
| 99.1 | Form of Letter of Transmittal | | | |
| 99.2 | Form of Notice of Guaranteed Delivery | | | |
| 99.3 | Form of Letter to Depository Trust Company Participants | | | |
| 99.4 | Form of Letter to Clients | | | |

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* Previously filed.

Exhibit 1.1

CENTERPOINT ENERGY, INC.

and

BANC OF AMERICA SECURITIES LLC

Dealer Manager Agreement

dated as of , 2005

Dealer Manager Agreement

BANC OF AMERICA SECURITIES LLC
9 West 57th Street
New York, New York 10019

Ladies and Gentlemen:

1. The Exchange Offer. CenterPoint Energy, Inc., a Texas corporation (the "Company") proposes to offer to exchange up to $575,000,000 aggregate principal amount of its new 3.75% Convertible Senior Notes, Series B due 2023 (the "Exchange Securities") for an equal principal amount of its outstanding 3.75% Convertible Senior Notes due 2023 (the "Existing Securities"). The exchange offer described above (the "Exchange Offer") will be made on the terms and subject to the conditions set forth in the Preliminary Prospectus (as defined below) and related Letters of Transmittal, attached as Schedules A and B hereto. The Exchange Securities will be issued pursuant to an Indenture, dated as of May 19, 2003, between the Company and JPMorgan Chase Bank, National Association, as trustee (the "Trustee"), as heretofore supplemented (the "Base Indenture") and as further supplemented by a Supplemental Indenture No. 6 to the Indenture, to be entered into on the completion of the Exchange Offer (the "Supplemental Indenture", and together with the Base Indenture, the "Indenture").

2. Engagement as Dealer Manager. The Company hereby engages and appoints you as the exclusive dealer manager (the "Dealer Manager") for the Exchange Offer and authorizes you to act as such in connection with the Exchange Offer. As Dealer Manager you agree, in accordance with your customary practice, to perform in connection with the Exchange Offer those services as are customarily performed by investment banking concerns in connection with similar offers, including, without limitation, using all reasonable best efforts to solicit the tender of Existing Securities pursuant to and in accordance with the terms and conditions of the Exchange Offer. You shall act as an independent contractor in connection with the Exchange Offer with duties solely to the Company and nothing herein contained shall constitute you as an agent of the Company in connection with the solicitation of such Existing Securities pursuant to and in accordance with the terms and conditions of the Exchange Offer; provided, however, that the Company hereby authorizes and designates the Dealer Manager, and/or one or more registered brokers or dealers chosen by the Dealer Manager, to act as the Company's agent in making the Exchange Offer to residents of any jurisdiction in which such agent designation may be necessary to comply with applicable law. Nothing in this Agreement shall constitute the Dealer Manager a partner or joint venturer with the Company or any of its subsidiaries. On the basis of the representations and warranties and agreements of the Company contained herein and subject to and in accordance with the terms and conditions hereof and of the Exchange Offer, the Dealer Manager hereby agrees to act in such capacity.

3. Registration Statement, Prospectus and Offering Materials. (a) The Company has prepared and filed with the Securities and Exchange Commission (the "Commission"), under the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder (collectively, the "Securities Act"), a registration statement on Form S-4 (Reg. No. 333-123182), including the preliminary prospectus dated , 2005, (the "Preliminary Prospectus"), covering the registration of the Exchange Securities, the shares of common stock, par value $0.01 per share, of the Company (the "Common Stock") and associated preferred stock purchase rights issuable upon conversion of the Exchange Securities (the "Conversion Shares"). The term "Registration Statement," as used in this Agreement, shall mean such registration statement, including the exhibits thereto and any documents incorporated by reference therein, in the form in which it became effective and, in the event of any amendment or supplement thereto or the filing of any abbreviated registration statement pursuant to Rule 462(b) of the Securities Act relating thereto after the effective date of such registration statement, shall also mean (from and after the effectiveness of such abbreviated registration statement) such registration statement as so amended or supplemented, together with any such abbreviated registration statement. The final prospectus included in the Registration Statement (including any documents incorporated in the Prospectus by reference) is herein called the "Prospectus." The terms "supplement" and "amendment" or "supplemented" and "amended" as used herein with respect to the Prospectus shall include all documents deemed to be incorporated by reference in the Prospectus that are filed subsequent to the date of the Prospectus and prior to the termination of the Exchange Offer by the Company with the Commission pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder (the "Exchange Act").

(b) The Company has prepared and filed, or agrees that prior to or on the date of commencement of the Exchange Offer (the "Commencement Date") it will file, with the Commission under the Exchange Act a Tender Offer Statement on Schedule TO with respect to the Exchange Offer, including the required exhibits thereto and any documents incorporated by reference therein. The term "Schedule TO" as used in this Agreement shall mean such Tender Offer Statement on Schedule TO, including any amendment or supplement thereto.

(c) The Registration Statement, the Prospectus, Schedule TO, the related letters from the Dealer Manager to securities brokers, dealers, commercial banks, trust companies and other nominees approved by the Company, letters for use by brokers to clients holding Existing Securities approved by the Company, letters to beneficial owners of Existing Securities approved by the Company, letters of transmittal, notices of guaranteed delivery and any newspaper announcements, press releases and other offering materials and information the Company may use or disseminate in connection with the Exchange Offer are herein collectively referred to as the "Exchange Offer Materials."

4. Use of Exchange Offer Materials. (a) The Exchange Offer Materials have been or will be prepared and approved by, and are the sole responsibility of, the Company. The Company shall, to the extent permitted by law, use its reasonable best efforts to disseminate the Exchange Offer Materials to each registered holder of any Existing Securities, on or as soon as practicable after the Commencement Date, pursuant to Rule 13e-4 so as to fulfill all requirements thereof as to the commencement of the Exchange Offer not later than the date hereof, under the Exchange Act and comply in all material respects with its obligations

thereunder. Thereafter, to the extent practicable until the date three days prior to the expiration date of the Exchange Offer, the Company shall use its reasonable best efforts to cause copies of such Exchange Offer Materials and a return envelope to be mailed to each person who becomes a holder of record of any Existing Securities prior to such date. The Company acknowledges and agrees that you may use the Exchange Offer Materials as specified herein without assuming any responsibility for independent verification on your part and the Company represents and warrants to you that you may rely on the accuracy and completeness of all of the Exchange Offer Materials and any other information delivered to you by or on behalf of the Company without assuming any responsibility for independent verification of such information or without performing or receiving any appraisal or evaluation of the assets or liabilities of the Company. The Dealer Manager agrees that it will not disseminate any written materials for or in connection with the solicitation of holders of Existing Securities other than the Exchange Offer Materials.

(b) The Company agrees to provide you with as many copies as you may reasonably request of the Exchange Offer Materials. The Company agrees that within a reasonable time prior to using or filing with any federal, state or other governmental or regulatory agency or instrumentality (an "Other Agency") of any Exchange Offer Materials, it will submit copies of such materials to you and your counsel and will give reasonable consideration to you and your counsel's comments, if any, thereon. The Company agrees that prior to the termination of the Exchange Offer, before amending or supplementing the Registration Statement, or the Prospectus, it will furnish copies of drafts to, and consult with, the Dealer Manager and its counsel within a reasonable time in advance of filing with the Commission of any amendment or supplement to the Registration Statement, the Prospectus or the other Exchange Offer Materials.

(c) The Company has furnished or shall use its reasonable best efforts to furnish to you, or cause the Trustee to furnish to you, as soon as practicable after the date hereof (to the extent not previously furnished), cards or lists in reasonable quantities or copies thereof showing the names of persons who were the holders of record of the Existing Securities as of a recent date, together with their addresses and the number of Existing Securities held by them. The Company has furnished or shall use its reasonable best efforts to furnish to you, or cause the Information Agent (as defined below) to furnish to you, as soon as practicable after the date hereof (to the extent not previously furnished), cards or lists in reasonable quantities or copies thereof showing the names of persons who were the beneficial owners of the Existing Securities as of a recent date, together with their addresses and the number of Existing Securities held by them. Additionally, the Company shall update, or cause the Trustee or Information Agent, as applicable, to update, such information from time to time during the term of this Agreement as may be reasonably requested by you. You agree to use such information only in connection with the Exchange Offer and not to furnish such information to any other person except in connection with the Exchange Offer, unless, based on the advice of your counsel, disclosure is required by law, regulation, supervisory authority or other applicable judicial or governmental order, in which case you will, to the extent practicable, (1) promptly notify the Company in writing of such request or demand and the information requested or demanded; (2) cooperate with the Company in contesting, at the Company's expense, such demand or request; and (3) use reasonable best efforts to obtain, at the Company's expense, protective orders or similar restraints with respect to such information.

(d) The Company authorizes the Dealer Manager to use the Exchange Offer Materials in connection with the Exchange Offer and for such period of time as any such materials are required by law to be delivered in connection therewith. The Dealer Manager shall not have any obligation to cause any Exchange Offer Materials to be transmitted generally to the holders of Existing Securities.

(e) The Company authorizes the Dealer Manager to communicate with any information agent (the "Information Agent") or exchange agent (the "Exchange Agent") appointed by the Company to act in such capacity in connection with the Exchange Offer. The Company will arrange for the Exchange Agent to advise you as to such matters relating to the Exchange Offer as you may reasonably request.

(f) The Company agrees that any reference to the Dealer Manager in any Exchange Offer Materials or in any newspaper announcement or press release or other document or communication is subject to the Dealer Manager's prior consent, which consent shall not be unreasonably withheld.

5. Withdrawal. In the event that the Company (i) uses or permits the use of, or files with the Commission or any Other Agency, any amendment or supplement to the Registration Statement and any such document (a) has not been previously submitted to you for your and your counsel's comments or (b) has been so submitted, and you or your counsel have made reasonable comments which have not been reflected in a manner reasonably satisfactory to you or your counsel; or (ii) shall have breached, in any material respect, any of its representations, warranties, agreements or covenants herein; or (iii) amends or revises the Exchange Offer in a manner not reasonably acceptable to you and, in the reasonable judgment of the Dealer Manager, any such event compromises its position and ability to perform its role as Dealer Manager or its ability to comply with the Securities Act or the Exchange Act; then you shall be entitled upon written notice to the Company to withdraw as Dealer Manager in connection with the Exchange Offer without any liability or penalty to you or any other indemnified person (as defined in Section 11 below) and without loss of any right to indemnification or contribution provided in Section 11 or to the payment of all expenses payable pursuant to Sections 6 and 7 below which have accrued through the date of such withdrawal.

6. Fees and Expenses of the Dealer Manager. The Company agrees to pay the Dealer Manager, as compensation for its services hereunder, a fee equal to $0.7826 per $1,000 principal amount of Exchange Securities accepted by the Company pursuant to the Exchange Offer; provided, however, that any Exchange Securities tendered by the Dealer Manager from its own accounts shall not be included in calculating the fee to be paid to the Dealer Manager. The foregoing fee shall be paid promptly after the acceptance of Exchange Securities in immediately available funds to such account as the Dealer Manager may specify by notice to the Company. The Company agrees to reimburse the reasonable out-of-pocket expenses of the Dealer Manager incurred in connection with the Exchange Offer (including, without limitation, the reasonable out-of-pocket legal fees and expenses of the Dealer Manager's counsel in connection with the Exchange Offer). At the Closing Date, the Dealer Manager shall provide the Company a certificate setting forth the aggregate principal amount of Exchange Securities, if any, tendered by the Dealer Manager from its own accounts.

7. Other Expenses and Reimbursement of Expenses. The Company agrees to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including without limitation (i) all expenses incident to the preparation, issuance, execution and delivery of the Exchange Securities, (ii) all advertising expenses related to the Exchange Offer and all fees and expenses incurred in marketing the Exchange Offer, including but not limited to road show presentations, if any, (iii) all fees and expenses of the Information Agent, the Exchange Agent and the Trustee, (iv) all fees and expenses of the Company's independent public or certified public accountants and other advisors, (v) all fees, costs and expenses incurred in connection with the registration or qualification of the Exchange Securities under the laws of such jurisdictions as the Dealer Manager may reasonably designate (including, without limitation, reasonable fees and reasonable disbursements of counsel for the Dealer Manager), (vi) all costs and expenses incurred in connection with the preparation, printing and filing under the Securities Act of the Registration Statement, the Prospectus (including financial statements, exhibits and amendments and supplements thereto), and, under the Exchange Act, of the Schedule TO, (vii) all costs and expenses incurred in connection with the printing (including word processing and duplication costs), shipping, distribution and delivery of all Exchange Offer Materials, and (viii) all customary mailing and handling expenses incurred by dealers and brokers (including yourself), commercial banks, trust companies and nominees in forwarding the Exchange Offer Materials to their customers.

8. Representations, Warranties and Certain Agreements of the Company. The Company represents and warrants to you, and agrees with you, that as of the Commencement Date and as of the date when the Exchange Offer is consummated (the "Closing Date"):

(a) The Registration Statement has been filed with the Commission and has been declared effective by the Commission. Such amendments to such Registration Statement and Prospectus and such abbreviated registration statements pursuant to Rule 462(b) of the Securities Act as may have been required by applicable law prior to the date hereof have been similarly prepared and filed with the Commission; and the Company will file such additional amendments to such Registration Statement and Prospectus and such abbreviated registration statements as may hereafter be required by applicable law. Copies of such Registration Statement and Prospectus, including all amendments thereto and all documents incorporated by reference therein, and of any abbreviated registration statement pursuant to Rule 462(b) of the Securities Act have been or will be, delivered or made available to you and your counsel. No stop order refusing or suspending the effectiveness of the Registration Statement or preventing or suspending the use of any Prospectus is in effect, and no proceedings for such purpose have been instituted or are pending before or, to the Company's knowledge, are threatened, by the Commission.

(b) The Schedule TO has been filed with the Commission; such amendments to such Schedule TO as may have been required by applicable law prior to the date hereof have been similarly prepared and filed with the Commission; and the Company will file such additional amendments to such Schedule TO as may hereafter be required by applicable law. Copies of such Schedule TO, including all amendments thereto and all documents incorporated by reference therein have been or, if filed after the Commencement Date, will be, delivered or made available to you and your counsel.

(c) (i) The Exchange Offer Materials, including the Registration Statement, the Prospectus and the Schedule TO, comply and will continue to comply, in all material respects, with the Securities Act, the Exchange Act and the Trust Indenture Act of 1939, as amended, and the applicable rules and regulations of the Commission thereunder (the "Trust Indenture Act"); (ii) the Registration Statement, when it became effective, did not contain and as amended or supplemented thereafter, if applicable, will not contain, any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and (iii) none of the Prospectus or other Exchange Offer Materials contains, and, as amended or supplemented, if applicable, will contain, any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the representations and warranties set forth in this paragraph 8(c) do not apply to statements or omissions in the Exchange Offer Materials, including the Registration Statement or the Prospectus, or, in each case, any amendment or supplement thereto, based upon information relating to the Dealer Manager furnished to the Company in writing by the Dealer Manager expressly for use therein as set forth in Section 11(b) herein.

(d) The documents incorporated by reference in the Registration Statement or the Prospectus, at the time they were or hereafter are filed with the Commission, conformed and will conform in all material respects to the requirements of the Exchange Act, and, when read together with the other information in the Registration Statement or the Prospectus, as the case may be, at the time the Registration Statement became effective and at the Commencement Date and the Closing Date, as the case may be, none of such documents included or will include any untrue statement of a material fact or omitted or will omit to state any material fact required to be stated therein or necessary in order to make the fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) The Company has not distributed and will not distribute, prior to the later of the Closing Date and the completion of the distribution of the Exchange Securities in exchange for the Existing Securities pursuant to the Exchange Offer, any offering material in connection with the Exchange Offer other than the Exchange Offer Materials.

(f) The Company has been duly incorporated and is validly existing in good standing under the laws of the State of Texas, with corporate power and authority to own its properties and conduct its business as described in the Prospectus.

(g) Each subsidiary of the Company has been duly formed and is validly existing in good standing under the laws of the jurisdiction of its formation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus; and each subsidiary of the Company is duly qualified to do business as a foreign corporation, limited partnership or limited liability company in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification; all of the issued and outstanding ownership interests of each subsidiary of the Company have been duly authorized and validly issued in accordance with the organizational documents of such subsidiary; and the ownership interests of each subsidiary owned by the Company, directly or through subsidiaries, is owned free from liens, encumbrances and defects.

(h) The Company's authorized equity capitalization is as set forth in the Prospectus and the capital stock of the Company conforms to the description thereof contained in the Prospectus; the outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and nonassessable; the shares of Common Stock initially issuable upon conversion of the Exchange Securities have been duly authorized and reserved for issuance and, when delivered upon conversion of the Exchange Securities against payment of the conversion price and in accordance with the terms of the Indenture, will be validly issued, fully paid and nonassessable; the holders of outstanding shares of capital stock of the Company are not entitled to preemptive or other rights under the Amended and Restated Articles of Incorporation or the Amended and Restated Bylaws of the Company, each as amended to date, or the Texas Business Corporation Act, as amended to date, to subscribe for the Exchange Securities or the shares of Common Stock issuable upon conversion thereof; and, except (i) as set forth in the Prospectus and (ii) for options, restricted stock and performance shares granted pursuant to the CenterPoint Energy, Inc. Long-Term Incentive Plan and the CenterPoint Energy, Inc. Stock Plan for Outside Directors, no options, warrants or other rights to purchase, agreements or other obligations to issue, or rights to convert any obligations into or exchange any securities for, shares of capital stock of or ownership interests in the Company, which were granted by the Company, are outstanding.

(i) The Company has all corporate power to enter into this Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(j) The Exchange Securities and the Indenture have been duly authorized by the Company; the Base Indenture has been duly executed and delivered by the Company and, when the Supplemental Indenture has been duly executed and delivered by the Company in accordance with its terms and assuming the valid execution and delivery thereof by the Trustee, the Indenture will constitute, and, in the case of the Exchange Securities, when executed and delivered by the Company pursuant to the terms hereof, and duly authenticated and delivered by the Trustee as provided in the Indenture, the Exchange Securities will, on the Closing Date, constitute, valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, subject, as to enforcement, to bankruptcy, insolvency, fraudulent transfer, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law); the Exchange Securities when executed and delivered by the Company, and duly authenticated and delivered by the Trustee, will be entitled to the benefits of the Indenture and will be convertible into Common Stock in accordance with their terms and the terms of the Indenture; the Indenture has been qualified under the Trust Indenture Act. The Exchange Securities and the Common Stock will conform to the descriptions thereof in the Prospectus.

(k) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement, the Exchange Securities and the Indenture (collectively, the "Transaction Documents"), and the consummation by the Company of the Exchange Offer and the transactions herein contemplated (a) will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any subsidiary is a party or by which the Company or any subsidiary is bound or to

which any of the property or assets of the Company or any subsidiary is subject, which conflict, breach, violation, or default would individually, or in the aggregate, have a material adverse effect on the financial condition, business or results of operations of the Company and its subsidiaries taken as a whole ("Material Adverse Effect") and (b) will not result in any violation of the provisions of the Certificate of Incorporation or By-laws or other organizational documents of the Company, the charter, by-laws or other organizational documents of any subsidiary of the Company or any existing statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company's or any of its or its subsidiaries' properties; and no consent, approval, authorization or order of, or filing or registration with any such court or governmental agency or body under any such statute, judgment, order, decree, rule or regulation is required for the execution, delivery and performance by the Company of each Transaction Document to which it is a party, the authentication and delivery of the Exchange Securities and the issuance of the Common Stock issuable upon conversion thereof, and the consummation of the transactions contemplated by the Transaction Documents, except for such consents, approvals, authorizations, filings, registrations or qualifications (A) which shall have been obtained or made prior to the Closing Date, including without limitation the order dated June 30, 2003 of the Commission under the Public Utility Holding Company Act of 1935, as amended (the "1935 Act"), (B) as may be required to be obtained or made under applicable state securities laws or "blue sky" laws and (C) as may be required under the Securities Act, the Exchange Act and the Trust Indenture Act.

(l) The Company and its subsidiaries possess certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by them and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect.

(m) The Company is not, and after giving effect to the consummation of the Exchange Offer, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

(n) Except as disclosed in the Prospectus, neither the Company nor any of its subsidiaries is in violation of any statute, any rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "environmental laws"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would individually or in the aggregate have a Material Adverse Effect; and the Company is not aware of any pending investigation which has a reasonable possibility of leading to such a claim.

(o) Except as disclosed in the Prospectus, there are no pending actions, suits or proceedings against or affecting the Company, any of its subsidiaries or any of their respective properties that, if determined adversely to the Company or any of its subsidiaries, would

individually or in the aggregate have a Material Adverse Effect, or would materially and adversely affect the ability of the Company to perform its obligations under the Indenture or this Agreement, or which are otherwise material in the context of the consummation of the Exchange Offer or the consummation of any of the transactions contemplated hereby or thereby; and no such actions, suits or proceedings are threatened or, to the Company's knowledge, contemplated.

(p) The financial statements included in or incorporated by reference in the Prospectus present fairly the financial position of the Company and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and, except as otherwise disclosed in the Prospectus, such financial statements have been prepared in conformity with the generally accepted accounting principles in the United States applied on a consistent basis.

(q) Since the date of the latest audited financial statements included in or incorporated by reference in the Prospectus and except as disclosed in the Prospectus there has been no material adverse change in the business, financial condition, prospects or results of operations of the Company and its subsidiaries taken as a whole, and there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its membership interests (other than regular quarterly dividends on the Common Stock and other dividends described in the Prospectus).

(r) All written communications, in addition to the Schedule TO, made during the period from the first public announcement and to the earlier of either the expiration date or the Closing Date of the Exchange Offer have been or will be filed with the Commission in accordance with the Exchange Act and the Commission's rules and regulations including Rule 13e-4 under the Exchange Act.

9. Conditions to Dealer Manager's Obligations. The obligations of the Dealer Manager hereunder are subject, as of the Commencement Date and the Closing Date, to the accuracy of the representations and warranties on the part of the Company herein, to the accuracy of the statements of officers of the Company made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) For the period from and after the date of this Agreement and prior to the Closing Date:

(i) the Company shall have filed the Registration Statement with the Commission and the Registration Statement shall have become effective;

(ii) no stop order refusing or suspending the effectiveness of the Registration Statement or any post-effective amendment shall have been issued or be in effect and no proceedings for such purpose shall have been instituted or, to the Company's knowledge, threatened by the Commission and any request for additional material information shall have been complied with to the reasonable satisfaction of the Dealer Manager's counsel; and

(iii) there shall not have occurred (a) any change in the business, financial condition, prospects or results of operations of the Company and its subsidiaries taken as one enterprise which, in the reasonable judgment of the Dealer Manager, is material and

adverse and makes it impractical to proceed with completion of the Exchange Offer on the terms set forth herein; (b) any downgrading in the rating of any debt securities of the Company by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Securities Act), or any public announcement that any such organization has newly placed under surveillance or review its rating of any debt securities of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating); (c) any material suspension or material limitation of trading in securities generally on the New York Stock Exchange, or on the over-the-counter market or any suspension of trading of any securities of CenterPoint Energy, Inc. on any exchange or in the over-the-counter market; (d) any general moratorium on commercial banking activities declared by U.S. Federal or New York State authorities; (e) any major disruption of settlements of securities or clearance services in the United States or (f) any act of terrorism in the United States, any attack on, outbreak or escalation of hostilities involving the United States, any declaration of war by Congress or any other national or international calamity or crisis if, in the judgment of the Dealer Manager, the effect of any such attack, outbreak, escalation, act, declaration, calamity or crisis on the financial markets makes it impractical to proceed with the consummation of the Exchange Offer on the terms set forth herein.

(b) On each of the Commencement Date and the Closing Date, you shall have received a written certificate, dated such date and executed by the President or any Vice-President and a principal financial or accounting officer of the Company in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of the Company in this Agreement are true and correct, that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Commencement Date or the Closing Date, as the case may be, and that, subsequent to the date of the most recent financial statements in the Prospectus, there has been no material adverse change in the business, financial condition, prospects or results of operations of the Company and its subsidiaries taken as a whole except as set forth in or contemplated by the Prospectus or as described in such certificate.

(c) On the Commencement Date and the Closing Date, the Dealer Manager shall have received the opinion of Scott Rozzell, Executive Vice President and General Counsel of the Company, or Rufus S. Scott, Esq., Vice President and Deputy General Counsel of the Company, to the effect that:

(i) The Company has been duly incorporated and is validly existing in good standing under the laws of the State of Texas and has corporate power and authority to own its properties and conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement and the Indenture and to consummate the Exchange Offer;

(ii) Each Significant Subsidiary (as defined in Regulation S-X of the Commission, "Significant Subsidiary") of the Company has been duly formed and is validly existing in good standing under the laws of the jurisdiction of its formation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus; and each Significant Subsidiary of the Company is duly

qualified to do business as a foreign corporation, limited partnership or limited liability company in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification; all of the issued and outstanding ownership interests of each Significant Subsidiary of the Company have been duly authorized and validly issued in accordance with the organizational documents of such Significant Subsidiary; and the ownership interests of each subsidiary owned by the Company, directly or through subsidiaries is owned free from liens, encumbrances and defects;

(iii) The Company's authorized equity capitalization is as set forth in the Prospectus and the capital stock of the Company conforms, as to legal matters, in all material respects to the description thereof contained in the Prospectus; the outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and nonassessable; the shares of Common Stock initially issuable upon conversion of the Exchange Securities have been duly authorized and reserved for issuance and, when delivered upon conversion of the Exchange Securities in accordance with the terms of the Indenture, will be validly issued, fully paid and nonassessable; the holders of the outstanding shares of capital stock of the Company are not entitled to any preemptive or other rights under the Amended and Restated Articles of Incorporation or the Amended and Restated Bylaws of the Company, each as amended to date, or the Texas Business Corporation Act, as amended to date, to subscribe for the Exchange Securities or the shares of Common Stock issuable upon conversion thereof; and, except (i) as set forth in the Prospectus and (ii) for options, restricted stock and performance shares granted pursuant to the CenterPoint Energy, Inc. Long-Term Incentive Plan and the CenterPoint Energy, Inc. Stock Plan for Outside Directors, no options, warrants or other rights to purchase, agreements or other obligations to issue, or rights to convert any obligations into or exchange any securities for, shares of capital stock of or ownership interests in the Company, which were granted by the Company, are outstanding;

(iv) No consent, approval, authorization or other order of, or registration with, any governmental regulatory body (other than (a) such as may be required under applicable state securities laws, as to which such counsel need not express an opinion, (b) such as may be required pursuant to the Securities Act, the Exchange Act and the Trust Indenture Act and (c) the order of the Commission under the 1935 Act, which has been obtained and is in full force and effect) is required for the Exchange Offer or for the issuance of the Common Stock upon conversion of the Notes or for the consummation by the Company of the transactions contemplated by this Agreement and the Indenture;

(v) To such counsel's knowledge and other than as set forth or contemplated in the Prospectus, there are no legal or governmental proceedings pending or threatened to which the Company is subject, which, individually or in the aggregate, have a reasonable possibility of having a Material Adverse Effect;

(vi) The execution, delivery and performance by the Company of this Agreement and the Indenture, the exchange of the Exchange Securities for the Existing Securities in the Exchange Offer and the issuance of the Common Stock upon conversion of the Exchange Securities, will not result in the breach or violation of, or constitute a

default under, (a) the Amended and Restated Articles of Incorporation, the Amended and Restated Bylaws of the Company, each as amended to date or other organizational documents of the Company, each as amended to date, (b) any indenture, mortgage, deed of trust or other agreement or instrument for borrowed money to which the Company is a party or by which it is bound or to which its property is subject or (c) any law, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or its property, including without limitation, the 1935 Act, in any manner which, in the case of clause (b), individually or in the aggregate, would have a Material Adverse Effect; and

(vii) The description of statutes and regulations set forth in Part I of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 under the captions "Business -- Regulation" and "Business -- Environmental Matters", and those described elsewhere in the Prospectus, fairly describe in all material respects the portions of the statutes and regulations addressed thereby.

(d) On the Commencement Date (except with respect to paragraphs i, ii, iii, iv) and the Closing Date, the Dealer Manager shall have received the opinion of Baker Botts LLP, counsel for the Company, dated as of such date, to the effect that:

(i) The statements set forth in the Prospectus under the captions "Description of the New Notes" and "Description of Capital Stock" accurately summarize in all material respects the terms of the Exchange Securities and the Common Stock issuable upon conversion thereof;

(ii) The Exchange Securities conform and the Common Stock issuable upon conversion thereof shall conform, as to legal matters, in all material respects to the descriptions thereof contained in the Prospectus, including, without limitation, the description under the caption "Description of the New Notes" and "Description of Capital Stock";

(iii) The Indenture has been duly qualified under the Trust Indenture Act; the execution and delivery of the Indenture have been duly and validly authorized by all necessary corporate action on the part of the Company; the Indenture has been duly and validly executed and delivered by the Company; the Indenture constitutes a valid and binding instrument enforceable against the Company in accordance with its terms, (a) except as such enforceability is subject to the effect of (I) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other law relating to or affecting creditors' rights generally, (II) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (III) implied covenants of good faith and fair dealing and (b) except that such counsel shall express no opinion as to the enforceability of any provision of the Indenture requiring the payment of liquidated damages;

(iv) The Exchange Securities have been duly and validly authorized by all necessary corporate action on the part of the Company, and the Exchange Securities in definitive form, bearing the facsimile signature of the President or a Vice President, and a

facsimile of the seal of the Company thereon attested by the facsimile signature of the Secretary or an Assistant Secretary (assuming that the form of authentication certificate thereon has been signed by an authorized officer of JPMorgan Chase Bank, National Association, as Trustee, which fact we have not been asked to verify by an inspection of the Exchange Securities), when duly executed, issued and authenticated in accordance with the terms of the Indenture and exchanged for the Existing Securities, will constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms and will be entitled to the benefits afforded by the Indenture, except as such enforceability and entitlement are subject to the effect of (I) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other law relating to or affecting creditors' rights generally, (II) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (III) any implied covenants of good faith and fair dealings;

(v) The execution, delivery and performance by the Company of this Agreement, the performance by the Company of its obligations hereunder, and (in the case of the opinion provided at the Closing Date) the issuance and delivery by the Company of the Exchange Securities pursuant to the Exchange Offer and the consummation of the Exchange Offer, have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement has been duly executed and delivered by the Company;

(vi) Each document incorporated by reference in the Prospectus, as originally filed pursuant to the Exchange Act, when so filed complied as to form in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder. In this paragraph, references to the documents incorporated by reference do not include references to any of the following, as to which such counsel has not been asked to comment, which the Prospectus contains or incorporates by reference or omits: (a) the financial statements, including the notes and schedules, if any thereto or the auditor's reports on the audited portions thereof, (b) the other accounting, financial and statistical data, and (c) the exhibits thereto;

(vii) The Company is not and, after giving effect to the Exchange Offer, will not be an "investment company" as defined in the Investment Company Act;

(viii) Although the discussion set forth in the Prospectus under the heading "Material United States Federal Income Tax Consequences" does not purport to discuss all possible United States Federal income tax consequences of the purchase, ownership, and disposition of the Exchange Securities, in such counsel's opinion, such discussion constitutes, in all material respects, a fair and accurate summary of the United States Federal income tax consequences of the Exchange Offer, the ownership of the Exchange Securities and the disposition of Exchange Securities by the holders addressed therein, based upon current law and subject to the qualifications set forth therein;

(ix) The Registration Statement and the Prospectus (except for the following which are contained or incorporated by reference in or omitted from the Registration Statement and the Prospectus: (A) the financial statements, including the notes and

schedules, if any thereto or the auditor's reports on the audited portions thereof, (B) the other accounting, financial and statistical data, and (C) the exhibits thereto, as to which we have not been asked to comment) comply as to form in all material respects with the applicable requirements of the Securities Act and the applicable rules and regulations promulgated under the Securities Act;

(x) The Schedule TO (except for the following which are contained or incorporated by reference in or omitted from the Schedule TO: (A) the financial statements, including the notes and schedules, if any thereto or the auditor's reports on the audited portions thereof, (B) the other accounting, financial and statistical data, and (C) the exhibits thereto, as to which we have not been asked to comment) complies as to form in all material respects with the applicable requirements of Section 13(e) of the Exchange Act and the applicable rules and regulations promulgated under Section 13(e) of the Exchange Act.

In addition, such counsel shall state that such counsel have participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants of the Company and representatives of the Dealer Manager, at which contents of the Registration Statement and related matters were discussed. Although such counsel have not undertaken to determine independently, and do not assume any responsibility for, the accuracy, completeness or fairness of statements contained in the Registration Statement or any of the documents incorporated by reference in the Registration Statement (except to the extent set forth in paragraphs (i) and (ii) (in the case of the opinion provided at the Closing Date) and (viii) above), such counsel advises the Dealer Manager that, on the basis of the foregoing, no facts have come to the attention of such counsel that lead them to believe (i) that the Registration Statement, at the time the Registration Statement became effective, contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein not misleading or (ii) that the Prospectus and the Schedule TO, as of the Commencement Date, or the Closing Date, as the case may be, contained or contains any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. In this paragraph, references to the Registration Statement and the Prospectus and Schedule TO do not include references to any of the following, as to which such counsel has not been asked to comment, which the Registration Statement, Prospectus or Schedule TO contain or incorporate by reference or omits: (a) the financial statements, including the notes and schedules, if any thereto or the auditor's reports on the audited portions thereof, (b) the other accounting, financial and statistical data, and (c) the exhibits thereto.

(e) On the Closing Date, the Dealer Manager shall have received the opinion of Dewey Ballantine LLP, counsel for the Dealer Manager, with respect to such matters as the Dealer Manager may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters.

(f) On the Closing Date, the Dealer Manager shall have received a letter, dated the Closing Date, from Deloitte & Touche LLP, independent auditors of the Company, substantially in the form heretofore supplied and deemed satisfactory by the Dealer Manager.

The Company will furnish the Dealer Manager with such conformed copies of the opinions, certificates, letters and documents required herewith as the Dealer Manager reasonably requests.

10. Covenants of the Company. The Company covenants and agrees with the Dealer Manager:

(a) To use its reasonable best efforts to cause the Registration Statement to remain effective, and any post-effective amendment thereof, to become effective as soon as possible but no later than the expiration date of the Exchange Offer; to use its reasonable best efforts to cause any abbreviated registration statement pursuant to Rule 462(b) of the Securities Act as may be required subsequent to the date the Registration Statement became effective to become effective as promptly as possible; to promptly advise the Dealer Manager in writing (i) of the receipt of any comments from the Commission relating to the Exchange Offer, (ii) when any post-effective amendment to the Registration Statement or any abbreviated Registration Statement shall have become effective, or any supplement to the Prospectus or any amended Prospectus or any amended or additional Exchange Offer Materials shall have been filed, (iii) of any request by the Commission to amend the Registration Statement or amend or supplement the Prospectus or the other Exchange Offer Materials or for additional information relating to the Exchange Offer and (iv) of (A) the issuance by the Commission of any stop order refusing or suspending the use of any of the Exchange Offer Materials or any qualification of the Exchange Securities for offering or sale in connection with the Exchange Offer in any jurisdiction, (B) the institution or threatening by the Commission of any proceedings for any of such purposes, (C) the occurrence of any event which would cause the Company to withdraw, rescind, terminate or modify the Exchange Offer or would permit the Company to exercise any right not to accept Exchange Securities tendered pursuant to the Exchange Offer, or (D) the institution by the NYSE of any proceedings to remove, suspend or terminate from listing or quotation the Common Stock from any securities exchange upon which it is listed for trading or included or designated for quotation, or the threatening or initiation by the NYSE of any proceedings for any such purposes. The Company will use its reasonable efforts to prevent the issuance of any such stop order, the issuance of any order preventing or suspending such use and the suspension of any such qualification and, if any such order is issued or qualification suspended, to obtain the lifting of such order or suspension at the earliest practicable time.

(b) To comply with the Securities Act, the Exchange Act and the Trust Indenture Act in connection with the Exchange Offer, the Exchange Offer Materials and the transactions contemplated hereby and thereby, as applicable. If, at any time when the Prospectus is required by the Securities Act or the Exchange Act to be delivered in connection with the Exchange Offer, any event shall occur or condition shall exist as a result of which it is necessary, in the reasonable opinion of both counsel for the Dealer Manager and counsel for the Company, to amend the Registration Statement or amend or supplement the Prospectus or any other Exchange Offer Materials in order that the Prospectus or such other Exchange Offer Materials will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Prospectus or such other Exchange Offer Materials, in the light of the circumstances under which they were made, not misleading or if, in the reasonable opinion of both such counsel, it shall be necessary to amend the Registration Statement or amend or supplement the Prospectus or any other Exchange Offer Materials to comply with the

requirements of the Securities Act or Exchange Act, the Company will promptly prepare, file with the Commission, subject to Section 4(b) hereof, and furnish, at its own expense, to the Dealer Manager and to the dealers (whose names and addresses will be furnished to the Company by the Dealer Manager) to which Existing Securities may have been tendered for exchange, such amendment or supplement as may be necessary to correct such untrue statement or omission or to make the Registration Statement or the Prospectus or such other Exchange Offer Materials comply with such requirements.

(c) During the period beginning on the date hereof and ending on such date as in the opinion of counsel for the Dealer Manager the Prospectus is no longer required by law to be delivered in connection with the Exchange Offer, the Company will file all documents required to be filed with the Commission pursuant to Section 13, 14 or 15 of the Exchange Act in the manner and within the time periods required by the Exchange Act.

(d) To cooperate with the Dealer Manager and Dealer Manager's counsel to qualify or register the Exchange Securities for sale under (or obtain exemptions from the application of) the state securities or blue sky laws or Canadian provincial Securities laws of those jurisdictions reasonably designated by the Dealer Manager; to comply with such laws and continue such qualifications, registrations and exemptions in effect so long as required for the consummation of the Exchange Offer; and in each jurisdiction in which the Exchange Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement; provided that the Company shall not be required to qualify as a foreign corporation or to take any action that would subject the Company to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation.

(e) To use its reasonable best efforts to advise or cause the Exchange Agent to advise the Dealer Manager at 5:00 P.M., New York City time, or promptly thereafter, daily, by telephone, facsimile transmission or electronic transmission, with respect to Existing Securities tendered as follows: (i) the aggregate amount of Existing Securities tendered and represented by certificates physically held by the Exchange Agent or confirmations of receipt of book-entry transfer of Exchange Securities on such day; and (ii) the amount of Existing Securities withdrawn on such day.

11. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless the Dealer Manager, and each person, if any, who controls the Dealer Manager within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, liabilities or expenses (including the reasonable cost of investigating and defending against any claims therefor and counsel fees incurred in connection therewith as such expenses are incurred), joint or several, which may be based upon either the Securities Act, or the Exchange Act, or any other statute or at common law, (i) relating to the withdrawal, rescission or modification of or a failure to make or consummate the Exchange Offer by the Company; or (ii) relating to any act or failure to act or any alleged act or failure to act by the Dealer Manager in connection with, or relating in any manner to, the Exchange Securities or the Exchange Offer and which is included as part of or

referred to in any losses, claims, damages, liabilities or actions arising out of or based upon any matter covered in (iii) below (provided that the Company shall not be liable under this clause (ii) to the extent that a court of competent jurisdiction shall have determined by a final judgment that such losses, claims, damages, liabilities or actions resulted directly from any such acts or failures to act undertaken or omitted to be taken by the Dealer Manager through its bad faith, gross negligence or willful misconduct); or (iii) on the ground or alleged ground that the Registration Statement, the Schedule TO, the Prospectus or any Exchange Offer Materials (or any such document, as from time to time amended, or deemed to be amended, supplemented or modified), includes or allegedly includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, unless such statement or omission was made in reliance upon, and in conformity with, written information furnished to the Company by the Dealer Manager specifically for use in the preparation thereof; provided, that in no case is the Company to be liable with respect to any claims made against the Dealer Manager or any such controlling person unless the Dealer Manager or such controlling person shall have notified the Company in writing within a reasonable time after the summons or other first legal process giving information of the nature of the claim shall have been served upon the Dealer Manager or such controlling person, but failure to notify the Company of any such claim shall not relieve it from any liability which it may have to the Dealer Manager or such controlling person otherwise than on account of the indemnity agreement contained in this paragraph.

The Company will be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense of any suit brought to enforce any such liability, but, if the Company elects to assume the defense, such defense shall be conducted by counsel chosen by it. In the event that the Company elects to assume the defense of any such suit and retains such counsel, the Dealer Manager or controlling person or persons, defendant or defendants in the suit, may retain additional counsel but shall bear the fees and expenses of such counsel unless (i) the Company shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include the Dealer Manager or controlling person or persons and the Dealer Manager or controlling person or persons have been advised by such counsel that one or more legal defenses may be available to it or them which may not be available to the Company, in which case the Company shall not be entitled to assume the defense of such suit on behalf of the Dealer Manager or controlling person or persons, notwithstanding its obligation to bear the reasonable fees and expenses of such counsel, it being understood, however, that the Company shall not, in connection with any one such suit or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys at any time for the Dealer Manager and its controlling persons, which firm shall be designated in writing by the Dealer Manager. The Company shall not be liable to indemnify any person for any settlement of any such claim effected without the Company's prior written consent. This indemnity agreement will be in addition to any liability which the Company might otherwise have.

(b) The Dealer Manager agrees to indemnify and hold harmless the Company, each of the Company's directors and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, liabilities or expenses (including the reasonable cost of investigating and defending against any

claims therefor and counsel fees incurred in connection therewith as such expenses are incurred), joint or several, which may be based upon the Securities Act, the Exchange Act or any other statute or at common law, on the ground or alleged ground that the Registration Statement, the Schedule TO, the Prospectus or any Exchange Offer Materials (or any such document, as from time to time amended, or deemed to be amended, supplemented or modified) includes or allegedly includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, but only insofar as any such statement or omission was made in reliance upon, and in conformity with, written information furnished to the Company by the Dealer Manager specifically for use in the preparation thereof; provided that in no case is the Dealer Manager to be liable with respect to any claims made against the Company or any such director, officer, trustee or controlling person unless the Company or any such director, officer, trustee or controlling person shall have notified the Dealer Manager in writing within a reasonable time after the summons or other first legal process giving information of the nature of the claim shall have been served upon the Company or any such director, officer, trustee or controlling person, but failure to notify the Dealer Manager of any such claim shall not relieve it from any liability which it may have to the Company or any such director, officer, trustee or controlling person otherwise than on account of the indemnity agreement contained in this paragraph.

The Dealer Manager will be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense of any suit brought to enforce any such liability, but, if the Dealer Manager elects to assume the defense, such defense shall be conducted by counsel chosen by it. In the event that the Dealer Manager elects to assume the defense of any such suit and retain such counsel, the Company or such director, officer, trustee or controlling person, defendant or defendants in the suit, may retain additional counsel but shall bear the fees and expenses of such counsel unless (i) the Dealer Manager shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include the Company or any such director, officer, trustee or controlling person and the Dealer Manager and the Company or such director, officer, trustee or controlling person have been advised by such counsel that one or more legal defenses may be available to it or them which may not be available to the Dealer Manager, in which case the Dealer Manager shall not be entitled to assume the defense of such suit on behalf of the Company or such director, officer, trustee or controlling person, notwithstanding its obligation to bear the reasonable fees and expenses of such counsel, it being understood, however, that the Dealer Manager shall not, in connection with any one such suit or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys at any time for all of the Company and any such director, officer, trustee or controlling person, which firm shall be designated in writing by the Company. The Dealer Manager shall not be liable to indemnify any person for any settlement of any such claim effected without such the Dealer Manager's prior written consent. This indemnity agreement will be in addition to any liability which the Dealer Manager might otherwise have.

(c) (i) If the indemnification provided for in this Section 11 is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in

such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Dealer Manager on the other from the Exchange Offer or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Dealer Manager on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Dealer Manager on the other in connection with the Exchange Offer shall be deemed to be in the same respective proportions as the maximum aggregate principal amount of the Exchange Securities issuable pursuant to the Exchange Offer bears to the maximum compensation payable to the Dealer Manager pursuant to this Agreement. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Dealer Manager and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (c) shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (c). Notwithstanding the provisions of this subsection (c), the Dealer Manager shall not be required to contribute any amount in excess of the compensation, if any, received by the Dealer Manager in connection with the Exchange Offer pursuant to this Agreement.

(d) No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 11(d), each officer and employee of the Dealer Manager and each person, if any, who controls the Dealer Manager within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Dealer Manager, and each director of the Company, each officer of the Company who signed the Registration Statement and the Schedule TO, and each person, if any, who controls the Company within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company.

12. Termination of this Agreement. (a) This Agreement shall terminate upon the earliest to occur of (i) the expiration date of the Exchange Offer, (ii) the date on which the Dealer Manager shall give the Company notice that any of the conditions specified in Section 9 has not been fulfilled as of any date such condition is required to be fulfilled pursuant to Section 9, (iii) the date on which the Company terminates or withdraws the Exchange Offer for any reason, or (iv) the date of the withdrawal of the Dealer Manager pursuant to Section 5 hereof.

(b) Notwithstanding termination of this Agreement pursuant to subsection (a) above, the obligations of the parties pursuant to Sections 6, 7 and 11 shall survive any termination of this Agreement.

13. Survival of Indemnities, Representations, Warranties, etc. The respective indemnities, agreements, representations, warranties and other statements of the Company and the Dealer Manager, as set forth in this Agreement or made by or on behalf of them, respectively,

pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Dealer Manager or any controlling person of the Dealer Manager, or the Company, or any officer or director or controlling person of the Company, and shall survive the consummation of the Exchange Offer.

14. Notices. All statements, requests, notices and agreements hereunder shall be in writing, and (i) if to the Dealer Manager shall be delivered or sent by mail, telex or facsimile transmission to Banc of America Securities LLC, 9 West 57th Street, New York, New York 10019, Attn: Eric Hambleton, Esq. (facsimile number: 212-583-8457); and (ii) if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the Company in care of CenterPoint Energy, Inc.: 1111 Louisiana Avenue, Houston, TX 77002, Attention: Rufus Scott, Esq. (facsimile number: 713-207-0490). Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

15. Successors. This Agreement shall inure to the benefit of and be binding upon the Dealer Manager and the Company and their respective successors and the directors, trustees, officers and controlling persons referred to in Section 11 of this Agreement. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person other than the persons mentioned in the preceding sentence any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained; this Agreement and all conditions and provisions hereof being intended to be, and being, for the sole and exclusive benefit of such persons and for the benefit of no other person; except that the representations, warranties, covenants, agreements and indemnities of the Company contained in this Agreement shall also be for the benefit of the person or persons, if any, who control the Dealer Manager within the meaning of the Securities Act or the Exchange Act, and the representations, warranties, covenants, agreements and indemnities of the Dealer Manager shall also be for the benefit of each director of the Company and the person or persons, if any, who control the Company within the meaning of the Securities Act.

16. Partial Unenforceability. The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof.

17. Applicable Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. The Company hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

18. Counterparts. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile or any other rapid transmission device designed to produce a written record of the communication transmitted shall be as effective as delivery of a manually executed counterpart thereof.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,
CENTERPOINT ENERGY, INC.

By: _____
Name:
Title:

The foregoing Dealer Manager Agreement is hereby confirmed and accepted by the Dealer Manager in New York, New York as of the date first above written.

Accepted and agreed as of the date
first above written:

BANC OF AMERICA SECURITIES LLC

By: _____
Name:
Title:

EXHIBIT 4.5

CENTERPOINT ENERGY, INC.

To

JPMORGAN CHASE BANK,
NATIONAL ASSOCIATION

Trustee

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SUPPLEMENTAL INDENTURE NO. 6

Dated as of [ ] [ ], 2005

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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 May [ ], 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;

"$3.8 Billion Credit Facility" means that certain $3,850,00,000 Amended and Restated Credit Agreement, dated as of October 10, 2002, among the Company, as borrower, the banks party thereto, Citibank, N.A., as syndication agent, and JPMorgan Chase Bank, National Association (formerly JPMorgan Chase Bank) as administration agent, as it may be amended and restated from time to time;

"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 and cash payments in respect of dissenters' appraisal rights) 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 and cash payments in respect of dissenters' appraisal rights). 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;

"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);

"Texas Genco" means Texas Genco Holdings, Inc., a Texas corporation;

"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 the Original Issue Date 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, on the Prior Notes acquired by the Company on the Original Issue Date in exchange for the issuance of the Notes.

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) any mortgage, pledge, security interest, lien or encumbrance upon the capital stock of Texas Genco to secure obligations under the $3.8 Billion Credit Facility or any extension, renewal, refunding, amendment or replacement thereof;

(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 [ ] pursuant to which 10% or more of the consideration for the Common Stock (other than cash payments for fractional shares and cash payments in respect of dissenters' appraisal rights) 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 | $9.00 | $10.00 | $11.00 | $11.58 | $13.00 | $15.00 | $18.00 | $20.00 | $25.00 | $30.00 | $35.00 |
| May 15, 2006 | | | | | | | | | | | | |
| May 15, 2007 | | | | | | | | | | | | |
| May 15, 2008 | | | | | | | | | | | | |

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 $ 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 $ 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 three 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 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. 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.

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) upon the issuance of any shares of Common Stock pursuant to warrants granted in connection with the Company's $3.8 Billion Credit Facility;

(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 affect. 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.

(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").

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 the number of 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 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.

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: _____
Name:
Title:

Attest:

_____
Name:
Title:

(SEAL)

JPMORGAN CHASE BANK,
NATIONAL ASSOCIATION, AS TRUSTEE

By: _____
Name:
Title:

(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

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 , 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 (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 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 pursuant to which 10% or more of the consideration for the Common Stock (other than cash payments for fractional shares and cash payments in respect of dissenters' appraisal rights) 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 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 in such Exchange Property rather than Shares of Common Stock. 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:

_____
(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 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 5.1

[BAKER BOTTS L.L.P. LOGO]

ONE SHELL PLAZA
910 LOUISIANA
HOUSTON, TEXAS
77002-4995
713.229.1234
FAX 713.229.1522

AUSTIN
BAKU
DALLAS
DUBAI
HONG KONG
HOUSTON
LONDON
MOSCOW
NEW YORK
RIYADH
WASHINGTON

May 26, 2005

001166.1319

CenterPoint Energy, Inc.
1111 Louisiana
Houston, Texas 77002

Ladies and Gentlemen:

As set forth in the Registration Statement on Form S-4 (Registration No. 333-123182) (the "Registration Statement") filed by CenterPoint Energy, Inc., a Texas corporation (the "Company"), with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), relating to the registration under the Act of the offering and issuance of $575,000,000 aggregate principal amount of the Company's 3.75% Convertible Senior Notes, Series B Due 2023 (the "New Notes"), to be offered by the Company in exchange (the "Exchange Offer") for a like principal amount of the Company's issued and outstanding 3.75% Convertible Senior Notes Due 2023 (the "Old Notes") and an exchange fee as described in the prospectus (the "Prospectus") forming a part of the Registration Statement, certain legal matters in connection with the New Notes are being passed on for the Company by us. The New Notes are to be issued pursuant to an Indenture dated as of May 19, 2003 (the "Base Indenture") between the Company and JPMorgan Chase Bank, National Association (formerly JPMorgan Chase Bank) as trustee (the "Trustee"), as amended and supplemented by Supplemental Indenture No. 1 dated as of May 19, 2003, Supplemental Indenture No. 2 dated as of May 27, 2003, Supplemental Indenture No. 3 dated as of September 9, 2003, Supplemental Indenture No. 4 dated as of December 17, 2003, Supplemental Indenture No. 5 dated as of December 13, 2004 and the Supplemental Indenture No. 6 to be entered into between the Company and the Trustee substantially in the form included as Exhibit 4.5 to the Registration Statement (the Base Indenture, as so amended and supplemented, the "Indenture"). The New Notes will be convertible, upon the occurrence of certain events, into shares of the Company's common stock, par value $0.01 per share (the "Conversion Shares"), in accordance with the terms of the Indenture. At your request, this opinion is being furnished to you for filing as Exhibit 5.1 to the Registration Statement.

In our capacity as your counsel in connection with the matters referred to above, we have examined originals, or copies certified or otherwise identified, of the Articles of Incorporation and Bylaws of the Company, each as amended to date, the Registration Statement, the Indenture, corporate records of the Company, including minute books of the Company as furnished to us by the Company, certificates of public officials and of representatives of the Company, statutes and other instruments and documents as a basis for the opinions hereinafter expressed. In giving such opinions, we have relied upon certificates of officers of the Company and of public officials with respect to the accuracy of the material factual matters contained in such certificates. In giving the opinions below, we have assumed that the signatures on all

documents examined by us are genuine, that all documents submitted to us as originals are accurate and complete, that all documents submitted to us as copies are true and correct copies of the originals thereof and that all information submitted to us was accurate. In addition, we have assumed that (i) the Indenture has been duly authorized, executed and delivered by the Trustee and constitutes the legal, valid and binding obligation of the Trustee, (ii) the Registration Statement will have become effective under the Act and the Indenture will have been qualified under the Trust Indenture Act of 1939, as amended, (iii) the New Notes will have been duly executed, authenticated and delivered in accordance with the provisions of the Indenture and issued in exchange for the Old Notes pursuant to, and in accordance with the terms of, the Exchange Offer as contemplated in the Registration Statement, (iv) certificates representing the Conversion Shares will have been duly executed, countersigned, registered and delivered upon conversion of the New Notes in accordance with the terms of the New Notes and the Indenture and (v) the New Notes and the Conversion Shares will be issued in compliance with the Public Utility Holding Company Act of 1935, as amended.

On the basis of the foregoing, and subject to the qualifications and limitations hereinafter set forth, we are of the opinion that:

1. The New Notes when issued, will constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforceability thereof is subject to the effect of (i) bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or conveyance or other laws relating to or affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

2. The Conversion Shares, when issued, will be validly issued, fully paid and nonassessable.

The opinions set forth above are limited in all respects to matters of the laws of the State of New York and applicable federal law. We hereby consent to the filing of this opinion with the Commission as Exhibit 5.1 to the Registration Statement. We also consent to the reference to our Firm under the heading "Legal Matters" in the Prospectus. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ BAKER BOTTS L.L.P.

EXHIBIT 8.1

[BAKER BOTTS L.L.P. LOGO]

ONE SHELL PLAZA
910 LOUISIANA
HOUSTON, TEXAS
77002-4995
713.229.1234
FAX 713.229.1522

AUSTIN
BAKU
DALLAS
DUBAI
HONG KONG
HOUSTON
LONDON
MOSCOW
NEW YORK
RIYADH
WASHINGTON

May 26, 2005

001166.1319

CenterPoint Energy, Inc.
1111 Louisiana
Houston, Texas 77002

Ladies and Gentlemen:

We have acted as counsel to CenterPoint Energy, Inc., a Texas corporation (the "Company"), with respect to certain legal matters in connection with the Registration Statement on Form S-4 (Registration No. 333-123182) (the "Registration Statement") filed by the Company, with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), relating to the registration under the Act of the offering and issuance of $575,000,000 aggregate principal amount of the Company's 3.75% Convertible Senior Notes, Series B Due 2023 (the "New Notes"), to be offered by the Company in exchange (the "Exchange Offer") for a like principal amount of the Company's issued and outstanding 3.75% Convertible Senior Notes Due 2023 and an exchange fee as described in the prospectus forming a part of the Registration Statement, certain legal matters in connection with the New Notes are being passed on for the Company by us. The New Notes are to be issued pursuant to an Indenture dated as of May 19, 2003 (the "Base Indenture") between the Company and JPMorgan Chase Bank, National Association (formerly JPMorgan Chase Bank) as trustee (the "Trustee"), as amended and supplemented by Supplemental Indenture No. 1 dated as of May 19, 2003, Supplemental Indenture No. 2 dated as of May 27, 2003, Supplemental Indenture No. 3 dated as of September 9, 2003, Supplemental Indenture No. 4 dated as of December 17, 2003, Supplemental Indenture No. 5 dated as of December 13, 2004 and the Supplemental Indenture No. 6 to be entered into between the Company and the Trustee substantially in the form included as Exhibit 4.5 to the Registration Statement (the Base Indenture, as so amended and supplemented, the "Indenture"). The New Notes will be convertible, upon the occurrence of certain events, into shares of the Company's common stock, par value $0.01 per share, in accordance with the terms of the Indenture.

At your request, this opinion of counsel is being furnished to you for filing as Exhibit 8.1 to the Registration Statement. In providing this opinion, we have examined and are relying upon the truth and accuracy at all relevant times of the statements and representations contained in the Registration Statement, the Indenture and certain other filings made by the Company with the Commission and other information provided to us by the Company. We also have examined such statutes and other instruments and documents that we deem necessary for purposes of the opinion hereinafter expressed. In giving such opinion, we have assumed that the signatures on all documents examined by us are genuine, that all documents submitted to us as originals are accurate and complete, that all documents submitted to us as copies are true and correct copies of the originals thereof and that all information submitted to us was accurate and complete.

Subject to the assumptions set forth above and to the qualifications and limitations set forth in the discussion in the Registration Statement under the heading "Material United States Federal Income Tax Consequences," we are of the opinion that such discussion constitutes, in all material respects, a fair and accurate summary of the material United States federal income tax consequences of the Exchange Offer, as well as the ownership and disposition of the New Notes by the holders addressed therein.

The opinion set forth above is limited in all respects to the tax matters specifically covered hereby. We hereby consent to the filing of this opinion with the Commission as Exhibit 8.1 to the Registration Statement and to the references to our Firm under the heading "Material United States Federal Income Tax Consequences" and elsewhere in the Registration Statement. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ BAKER BOTTS L.L.P.

EXHIBIT 12.2

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(THOUSANDS OF DOLLARS)
(UNAUDITED)

| | THREE MONTHS ENDED MARCH 31, 2005 |
|---|---|
| Income from continuing operations | 66,652 |
| Income taxes for continuing operations | 63,064 |
| Minority interest income | (9) |
| Capitalized interest | (930) |
| | 128,777 |
| Fixed charges, as defined: | |
| Interest | 182,560 |
| Capitalized interest | 930 |
| Interest component of rentals charged to operating expense | 3,086 |
| Total fixed charges | 186,576 |
| Earnings, as defined | 315,353 |
| Ratio of earnings to fixed charges | 1.69 |

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Amendment No. 1 to Registration Statement No. 333-123182 of CenterPoint Energy, Inc. (the "Company") on Form S-4 of our reports dated March 15, 2005, relating to the consolidated financial statements and financial statement schedules of the Company (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the presentation of the Company's electric generating operations as discontinued operations) and to management's report on the effectiveness of internal control over financial reporting appearing in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004, and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

Houston, Texas
May 25, 2005

Exhibit 25.1

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

---

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF
A TRUSTEE PURSUANT TO SECTION 305(b)(2)

---

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
(Exact name of trustee as specified in its charter)

| | |
|---|---|
| (State of incorporation if not a national bank) | 13-4994650 (I.R.S. employer identification No.) |
| 1111 POLARIS PARKWAY COLUMBUS, OHIO (Address of principal executive offices) | 43271 (Zip Code) |

Thomas F. Godfrey
Vice President and Assistant General Counsel
JPMorgan Chase Bank, National Association
1 Chase Manhattan Plaza, 25th Floor
New York, NY 10081
Tel: (212) 552-2192
(Name, address and telephone number of agent for service)

---

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

| | |
|---|---|
| TEXAS (State or other jurisdiction of incorporation or organization) | 74-0694415 (I.R.S. employer identification No.) |
| 1111 LOUISIANA STREET HOUSTON, TEXAS (Address of principal executive offices) | 77002 (Zip Code) |

---

3.75% CONVERTIBLE SENIOR NOTES, SERIES B DUE 2023
(Title of the indenture securities)

---

GENERAL

Item 1. General Information.

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency, Washington, D.C.

Board of Governors of the Federal Reserve System, Washington, D.C., 20551

Federal Deposit Insurance Corporation, Washington, D.C., 20429.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with the Obligor and Guarantors.

If the obligor or any guarantor is an affiliate of the trustee, describe each such affiliation.

None.

Item 16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Articles of Association of JPMorgan Chase Bank, N.A. (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-106575 which is incorporated by reference).

2. A copy of the Certificate of Authority of the Comptroller of the Currency for the trustee to commence business. (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 333-106575 which is incorporated by reference).

3. None, the authority of the trustee to exercise corporate trust powers being contained in the documents described in Exhibits 1 and 2.

4. A copy of the existing By-Laws of the Trustee. (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 333-106575 which is incorporated by reference).

5. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Act. (See Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 333-106575 which is incorporated by reference.)

7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, JPMorgan Chase Bank, N.A., has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York, on the 26th day of May, 2005.

JPMORGAN CHASE BANK, N.A.

By: /s/ Carol Logan
---
Carol Logan
Authorized Officer

Exhibit 99.1

CENTERPOINT ENERGY, INC.

LETTER OF TRANSMITTAL
FOR
OFFER TO EXCHANGE

3.75% CONVERTIBLE SENIOR NOTES, SERIES B DUE 2023
AND AN EXCHANGE FEE
FOR ALL OUTSTANDING
3.75% CONVERTIBLE SENIOR NOTES DUE 2023
(CUSIP NOS. 15189T AA 5 AND 15189T AC 1)

PURSUANT TO, AND SUBJECT TO THE TERMS AND CONDITIONS DESCRIBED IN, THE PROSPECTUS DATED 2005 AND RELATED LETTER OF TRANSMITTAL

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , , 2005, UNLESS EARLIER TERMINATED OR EXTENDED.

The exchange agent for the exchange offer is:

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

| By overnight, courier or hand: | By mail: | By facsimile: |
|---|---|---|
| JPMorgan Chase Bank, National Association<br>Institutional Trust Services<br>2001 Bryan Street, 9th Floor<br>Dallas, Texas 75201<br>Attn: Frank Ivins | P.O. Box 2320<br>Dallas, Texas 75521-2320 | (214) 468-6494<br>Attn: Frank Ivins<br><br>For information:<br>(800) 275-2084 |

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF THIS LETTER OF TRANSMITTAL VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE VALID DELIVERY.

The undersigned acknowledges receipt of the CenterPoint Energy, Inc. prospectus dated , 2005 and this letter of transmittal.

Capitalized terms used but not defined herein shall have the same meaning given them in the prospectus dated , 2005.

YOUR BANK OR BROKER CAN ASSIST YOU IN COMPLETING THIS FORM. THE INSTRUCTIONS INCLUDED WITH THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE AND REQUESTS FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE INFORMATION AGENT OR THE DEALER MANAGER, WHOSE ADDRESSES AND TELEPHONE NUMBERS APPEAR ON THE BACK COVER OF THIS LETTER OF TRANSMITTAL.

This letter of transmittal need not be completed if (a) the 3.75% Convertible Senior Notes due 2023 (the "old notes") are being tendered by book-entry transfer to the account maintained by the exchange agent at The Depository Trust Company ("DTC") pursuant to the procedures set forth in the prospectus under "The Exchange Offer --

Procedures for Exchange" and (b) an "agent's message" is delivered to the exchange agent as described in the prospectus.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED. If old notes are registered in different names, a separate letter of transmittal must be submitted for each registered owner. SEE INSTRUCTION 3 ON PAGE 9 BELOW.

This letter of transmittal relates to CenterPoint Energy, Inc.'s ("CenterPoint Energy") offer to exchange $1,000 principal amount of 3.75% Convertible Senior Notes, Series B Due 2023 (the "new notes") and an exchange fee of $1.50 for each $1,000 principal amount of validly tendered and accepted old notes, pursuant to its prospectus dated , 2005. All tenders of old notes pursuant to the exchange offer must be received by the exchange agent prior to 5:00 p.m., New York City time, on , , 2005; provided that CenterPoint Energy reserves the right, at any time or from time to time, to extend the exchange offer at its discretion, in which event the term "expiration date" shall mean the latest time and date to which the exchange offer is extended. CenterPoint Energy will notify all of the holders of the old notes of any extension by means of a press release or other public announcement prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

The exchange offer is subject to certain conditions precedent as set forth in the prospectus under the caption "The Exchange Offer -- Conditions to the Exchange Offer."

This letter of transmittal is to be completed by a holder of old notes if a tender is to be made by book-entry transfer to the account maintained by the exchange agent at DTC pursuant to the procedures set forth in the prospectus under "The Exchange Offer -- Procedures for Exchange," but only if an agent's message is not delivered through DTC's Automated Tender Offer Program ("ATOP"). Tenders by book-entry transfer may also be made through ATOP. DTC participants that are accepting the exchange offer may alternately transmit their acceptance to DTC through ATOP. DTC will then verify the acceptance and execute a book-entry delivery to the exchange agent's account at DTC. DTC will also send an agent's message to the exchange agent for its acceptance. The agent's message will state that DTC has received an express acknowledgment from the tendering holder of old notes, which acknowledgment will confirm that such holder of old notes received and agrees to be bound by, and makes each of the representations and warranties contained in, this letter of transmittal, and that CenterPoint Energy may enforce the terms of this letter of transmittal against such holder of old notes. Delivery of the agent's message by DTC will satisfy the terms of the exchange offer in lieu of execution and delivery of this letter of transmittal by the DTC participant identified in the agent's message. Accordingly, this letter of transmittal need not be completed by a holder tendering through ATOP.

DELIVERY OF DOCUMENTS TO DTC DOES NOT CONSTITUTE
DELIVERY TO THE EXCHANGE AGENT.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL AND THE PROSPECTUS
CAREFULLY BEFORE FILLING OUT ANY INFORMATION BELOW.

List in the sections provided below each issue of the old notes to which this letter of transmittal relates. If old notes are registered in different names, a separate letter of transmittal must be submitted for each registered owner. SEE INSTRUCTION 3 ON PAGE 9 BELOW.

DESCRIPTION OF REGISTERED OLD NOTES
(CUSIP NO. 15189T AC 1)

| NAME(s) AND ADDRESS() OF REGISTERED HOLDER(s) (PLEASE FILL IN, IF BLANK) | 1<br>NOTE CERTIFICATE NUMBER(s)* | 2<br>AGGREGATE PRINCIPAL AMOUNT OF OLD NOTES | 3<br>PRINCIPAL AMOUNT TENDERED** |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | TOTAL | | |

- ---
* Need not be completed by holders tendering by book-entry transfer.

** Unless otherwise indicated in this column, a Holder will be deemed to have tendered ALL of the old notes represented by the notes indicated in column 2. SEE INSTRUCTION 3. Old notes tendered hereby must be in denominations of a principal amount of $1,000 and any integral multiple thereof. SEE INSTRUCTION 1.

DESCRIPTION OF UNREGISTERED (144A) OLD NOTES
(CUSIP NO. 15189T AA 5)

| NAME(s) AND ADDRESS() OF REGISTERED HOLDER(s) (PLEASE FILL IN, IF BLANK) | 1<br>NOTE CERTIFICATE NUMBER(s)* | 2<br>AGGREGATE PRINCIPAL AMOUNT OF OLD NOTES | 3<br>PRINCIPAL AMOUNT TENDERED** |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | TOTAL | | |

- ---
* Need not be completed by holders tendering by book-entry transfer.

** Unless otherwise indicated in this column, a Holder will be deemed to have tendered ALL of the old notes represented by the notes indicated in column 2. SEE INSTRUCTION 3. Old notes tendered hereby must be in denominations of a principal amount of $1,000 and any integral multiple thereof. SEE INSTRUCTION 1.

The numbers and addresses of the holders should be printed exactly as they appear on the certificate representing old notes tendered hereby.

[ ] CHECK HERE IF TENDERED OLD NOTES ARE ENCLOSED HEREWITH.

[ ] CHECK HERE AND COMPLETE THE FOLLOWING IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC (FOR USE BY ELIGIBLE INSTITUTIONS ONLY):

Name of Tendering Institution: _____

DTC Account Number(s): _____

Transaction Code Number(s): _____

[ ] CHECK HERE AND COMPLETE THE FOLLOWING IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY EITHER ENCLOSED HEREWITH OR PREVIOUSLY DELIVERED TO THE EXCHANGE AGENT (COPY ATTACHED) (FOR USE BY ELIGIBLE INSTITUTIONS ONLY):

Name(s) of Registered Holder(s) of Old Notes: _____

Date of Execution of Notice of Guaranteed Delivery: _____

Window Ticket Number (if available): _____

Name of Eligible Institution that Guaranteed Delivery: _____

DTC Account Number(s) (if delivered by book-entry transfer): _____

Transaction Code Number(s) (if delivered by book-entry transfer): _____

Name of Tendering Institution (if delivered by book-entry transfer): _____

[ ] CHECK HERE AND COMPLETE THE FOLLOWING IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO:

Name: _____

Address: _____

Telephone/Facsimile No. for Notices: _____

The undersigned has completed, executed and delivered this letter of transmittal to indicate the action the undersigned desires to take with respect to the exchange offer.

PLEASE READ CAREFULLY THE ACCOMPANYING INSTRUCTIONS

Ladies and Gentlemen:

By execution hereof, the undersigned acknowledges that he or she has received the prospectus dated , 2005 (as may be amended or supplemented from time to time, herein called the "prospectus") and this letter of transmittal, which together constitute the exchange offer, to exchange $1,000 principal amount of new notes and an exchange fee of $1.50 for each $1,000 principal amount of validly tendered and accepted old notes, on the terms and subject to the conditions of the prospectus and this letter of transmittal.

Upon the terms and subject to the conditions of the exchange offer, the undersigned hereby tenders to CenterPoint Energy, Inc. ("CenterPoint Energy") the principal amount of old notes indicated above pursuant to the exchange offer.

Subject to, and effective upon, the acceptance of old notes tendered hereby, by executing and delivering this letter (or agreeing to the terms of this letter pursuant to an agent's message) the undersigned: (i) irrevocably sells, assigns, and transfers to or upon CenterPoint Energy's order all right, title and interest in and to, and all claims in respect of or arising or having arisen as a result of the undersigned's status as a holder of, the old notes tendered hereby; (ii) waives any and all rights with respect to the old notes tendered; and (iii) releases and discharges CenterPoint Energy and the trustee with respect to the old notes from any and all claims such holder may have, now or in the future, arising out of or related to the old notes. The undersigned acknowledges and agrees that the tender of old notes made hereby may not be withdrawn except in accordance with the procedures set forth in the prospectus.

The undersigned represents and warrants that it has full power and authority to legally tender, exchange, assign and transfer the old notes tendered hereby and to acquire the new notes issuable upon the exchange of such tendered old notes, and that, as of the date of tender, the old notes tendered were owned free and clear of all liens, charges, claims, encumbrances, interests and restrictions. The undersigned also warrants that it will, upon request, execute and deliver any additional documents deemed by the exchange agent or CenterPoint Energy to be necessary or desirable to transfer ownership of such old notes on the account books maintained by DTC.

The undersigned hereby irrevocably constitutes and appoints the exchange agent as the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that the exchange agent also acts as the agent of CenterPoint Energy) with respect to such old notes with full powers of substitution and revocation (such power of attorney being deemed to be an irrevocable power coupled with an interest) to: (i) transfer ownership of such old notes on the account books maintained by DTC to, or upon the order of, CenterPoint Energy; (ii) present such old notes for transfer of ownership on CenterPoint Energy's books; (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such old notes; and (iv) deliver, in book-entry form, the new notes issuable upon acceptance of the old notes tendered hereby, together with any old notes not accepted in the exchange offer, and the exchange fee to the DTC account designated herein by the undersigned, all in accordance with the terms and conditions of the exchange offer as described in the prospectus and this letter of transmittal.

All authority conferred or agreed to be conferred in this letter of transmittal shall survive the death or incapacity of the undersigned and all obligations of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators and legal representatives of the undersigned.

The exchange offer is subject to certain conditions as set forth in the prospectus under the caption "The Exchange Offer -- Conditions to the Exchange Offer." The undersigned recognizes that as a result of these conditions (which may be waived by CenterPoint Energy in CenterPoint Energy's sole discretion), as more particularly set forth in the prospectus, CenterPoint Energy may not be required to accept all or any of the old notes tendered hereby.

The undersigned understands that a valid tender of old notes is not made in acceptable form, and risk of loss therefore does not pass until receipt by the exchange agent of this letter (or an agent's message in lieu thereof) or a

facsimile hereof, duly completed, dated and signed, together with all accompanying evidences of authority and any other required documents and signature guarantees in form satisfactory to CenterPoint Energy (which may delegate power, in whole or in part, to the exchange agent). All questions as to validity, form and eligibility of any tender of the old notes hereunder (including time of receipt) and acceptance of tenders and withdrawals of old notes will be determined by CenterPoint Energy in its sole judgment (which may delegate power, in whole or in part, to the exchange agent), and such determination shall be final and binding.

The undersigned acknowledges and agrees that issuance of the new notes and payment of the exchange fee in exchange for validly tendered old notes that are accepted in the exchange offer will be made promptly after the expiration date.

Unless otherwise indicated in the "Special Issuance and Payment Instructions" box, the new notes and the exchange fee will be credited to the DTC account number specified below. If the "Special Issuance and Payment Instructions" box is completed, the undersigned hereby understands and acknowledges that any old notes tendered but not accepted in the exchange offer will be issued in the name(s), and delivered by book-entry transfer to the DTC account number(s), indicated in such box. However, the undersigned understands and acknowledges that CenterPoint Energy has no obligation pursuant to the "Special Issuance and Payment Instructions" box to transfer any old notes from the name(s) of the registered holders thereof to the person indicated in such box, if CenterPoint Energy does not accept any old notes so tendered. The undersigned acknowledges and agrees that CenterPoint Energy and the exchange agent may, in appropriate circumstances, defer effecting transfer of old notes, and may retain such old notes, until satisfactory evidence of payment of transfer taxes payable on account of such transfer by the undersigned, or exemption therefrom, is received by the exchange agent.

Your bank or broker can assist you in completing this form. The instructions included with this letter must be followed. Questions and requests for assistance or for additional copies of the prospectus and this letter may be directed to the information agent, whose address and telephone number appear on page 11 of this letter of transmittal. SEE INSTRUCTION 8 ON PAGE 10 BELOW.

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF NOTES TENDERED" ABOVE AND SIGNING THIS LETTER OF TRANSMITTAL WILL BE DEEMED TO HAVE TENDERED THE OLD NOTES AS SET FORTH IN SUCH BOX.

METHOD OF DELIVERY

[ ] CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC, AND COMPLETE THE FOLLOWING:

_____

NAME OF TENDERING INSTITUTION

_____

ACCOUNT NUMBER

_____

TRANSACTION CODE NUMBER

_____

SIGNATURE(s) OF HOLDER(s) OF OLD NOTES

Must be signed by registered holder(s) of old notes exactly as such participant's name appears on a security position listing as the owner of old notes, or by person(s) authorized to become holder(s) by endorsements and documents transmitted with this letter. If signing is by attorney, executor, administrator, trustee or guardian, agent or other person acting in a fiduciary or representative capacity, please set forth full title. SEE INSTRUCTIONS 3 AND 4 ON PAGES 9 AND 10 BELOW.

_____

DATE

_____

NAME(s)

_____

CAPACITY

_____

ADDRESS (INCLUDE ZIP CODE)

_____

DTC ACCOUNT TO WHICH NEW NOTES SHOULD BE DELIVERED

_____

TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER
(SEE INSTRUCTION 9 BEGINNING ON PAGE 10 BELOW)

_____

TELEPHONE NUMBER (INCLUDE AREA CODE)

SPECIAL ISSUANCE AND PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 3 AND 7 ON PAGES 9 AND 10 BELOW)

To be completed ONLY if new notes are to be issued and the exchange fee is to be paid, and old notes tendered but not accepted in the exchange offer are to be issued, in the name of someone other than the undersigned registered owner and to a DTC account number other than the account number specified above.

Record ownership of new notes in book-entry form, pay the exchange fee and issue old notes tendered but not accepted in the exchange offer, in the name and to the DTC account number set forth below.

_____

NAME(s)

_____

DTC ACCOUNT

_____

ADDRESS (INCLUDE ZIP CODE)

_____

TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER
(SEE INSTRUCTION 9 BEGINNING ON PAGE 10 BELOW)

MEDALLION SIGNATURE GUARANTEE
(SEE INSTRUCTIONS 3 AND 4 ON PAGES 9 AND 10 BELOW)
(CERTAIN SIGNATURES MUST BE GUARANTEED BY AN ELIGIBLE INSTITUTION)

_____

NAME OF ELIGIBLE INSTITUTION GUARANTEEING SIGNATURES

_____

ADDRESS (INCLUDING ZIP CODE)

_____

TELEPHONE NUMBER (INCLUDING AREA CODE)

_____

AUTHORIZED SIGNATURE

_____

PRINTED NAME

_____

TITLE

_____

DATE

INSTRUCTIONS

1. Delivery of Letter of Transmittal. To tender old notes in the exchange offer, book-entry transfer of the old notes into the exchange agent's account with DTC, as well as a properly completed and duly executed copy or manually signed facsimile of this letter of transmittal, or an agent's message in lieu of this letter of transmittal, and any other documents required by this letter of transmittal, must be received by the exchange agent, at its address set forth herein, prior to 5:00 p.m., New York City time, on the expiration date. Tenders of old notes in the exchange offer may be made prior to the expiration date in the manner described in the preceding sentence and otherwise in compliance with this letter of transmittal.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT, INCLUDING DELIVERY THROUGH DTC AND ANY ACCEPTANCE OF AN AGENT'S MESSAGE TRANSMITTED THROUGH DTC'S AUTOMATED TENDER OFFER PROGRAM, IS AT THE ELECTION AND RISK OF THE TENDERING HOLDER OF OLD NOTES. IF SUCH DELIVERY IS MADE BY MAIL, IT IS SUGGESTED THAT THE HOLDER USE PROPERLY INSURED, REGISTERED MAIL, WITH RETURN RECEIPT REQUESTED, AND THAT SUFFICIENT TIME BE ALLOWED TO ASSURE TIMELY DELIVERY. NO ALTERNATIVE, CONDITIONAL OR CONTINGENT TENDERS OF OLD NOTES WILL BE ACCEPTED. EXCEPT AS OTHERWISE PROVIDED BELOW, DELIVERY WILL BE CONSIDERED MADE WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. THIS LETTER AND ANY OTHER REQUIRED DOCUMENTS SHOULD BE SENT ONLY TO THE EXCHANGE AGENT, NOT TO CENTERPOINT ENERGY OR DTC.

Old notes tendered pursuant to the exchange offer may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date, unless the exchange offer is extended, in which case tenders of old notes may be withdrawn under the conditions described in the extension. In order to be valid, notice of withdrawal of tendered old notes must comply with the requirements set forth in the prospectus under the caption "The Exchange Offer -- Procedures for Exchange - -- Withdrawal of Tenders" in the prospectus.

2. Guaranteed Delivery Procedures. Holders who wish to tender their old notes and (a) whose old notes are not immediately available, (b) who cannot deliver their old notes, this letter of transmittal or any other documents required hereby to the exchange agent prior to the expiration date or (c) who are unable to comply with the applicable procedures under DTC's ATOP prior to the expiration date, must tender their old notes according to the guaranteed delivery procedures set forth in the prospectus. Pursuant to such procedures: (i) such tender must be made by or through a firm that is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the

United States or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in each case that is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association, Inc., including the Security Transfer Agent Medallion Program, the New York Stock Exchange, Inc. Medallion Signature Program or the Stock Exchange Medallion Program (an "Eligible Institution"); (ii) prior to the expiration date, the exchange agent must have received from the Eligible Institution a properly completed and duly executed notice of guaranteed delivery (by facsimile transmission, mail, courier or overnight delivery) or a properly transmitted agent's message and notice of guaranteed delivery setting forth the name and address of the holder of the old notes, the registration number(s) of such old notes and the total principal amount of old notes tendered, stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange trading days after the expiration date, this letter of transmittal (or facsimile hereof or an agent's message in lieu hereof) together with the old notes in proper form for transfer (or a book-entry confirmation) and any other documents required hereby, will be deposited by the Eligible Institution with the exchange agent; and (iii) this letter of transmittal (or facsimile hereof or an agent's message in lieu hereof) together with the certificates for all physically tendered old notes in proper form for transfer (or book-entry confirmation, as the case may be) and all other documents required hereby are received by the exchange agent within three New York Stock Exchange trading days after the expiration date.

Any holder of old notes who wishes to tender old notes pursuant to the guaranteed delivery procedures described above must ensure that the exchange agent receives the notice of guaranteed delivery prior to 5:00 p.m., New York City time, on the expiration date. Upon request of the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their old notes according to the guaranteed delivery procedures set forth above.

See "The Exchange Offer -- Guaranteed Delivery Procedures" section of the prospectus.

3. Signatures on Letter of Transmittal, Powers and Endorsements. This letter of transmittal must be signed by or on behalf of the registered holder(s) of the old notes tendered hereby. The signature(s) on this letter of transmittal must be exactly the same as the name(s) that appear(s) on the security position listing of DTC in which such holder of old notes is a participant, without alteration or enlargement or any change whatsoever. IN ALL OTHER CASES, ALL SIGNATURES ON LETTERS OF TRANSMITTAL MUST BE GUARANTEED BY A MEDALLION SIGNATURE GUARANTOR.

If any of the old notes tendered hereby are registered in the name of two or more holders, all such holders must sign this letter of transmittal.

If this letter of transmittal or any old notes or powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by CenterPoint Energy, proper evidence satisfactory to CenterPoint Energy of its authority so to act must be submitted with this letter of transmittal.

4. Guarantee of Signatures. Except as otherwise provided below, all signatures on a letter of transmittal or a notice of withdrawal must be guaranteed by a recognized participant in the Securities Transfer Agent Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program. Signatures on this letter of transmittal need not be guaranteed if:

- - this letter of transmittal is signed by a participant in DTC whose name appears on a security position listing of DTC as the owner of the old notes and the holder(s) has not completed the portion entitled "Special Issuance and Payment Instructions" on the letter of transmittal; or

- - the old notes are tendered for the account of an Eligible Guarantor Institution (defined below).

If this letter of transmittal is not signed by the holder, the holder must transmit a separate, properly completed power with this letter of transmittal (in either case, executed exactly as the name(s) of the participant(s) appear(s) on such security position listing), with the signature on the endorsement or power guaranteed by a Medallion Signature Guarantor, unless such powers are executed by an Eligible Guarantor Institution.

An Eligible Guarantor Institution (as defined in Rule 17Ad-15 promulgated under the Exchange Act), means:

(i) Banks (as defined in Section 3(a) of the Federal Deposit Insurance Act);

(ii) Brokers, dealers, municipal securities dealers, municipal securities brokers, government securities dealers, and government securities brokers, as those terms are defined under the Exchange Act;

(iii) Credit unions (as that term is defined in Section 19b(1)(A) of the Federal Reserve Act);

(iv) National securities exchanges, registered securities associations, and clearing agencies, as those terms are used under the Exchange Act; and

(v) Savings associations (as that term is defined in Section 3(b) of the Federal Deposit Insurance Act).

For a correction of name or a change in name which does not involve a change in ownership, you may proceed as follows: for a change in name by marriage, etc., this letter of transmittal should be signed, e.g., "Mary Doe, now by marriage, Mary Jones." For a correction in name, this letter of transmittal should be signed, e.g., "James E. Brown, incorrectly inscribed as J. E. Brown." In any such case, the signature on this letter of transmittal must be guaranteed as provided above, and the holder must complete the Special Issuance and Payment Instructions above.

You should consult your own tax advisor as to possible tax consequences resulting from the issuance of new notes, as described above, in a name other than that of the registered holder(s) of the surrendered old notes.

5. Transfer Taxes. CenterPoint Energy will pay all transfer taxes, if any, applicable to the transfer and exchange of old notes to CenterPoint Energy in the exchange offer. If transfer taxes are imposed for any other reason, the amount of those transfer taxes, whether imposed on the registered holder or any other persons, will be payable by the tendering holder. Other reasons transfer taxes could be imposed include:

- - if new notes in book-entry form are to be registered in the name of any person other than the person signing this letter of transmittal; or

- - if tendered old notes are registered in the name of any person other than the person signing this letter of transmittal.

If satisfactory evidence of payment of or exemption from those transfer taxes is not submitted with the letter of transmittal, the amount of those transfer taxes will be billed directly to the tendering holder and/or withheld from any payments due with respect to the old notes tendered by such holder.

6. Validity of Surrender; Irregularities. All questions as to validity, form and eligibility of any surrender of the old notes hereunder will be determined by CenterPoint Energy, in its reasonable judgment (which may delegate power, in whole or in part, to the exchange agent), and such determination shall be final and binding. CenterPoint Energy reserves the right to waive any irregularities or defects in the surrender of any old notes, and its interpretations of the terms and conditions of this letter (including these instructions) with respect to such irregularities or defects shall be final and binding. A surrender will not be deemed to have been made until all irregularities have been cured or waived.

7. Special Issuance and Payment Instructions and Special Delivery Instructions. Indicate the name in which ownership of the new notes on the DTC security listing position is to be recorded if different from the name of the person(s) signing this letter. A Social Security Number will be required.

8. Additional Copies. Additional copies of this letter may be obtained from the information agent at the address listed below.

9. Substitute Form W-9. You are required, unless an exemption applies, to provide the exchange agent with a correct Taxpayer Identification Number ("TIN"), generally the holder's social security number or employer identification number, and certain other information, on Substitute Form W-9, which is provided below, and to certify, under penalties of perjury, that such TIN is correct and that you are not subject to backup withholding. Failure to provide the information on the form may subject the holder (or other payee) to a penalty of $50 imposed

by the Internal Revenue Service ("IRS") and a federal income tax backup withholding on the payment of the amounts due. The box in Part III of the form may be checked if you have not been issued a TIN and have applied for a number or intend to apply for a number in the near future. If the box in Part III is checked and the exchange agent is not provided with a TIN within 60 days, the exchange agent will backup-withhold on payment of the amounts due until a TIN is provided to the exchange agent.

IF FURTHER INSTRUCTIONS ARE DESIRED, CONTACT THE INFORMATION AGENT.

MACKENZIE PARTNERS, INC.
105 Madison Avenue
New York, New York 10016
Phone: (212) 929-5500 (Call Collect)
or
(800) 322-2885 (Toll Free)
Email: proxy@mackenziepartners.com

## IMPORTANT TAX INFORMATION

Under U.S. federal income tax law, a holder whose old notes are accepted for exchange is required by law to provide the exchange agent with such holder's correct TIN on Substitute Form W-9 (provided below) and to certify that the TIN provided is correct (or that such holder is awaiting a TIN). If such holder is an individual, the TIN is his or her social security number. If the exchange agent is not provided with the correct TIN, the holder may be subject to a $50 penalty imposed by the IRS. In addition, payments that are made to such holder pursuant to this letter may be subject to backup withholding.

Certain holders (including, among others, all corporations and certain foreign individuals and entities) may be exempted from these backup-withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, that holder must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status (Form W-8BEN). Such statements can be obtained from the exchange agent. Holders are urged to consult their own tax advisors to determine whether they are exempt from these backup-withholding and reporting requirements.

If backup-withholding applies, the exchange agent may be required to backup-withhold on any such payments made to the holder. Backup-withholding (currently at a rate of 28%) is not an additional tax. Rather, the tax liability of persons subject to backup-withholding will be reduced by the amount of tax withheld. If backup-withholding results in an overpayment of taxes, a refund may be obtained from the IRS. The exchange agent cannot refund amounts withheld by reason of backup-withholding.

## WHAT NUMBER TO GIVE THE EXCHANGE AGENT

The holder is required to give the exchange agent the TIN, generally the social security number or employer identification number, of the record owner of the tendered old notes. If the old notes are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidelines on which number to report. If the holder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, he or she should check the box in Part III of the Substitute Form W-9, sign and date the Substitute Form W-9 and complete the Certificate of Awaiting Taxpayer Identification Number in order to avoid backup withholding. If the box in Part III is checked and the exchange agent is not provided with a TIN within 60 days, the exchange agent will backup-withhold on all cash payments until a TIN is provided to the exchange agent.

# GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER FOR THE PAYEE (YOU) TO GIVE THE PAYER. Social Security numbers have nine digits separated by two hyphens (i.e., 000-00-0000). Employer identification numbers have nine digits separated by only one hyphen (i.e., 00-0000000). The table below will help determine the number to give the payer. All "Section" references are to the Internal Revenue Code of 1986, as amended. "IRS" is the Internal Revenue Service.

| FOR THIS TYPE OF ACCOUNT: | GIVE THE NAME AND SOCIAL SECURITY NUMBER OF: |
|---|---|
| 1. Individual | The individual |
| 2. Two or more individuals (joint account) | The actual owner of the account or, if combined funds, the first individual on the account(l) |
| 3. Custodian account of a minor (Uniform Gift to Minors Act) | The minor(2) |
| 4. a. The usual revocable savings trust account (grantor is also trustee) | The grantor-trustee(l) |
| b. So-called trust account that is not legal or valid trust under state law | The actual owner(l) |
| 5. Sole proprietorship | The owner(3) |

| FOR THIS TYPE OF ACCOUNT: | GIVE THE NAME AND EMPLOYER IDENTIFICATION NUMBER OF: |
|---|---|
| 6. Sole proprietorship | The owner(3) |
| 7. A valid trust, estate, or pension trust | The legal entity(4) |
| 8. Corporate or LLC electing corporate status on IRS Form 8832 | The corporation |
| 9. Association, club, religious, charitable, educational or other tax-exempt organization | The organization |
| 10. Partnership or multi-member LLC | The partnership or LLC |
| 11. A broker or registered nominee | The broker or nominee |
| 12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district or prison) that receives agricultural program payments | The public entity |

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

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.

(2) Circle the minor's name and furnish the minor's social security number.

(3) You must show your individual name, but you may also enter your business or "DBA" name. You may use either your social security number or employer identification number (if you have one).

(4) List first and circle the name of the legal trust, estate or pension trust. (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

NOTE: If no name is circled when there is more than one name listed, the number will be considered to be that of the first name listed.

NOTE: Section references are to the Internal Revenue Code unless otherwise noted.

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain either (a) Form SS-5, Application for a Social Security Card, at the local Social Security Administration office, (b) IRS Form W-7, Application for IRS Individual Taxpayer Identification Number (for a U.S. resident alien ineligible to receive a Social Security Number), or (c) Form SS-4, Application for Employer Identification Number, by calling 1 (800) TAX-FORM or from the IRS Website at www.irs.gov, and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees exempt from backup withholding include:

- An organization exempt from tax under Section 501(a), an individual retirement account ("IRA"), or a custodial account under Section 403(b)(7), if the account satisfies the requirements of Section 401(f)(2);

- The United States or a state thereof, the District of Columbia, or a possession of the United States, or a political subdivision or instrumentality of any one or more of the foregoing;

- An international organization or any agency or instrumentality thereof;

- A foreign government and any political subdivision, agency or instrumentality thereof;

- A corporation;

- A financial institution;

- A dealer in securities or commodities required to register in the United States or the District of Columbia, or a possession of the United States;

- A real estate investment trust;

- A common trust fund operated by a bank under Section 584(a);

- An entity registered at all times during the tax year under the Investment Company Act of 1940;

- A middleman known in the investment community as a nominee or custodian;

- A futures commission merchant registered with the Commodity Futures Trading Commission;

- A foreign central bank of issue; and

- A trust exempt from tax under Section 664 or described in Section 4947.

EXEMPT PAYEES DESCRIBED ABOVE SHOULD FILE FORM W-9 OR A SUBSTITUTE FORM W-9 TO AVOID POSSIBLE ERRONEOUS BACKUP WITHHOLDING. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART IV OF THE FORM, AND SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYER. IF YOU ARE A NON-RESIDENT ALIEN OR A FOREIGN ENTITY NOT SUBJECT TO BACKUP WITHHOLDING, FILE WITH PAYER A COMPLETED IRS FORM W-8BEN.

PRIVACY ACT NOTICE -- Section 6109 requires you to provide your correct taxpayer identification number to payers, who must report the payments to the IRS. The IRS uses the number for identification purposes and may also provide this information to various government agencies for tax enforcement or litigation purposes. Payers must be given the numbers whether or not payees are required to file tax returns. Payers must generally withhold up to 28% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to payer. Certain penalties may also apply.

PENALTIES

(1) FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER. -- If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING. -- If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION. -- Willfully falsifying certifications or affirmations may subject you to criminal penalties, including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION, CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

SUBSTITUTE

FORM W-9

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

PAYOR'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ("TIN")

PART I -- Please provide your name and address, and check the appropriate box

[ ] Individual/ Sole Proprietor
[ ] Corporation
[ ] Partnership
[ ] Other
[ ] Exempt from Backup Withholding

PART II -- TIN -- Please provide your TIN in the space provided (or complete Part III) and certify by signing and dating below.

Social Security Number or Employer Identification Number

_____

Name _____

Address _____

City, State, Zip _____

PART III -- Awaiting TIN -- If you have not been issued a TIN but have applied for one, or intend to apply for one in the near future, please check the box provided and certify by signing and dating Part V and the "Certificate of Taxpayer Awaiting Identification Number" below.

[ ] Awaiting TIN

PART IV -- Exempt Holders -- If you are exempt from backup withholding (e.g. a corporation), you should still certify your TIN by completing Part I and by signing and dating below. Please indicate your exempt status by writing "EXEMPT" in the space provided to the right. _____

PART V -- CERTIFICATION -- Under penalties of perjury, I certify that:

(1) The number shown on this form is my correct TIN (or I am waiting for a TIN to be issued to me);

(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding; or (b) I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of failure to report all interest or dividends; or (c) the IRS has notified me that I am no longer subject to backup withholding; and

(3) I am a U.S. Person (including a U.S. resident alien).

CERTIFICATION INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if you have since been notified by the IRS that you are no longer subject to backup withholding, do not cross out item (2).

Signature: _____ Date: _____

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN A $50 PENALTY IMPOSED BY THE IRS AND BACKUP WITHHOLDING TAXES ON REPORTABLE PAYMENTS RECEIVED BY YOU WITH RESPECT TO THE EXCHANGE OFFER. PLEASE REVIEW THE ATTACHED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE
IF YOU CHECKED THE BOX IN PART III OF SUBSTITUTE FORM W-9 ABOVE

CERTIFICATE OF TAXPAYER AWAITING IDENTIFICATION NUMBER

I certify, under penalties of perjury, that a taxpayer identification number has not been issued to me, and that I mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office (or I intend to mail or deliver an application in the near future). I understand that if I do not provide a taxpayer identification number, applicable backup-withholding taxes on all reportable payments made to me thereafter will be withheld until I provide a TIN.

Signature: _____ Date: _____

In order to participate in the exchange offer, a holder should send or deliver this properly completed and signed letter of transmittal and any other required documents to the exchange agent at the address set forth below.

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

| By overnight, courier or hand: | By mail: | By facsimile: |
|---|---|---|
| JPMorgan Chase Bank, | P.O. Box 2320 | (214) 468-6494 |
| National Association | Dallas, Texas 75521-2320 | Attn: Frank Ivins |
| Institutional Trust Services | | |
| 2001 Bryan Street, 9th Floor | | For information: |
| Dallas, Texas 75201 | | (800) 275-2084 |
| Attn: Frank Ivins | | |

Questions relating to the procedures for the exchange offer, as well as requests for additional copies of the prospectus and this letter of transmittal, may be directed to the information agent at the address and telephone number set forth below.

The information agent for the exchange offer is:

MACKENZIE PARTNERS, INC.
105 Madison Avenue
New York, New York 10016
Phone: (212) 929-5500 (Call Collect)
or
(800) 322-2885 (Toll Free)
Email: proxy@mackenziepartners.com

The dealer manager for the exchange offer is:

BANC OF AMERICA SECURITIES LLC
Equity-Linked Liability Management
9 West 57th Street
New York, New York 10019
(212) 933-2200 (Collect)
or
(888) 583-8900 x2200 (Toll-Free)

Exhibit 99.2

CENTERPOINT ENERGY, INC.

NOTICE OF GUARANTEED DELIVERY
FOR
OFFER TO EXCHANGE

3.75% CONVERTIBLE SENIOR NOTES, SERIES B DUE 2023
AND AN EXCHANGE FEE
FOR ALL OUTSTANDING
3.75% CONVERTIBLE SENIOR NOTES DUE 2023
(CUSIP NOS. 15189T AA 5 AND 15189T AC 1)

This form, or one substantially equivalent hereto, must be used by a holder to accept the Exchange Offer of CenterPoint Energy, Inc. ("CenterPoint Energy") and to tender outstanding 3.75% Convertible Senior Notes due 2023 (the "old notes"), to JPMorgan Chase Bank, National Association, as exchange agent (the "exchange agent"), pursuant to the guaranteed delivery procedures described in "The Exchange Offer -- Guaranteed Delivery Procedures" of CenterPoint Energy's prospectus dated , 2005 (the "prospectus") and in Instruction 2 to the related letter of transmittal. Any holder who wishes to tender old notes pursuant to such guaranteed delivery procedures must ensure that the exchange agent receives this notice of guaranteed delivery, properly completed and duly executed, prior to the expiration date (as defined below) of the exchange offer. Capitalized terms used but not defined in this letter have the meanings given to them in the letter of transmittal.

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , , 2005, UNLESS EARLIER TERMINATED OR EXTENDED.

The exchange agent for the Exchange Offer is:

JPMorgan Chase Bank, National Association
(800) 275-2084

BY OVERNIGHT, COURIER OR HAND:

JPMorgan Chase Bank, National Association
Institutional Trust Services
2001 Bryan Street, 9th Floor
Dallas, Texas 75201
Attention: Frank Ivins

BY MAIL:

P.O. Box 2320
Dallas, Texas 75521-2320

BY FACSIMILE (ELIGIBLE INSTITUTIONS ONLY):

(214) 468-6494
Attention: Frank Ivins

For information call (800) 275-2084.

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA FACSIMILE TO A NUMBER OTHER THAN THE ONE LISTED ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS NOTICE OF GUARANTEED DELIVERY SHOULD BE READ CAREFULLY BEFORE THE NOTICE OF GUARANTEED DELIVERY IS COMPLETED.

THIS NOTICE OF GUARANTEED DELIVERY IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON THE LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY A "MEDALLION SIGNATURE GUARANTOR" UNDER THE INSTRUCTIONS THERETO, THAT SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE IN THE BOX PROVIDED ON THE LETTER OF TRANSMITTAL FOR GUARANTEE OF SIGNATURES.

Ladies and Gentlemen:

The undersigned hereby tenders to CenterPoint Energy, in accordance with its offer, upon the terms and subject to the conditions set forth in the prospectus and the related letter of transmittal, receipt of which is hereby acknowledged, the principal amount of old notes set forth below pursuant to the guaranteed delivery procedures set forth in the prospectus under the caption "The Exchange Offer -- Guaranteed Delivery Procedures" and in Instruction 2 of the letter of transmittal.

The undersigned hereby tenders the old notes listed below:

| CERTIFICATE NUMBER(s) (IF KNOWN) OF OLD NOTES OR ACCOUNT NUMBER AT DTC | AGGREGATE PRINCIPAL AMOUNT REPRESENTED | AGGREGATE PRINCIPAL AMOUNT TENDERED |
|---|---|---|
| | | |

PLEASE SIGN AND COMPLETE

_____ _____

_____ _____

Names of Registered Holder(s) Signature(s) of Registered Holder(s) or Authorized Signatory

_____

_____

Address Dated: _____

_____

Area Code and Telephone Number(s)

THIS NOTICE OF GUARANTEED DELIVERY MUST BE SIGNED BY THE REGISTERED HOLDER(s) OF OLD NOTES EXACTLY AS THE NAME(s) OF SUCH PERSON(s) APPEAR(s) ON CERTIFICATES FOR OLD NOTES OR ON A SECURITY POSITION LISTING AS THE OWNER OF OLD NOTES, OR BY PERSON(s) AUTHORIZED TO BECOME HOLDER(s) BY ENDORSEMENTS AND DOCUMENTS TRANSMITTED WITH THIS NOTICE OF GUARANTEED DELIVERY. IF SIGNATURE IS BY A TRUSTEE, EXECUTOR, ADMINISTRATOR, GUARDIAN, ATTORNEY-IN-FACT, OFFICER OF A CORPORATION OR OTHER PERSON ACTING IN A FIDUCIARY OR REPRESENTATIVE CAPACITY, SUCH PERSON MUST PROVIDE THE FOLLOWING INFORMATION:

PLEASE PRINT NAME(s) AND ADDRESS()

Name(s):

_____

_____

_____

Capacity:

_____

Address(es):

_____

_____

GUARANTEE

(not to be used for signature guarantee)

The undersigned, a firm that is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, in each case that is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association, Inc., including the Security Transfer Agent Medallion Program, the New York Stock Exchange, Inc. Medallion Signature Program or the Stock Exchange Medallion Program, hereby guarantees deposit with the exchange agent of the letter of transmittal (or facsimile thereof or agent's message in lieu thereof), together with the old notes tendered hereby in proper form for transfer (or confirmation of the book-entry transfer of such old notes into the exchange agent's account at the DTC described in the Prospectus under the caption "The Exchange Offer -- Procedures for Tendering -- Book-Entry Transfer" and in the letter of transmittal) and any other required documents, all by 5:00 p.m., New York City time, within three New York Stock Exchange trading days following the Expiration Date.

Name of Firm:_____ _____
(Authorized Signature)

Address:_____
(Include ZIP Code) Name:_____

Area Code and Telephone Number: Title:_____
(Please Type or Print)

_____

Date:_____

Do not send old notes with this form. Actual surrender of old notes must be made pursuant to, and be accompanied by, a properly completed and duly executed letter of transmittal and any other required documents.

EXHIBIT 99.3

CENTERPOINT ENERGY, INC.

OFFER TO EXCHANGE

3.75% CONVERTIBLE SENIOR NOTES, SERIES B DUE 2023
AND AN EXCHANGE FEE
FOR ALL OUTSTANDING
3.75% CONVERTIBLE SENIOR NOTES DUE 2023
(CUSIP NOS. 15189T AA 5 AND 15189T AC 1)

PURSUANT TO, AND SUBJECT TO THE TERMS AND CONDITIONS DESCRIBED IN, THE PROSPECTUS DATED , 2005 AND RELATED LETTER OF TRANSMITTAL

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , , 2005, UNLESS EARLIER TERMINATED OR EXTENDED.

, 2005

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We are offering to exchange $1,000 principal amount of 3.75% Convertible Senior Notes, Series B Due 2023 (the "new notes") and an exchange fee of $1.50 for each $1,000 principal amount of validly tendered and accepted 3.75% Convertible Senior Notes due 2023 (the "old notes").

The exchange offer is made on the terms and is subject to the conditions set forth in our prospectus dated , 2005 and the accompanying letter of transmittal.

We are asking you to contact your clients for whom you hold old notes. For your use and for forwarding to those clients, we are enclosing copies of the prospectus, as well as a letter of transmittal for the old notes. We are also enclosing a printed form of letter that you may send to your clients, with space provided for obtaining their instructions with regard to the exchange offer. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE.

MacKenzie Partners, Inc. has been appointed information agent for the exchange offer. Any inquiries you may have with respect to the exchange offer should be addressed to the information agent or to the dealer manager, at the respective addresses and telephone numbers as set forth on the back cover of the prospectus. Additional copies of the enclosed materials may be obtained from the information agent.

Very truly yours,

CenterPoint Energy, Inc.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OUR AGENT OR THE AGENT OF THE DEALER MANAGER, THE INFORMATION AGENT OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON OUR OR THEIR BEHALF IN CONNECTION WITH THE EXCHANGE OFFER OTHER THAN STATEMENTS MADE IN OUR PROSPECTUS OR THE RELATED LETTER OF TRANSMITTAL.

EXHIBIT 99.4

CENTERPOINT ENERGY, INC.

OFFER TO EXCHANGE

3.75% CONVERTIBLE SENIOR NOTES, SERIES B DUE 2023
AND AN EXCHANGE FEE
FOR ALL OUTSTANDING
3.75% CONVERTIBLE SENIOR NOTES DUE 2023
(CUSIP NOS. 15189T AA 5 AND 15189T AC 1)

PURSUANT TO, AND SUBJECT TO THE TERMS AND CONDITIONS DESCRIBED IN, THE PROSPECTUS DATED , 2005 AND RELATED LETTER OF TRANSMITTAL

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , , 2005, UNLESS EARLIER TERMINATED OR EXTENDED.

, 2005

To Our Clients:

CenterPoint Energy, Inc. ("CenterPoint Energy") is offering to exchange $1,000 principal amount of its 3.75% Convertible Senior Notes, Series B Due 2023 (the "new notes") and an exchange fee of $1.50 for each $1,000 principal amount of validly tendered and accepted 3.75% Convertible Senior Notes due 2023 (the "old notes").

The exchange offer is made on the terms and is subject to the conditions set forth in CenterPoint Energy's prospectus dated , 2005 and the accompanying letter of transmittal.

The enclosed prospectus is being forwarded to you as the beneficial owner of old notes held by us for your account but not registered in your name. The accompanying letter of transmittal is furnished to you for informational purposes only and may not be used by you to tender old notes held by us for your account. A tender of such old notes may be made only by us as the registered holder and only pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender and deliver the old notes held by us for your account. If you wish to have us do so, please so instruct us by completing, executing and returning to us the instruction form that appears below.

INSTRUCTIONS

The undersigned acknowledge(s) receipt of your letter and the enclosed materials referred to therein relating to CenterPoint Energy's exchange offer with respect to the old notes (CUSIP Nos. 15189T AA 5 and 15189T AC 1).

THIS WILL INSTRUCT YOU TO TENDER THE SPECIFIED PRINCIPAL AMOUNT OF OLD NOTES INDICATED BELOW HELD BY YOU FOR THE ACCOUNT OF THE UNDERSIGNED PURSUANT TO THE TERMS AND CONDITIONS SET FORTH IN THE PROSPECTUS AND THE RELATED LETTER OF TRANSMITTAL.

| TYPE | AGGREGATE PRINCIPAL AMOUNT OF OLD NOTES HELD FOR ACCOUNT OF HOLDER(s)* |
|---|---|
| 3.75% CONVERTIBLE SENIOR NOTES DUE 2023 (Cusip No. 15189T AA 5) | |
| 3.75% CONVERTIBLE SENIOR NOTES DUE 2023 (Cusip No. 15189T AC 1) | |

* Unless otherwise indicated, the entire principal amount listed under "Aggregate Principal Amount of Old Notes Held for Account of Holder(s)" will be tendered.

Signature(s) _____

Please print name(s) _____

Address _____

_____ _____ _____
City State Zip Code

Area Code and Telephone No. _____

Tax Identification or Social Security No. _____

My Account Number with _____

Date _____

[BAKER BOTTS L.L.P. LOGO]

ONE SHELL PLAZA
910 LOUISIANA
HOUSTON, TEXAS
77002-4995
713.229.1234
FAX 713.229.1522

AUSTIN
BAKU
DALLAS
DUBAI
HONG KONG
HOUSTON
LONDON
MOSCOW
NEW YORK
RIYADH
WASHINGTON

May 26, 2005

001166.1319

Dora B. Tognarelli
713.229.1433
FAX 713.229.2733
dora.tognarelli@bakerbotts.com

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
Attention: Filing Desk

Re: Amendment No. 1 to Registration Statement on Form S-4 (Reg. No. 333-123182) of CenterPoint Energy, Inc. (the "Registration Statement").

Ladies and Gentlemen:

On behalf of CenterPoint Energy, Inc. (the "Company"), we transmit herewith for electronic filing via the EDGAR system under the Securities Act of 1933, as amended, Amendment No. 1 to the Registration Statement on Form S-4 (Reg. No. 333-123182) of the Company. Amendment No. 1 reflects changes to the Registration Statement in response to the Staff's comments in the letter to the Company, dated April 6, 2005 and other updating changes. The Company's responses to the comments of the Staff are included in the enclosed memorandum of the Company to the Staff.

Please contact Gerald M. Spedale (713.229.1734), James H. Mayor (713.229.1749) or the undersigned (713.229.1433) of the firm Baker Botts L.L.P., counsel to the Company, with any questions or comments you may have regarding the enclosed. In addition, please send copies of all written correspondence with the Company directly to Mr. Gerald M. Spedale, Baker Botts L.L.P., One Shell Plaza, 910 Louisiana Street, Houston, Texas 77002 (fax number: 713.229.7734), with a copy to Steven R. Loeshelle, counsel to the dealer manager, at Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, New York 10019 (fax number: 212.259.6161).

Very truly yours,

BAKER BOTTS L.L.P.

By: /s/ Dora B. Tognarelli
---
Dora B. Tognarelli

DBT:dbt

cc: Mr. Rufus S. Scott

[BAKER BOTTS L.L.P. LOGO]

SEC May 26, 2005

CenterPoint Energy, Inc.

Mr. Gerald M. Spedale
Ms. Margo S. Scholin
Mr. James H. Mayor
Baker Botts L.L.P.

Mr. Steven R. Loeshelle
Dewey Ballantine LLP

May 26, 2005

CENTERPOINT ENERGY, INC.

MEMORANDUM IN RESPONSE TO STAFF COMMENTS

Registration Statement on Form S-4
(Registration No. 333-123182)
Originally filed March 8, 2005

This memorandum sets forth the responses of CenterPoint Energy, Inc. (the Company) to the comments of the staff (the Staff) of the Securities and Exchange Commission (the Commission) in its comment letter dated April 6, 2005 (the Comment Letter) relating to the Company's Registration Statement (No. 333-123182) on Form S-4 (the Registration Statement) that was originally filed on March 8, 2005, CenterPoint Energy Houston Electric, LLC's Form 10-K for the fiscal year ended December 31, 2004 (File No. 1-03187) and CenterPoint Energy Resources Corp.'s Form 10-K for the fiscal year ended December 31, 2004 (File No. 1-13265). For your convenience, we have repeated each comment of the Staff as given in the Comment Letter, and set forth below such comment is the response of the Company. Capitalized terms used in this letter that are not defined have the meanings given to them in the Registration Statement.

FORM S-4

General

1. Your draft exchange offer appears to be a pre-commencement tender offer communication that must be filed under cover of a Schedule TO. Please see Instruction 1 to Rule 13e-4(c) under the Exchange Act.

   RESPONSE: The Company filed a Current Report on Form 8-K attaching a press release announcing the filing of the Registration Statement and checked the Rule 425 box in reliance on Instruction 2 to Rule 13e-4(c) under the Exchange Act, which provides that any communications made in connection with an exchange offer need only be filed under Rule 425. The Company did not view the Registration Statement on Form S-4 as a pre-commencement communication required to be filed under Rule 425 (in a Current Report on Form 8-K). The Company did not file a Schedule TO with respect to the exchange offer at that time because the tender offer had not commenced. Rule 13e-4(b)(1) suggests that the Schedule TO should be filed on the date of the commencement of the tender offer.

2. We note that you have incorporated certain information by reference to your Exchange Act reports and other information in response to Item 11 of Form S-4 as a registrant that meets the requirement of Form S-3. However, it appears that you filed late an Item 2.01 Form 8-K on December 16, 2004. Please tell us whether you are currently eligible to provide the Form S-3 level of disclosure.

RESPONSE: The Form 8-K filed on December 16, 2004 reported events under Items 1.01, 2.01, 2.03 and 8.01. The date of the earliest event requiring reporting under Items 1.01, 2.01 and 2.03 was December 10, 2004. The date on the cover page of the Form 8-K, November 23, 2004, related to the Item 8.01 event. Because the Form 8-K was filed within 4 business days after December 10, 2004 in accordance with General Instruction (B)(1), the Company believes that the Form 8-K was filed timely and that the Company is eligible to use Form S-3.

3. Please file your legal opinion, tax opinion, and other exhibits as soon as practicable as we may have comments after reviewing them.

RESPONSE: The Company has filed the legal opinion, tax opinion and other exhibits with Amendment No. 1 to the Registration Statement.

4. Please disclose the amount of any additional indebtedness you may incur.

RESPONSE: The Company is subject to a cap under the Public Utility Holding Company Act of 1935 on its indebtedness. As of March 31, 2005, the Company may draw on the unused portion of its bank facilities and may also incur up to $1.434 billion aggregate principal amount of additional indebtedness. The Commission may adjust the cap on the Company's indebtedness from time to time. This cap does not include indebtedness that may be incurred by the Company's subsidiaries. The limitations on the Company's ability to incur debt are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Future Sources and Uses of Cash -- Certain Contractual and Regulatory Limits on Ability to Issue Securities and Pay Dividends on Our Common Stock" in Item 7 of Part II of the Company's Annual Report on Form 10-K for the year ended December 31, 2004. The Company does not believe additional disclosure is necessary.

5. The forepart of your prospectus should include only the cover page, table of contents, summary, and risk factors. Please relocate the sections "Where You Can Find More Information" and "Cautionary Statement Regarding Forward-Looking Information" to an appropriate location later in the document. However, on the inside front cover page of the prospectus, please retain the disclosure that this prospectus incorporates certain important business and financial information about you and the advisory on how readers can obtain this information from you. See Item 2 of Form S-4.

RESPONSE: The Company has revised the Registration Statement as requested. Please see pages 72-74.

6. Please confirm that the offer will be open for at least 20 full business days to ensure compliance with Rule 14e-1(a). As currently represented, the offer could be open for less than 20 business days due to the 5:00 p.m. expiration time instead of midnight on what ultimately may be the twentieth business day following commencement. See Question and Answer Eight in Exchange Act Release No. 16623 (March 5, 1980). Further, confirm that the expiration date will be included in the final prospectus disseminated to security holders and filed pursuant to the applicable provisions of Rule 424.

RESPONSE: The Company confirms that the offer will be open for at least 20 full business days. The Company also confirms that the expiration date will be included in the final prospectus.

Prospectus Cover Page

7. Your cover page should be no longer than one page. Please revise to shorten the cover page while retaining all of the information required by Item 501 of Regulation S-K and other information that is key to an investment decision.

RESPONSE: The Company has revised the Registration Statement as requested. Please see the cover page of the prospectus.

Where You Can Find More Information, page ii

8. You state that you are incorporating by reference into this document "any subsequent filings" you make with the Commission until this offering is terminated. Please be aware that the Schedule TO you will file does not authorize forward incorporation by reference. Therefore, please confirm that you will amend the Schedule TO to specifically incorporate by reference any future periodic reports that are filed after the date of offer commencement.

RESPONSE: The Company confirms that it will amend the Schedule TO after it is filed to specifically incorporate by reference any periodic reports filed by the Company after the date of offer commencement.

The Exchange Offer, page 3

9. On page 3 you state that you are offering to pay an exchange fee of $1.50 for each $1,000 principal amount of old notes accepted. Disclose the specific sources and total amount of funds to be used in this transaction, assuming the maximum number of old notes you may receive for exchange. See Item 1007(a) of Regulation M-A. Also, to the extent that there are material conditions to the financing or you are borrowing all or a portion of the funds necessary in this offering, please disclose. See Item 1007(b) and (d) of Regulation M-A.

RESPONSE: The Company has revised the Registration Statement as requested. Please see page 3.

10. On page 5 you state that you will return the old notes that you do not exchange "as promptly as practicable" after the expiration or termination of the tender offer. Please revise to delete the words "as practicable" and state that you will return the notes "promptly," in keeping with Rule 14e-1(c).

RESPONSE: The Company has revised the Registration Statement as requested. Please see page 5.

Material Differences Between the Old Notes and New Notes, page 7

11. Please clearly and concisely describe the material differences between the old notes and the new notes without over reliance on legalistic terminology.

RESPONSE: The Company has revised the Registration Statement as requested. Please see pages 7 and 8.

United States Federal Income Tax Consequences, page 12

12. Please include disclosure regarding the tax treatment of the exchange fee. Also, please identify tax counsel in this section.

RESPONSE: The Company has revised the Registration Statement as requested. Please see pages 5, 11, 13 and 66.

Risk Factors

General

13. Many of your captions do not fully describe the risk to investors and merely state a fact about your offering or your business. As one example only, on page 14 you state that your board does not make a recommendation concerning the exchange offer and you have not obtained a fairness opinion on the transaction, but do not establish a cause-and-effect link between this statement of fact and the specific consequent risk faced by investors. Please revise so that each risk factor caption identifies the risk as it applies to your business, industry, or offering.

RESPONSE: The Company has revised the Registration Statement as requested. Please see pages 13-22.

14. Please delete the mitigating language that appears in the risk factors. For example, we note that you include mitigating language in the first sentence of the risk factor captioned "We cannot assure you that an active trading market will develop for the new notes." Please review your risk factors to eliminate mitigating language.

RESPONSE: The Company has revised the Registration Statement as requested. Please see page 13-22.

Risk Factors Relating to the Exchange Offer

The United States federal income tax consequences of the exchange offer are unclear...,page 14

15. You only state that the tax consequences of this offering "are unclear" but not the extent to which the tax consequences are unclear. Please highlight adequately the degree of uncertainty that surrounds the tax consequences of this offering.

RESPONSE: The Company has revised the Registration Statement as requested. Please see page 13.

Risk Factors Related to the New Notes, page 15

16. Your current disclosure describes risks associated with the new notes only. Please include a section specifically contrasting any new risks associated with the new notes that are different from those pertaining to the old notes.

RESPONSE: Because the risks related to the new notes are substantially similar to the risk related to the old notes, the Company does not believe that adding a separate section contrasting the risks would be meaningful to note holders. Therefore, the Company has revised the Registration Statement on page 15 in response to this comment to clarify that the risks related to the old and new notes are substantially similar, except to the extent that the risk factor titled "We may not have the funds necessary to purchase the new notes at the option of the holders or make the required cash payments upon a conversion of the new notes" is affected by the requirement under the new notes to make a cash payment on conversion, whereas the old notes are convertible into shares of common stock only.

We may issue additional shares of common stock...,page 16

17. If you have any current plan, commitment, or arrangement to issue additional shares of common stock, please disclose the number of shares you will issue and when you will issue them.

RESPONSE: The Company has no current plan, commitment or arrangement to issue additional shares of common stock.

Our articles of incorporation and bylaw provisions, and several other factors, could limit another party's ability to acquire us...,page 16

18. Please briefly summarize here your articles of incorporation provisions, bylaws, and other "factors" that may limit another company's ability to acquire you.

RESPONSE: The Company has revised the Registration Statement as requested. Please see pages 15-16.

Summary Consolidated Financial Data, page 28

19. We note that you have incorporated by reference your quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2004. Please make an express statement that the financial statements are incorporated by reference and clearly identify the information incorporated by reference by page, paragraph, caption, or otherwise, as required by Instruction 3 to Item 10 of Schedule TO.

RESPONSE: The Company will include an express statement in its Schedule TO that the financial statements are incorporated by reference and clearly identify the information

incorporated by reference by page, paragraph, caption, or otherwise, as required by Instruction 3 to Item 10 of Schedule TO.

20. Where financial statements are material in the context of an offer or where you incorporate by reference financial statements found in other documents filed with the SEC, we require you to include in the document disseminated to investors the summary financial statements required by Item 1010(c) of Regulation M-A. See Instruction 6 to Item 10 of Schedule TO and Q&A 7 in Section I.H of the Division of Corporation Finance's Manual of Publicly Available Telephone Interpretations (July 2001). We note your section entitled "Summary Consolidated Financial Data." It appears that you are missing certain item requirements of Item 1010(c) of Regulation M-A, including, but not limited to, current and noncurrent assets, and gross profit as required by Item 1010(c)(1). Please revise to include all of the items required in the summary financial statements.

RESPONSE: The Company has revised the Registration Statement to include the missing items, including current and noncurrent assets and current and noncurrent liabilities. Gross profit is not included because it is not a line item on the Company's financial statements. The Company believes operating income is a more appropriate measure than gross profit for a company like ours with services businesses. Please see pages 23-25.

The Exchange Offer

Securities Subject to the Exchange Offer, page 32

21. Please revise to indicate the trading characteristics and trading market, if any, of the old notes, and state when the old notes were issued and their maturity date.

RESPONSE: The Company has revised the Registration Statement as requested. Please see page 27.

Conditions To The Exchange Offer, page 32

22. We note on page 32 that you reserve the right to terminate or amend this offer in the event the failure of a condition to the offer is triggered "regardless of the circumstances giving rise to the failure of the condition." Allowing acts or omissions by the company to trigger the failure of a condition may render the offer illusory in that the circumstances giving rise to the failure of a condition are within the control of the company. Please confirm to us your understanding of our position.

RESPONSE: The Company confirms its understanding of the Staff's position.

23. We also note on page 32 that you may terminate or amend this offer if a condition "makes it impractical" to proceed with the offer. Please note that, when a condition is triggered and the company decides to proceed with the exchange offer anyway, we believe that this constitutes a waiver of the triggered condition. You may not rely on this language to tacitly waive a condition to the offer by failing to assert it. Please confirm to us your understanding of our position.

RESPONSE: The Company confirms its understanding of the Staff's position.

24. You state on page 32 that "there shall not have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by Congress or any other substantial national or international calamity or emergency..." Given the continued deployment of U.S. armed forces in Afghanistan and Iraq and the persistent threat of terrorism against the United States, we are concerned that your condition is phrased so broadly as to make it difficult for note holders to determine whether it has been triggered by events as they occur. Please tailor your condition so that note holders may objectively verify when this condition has been triggered. For example, you may confirm whether these conditions are implicated only if such event has a material adverse effect on your business.

RESPONSE: The Company has revised the Registration Statement to narrow the scope of this trigger, as requested. Please see page 28.

25. In addition, we believe that it is difficult for a note holder to assess whether events as they occur have triggered a condition to the offer that would allow you to terminate this offer. If an event occurs while this offer is pending that you believe triggers a condition, it is our position that you must promptly inform note holders whether you intend to waive the relevant condition or terminate the offer. You may not wait until the offer expires to terminate it based on an event that occurred early in the offer period. Please confirm your understanding supplementally.

RESPONSE: The Company confirms supplementally that it will inform note holders whether the Company intends to waive a condition or terminate the offer promptly after such a triggering event occurs.

26. Please confirm supplementally your understanding that all conditions to the offer, other than regulatory approvals, must be satisfied or waived prior to expiration of the offer, and that a delay in payment to note holders because of the actions of a court or government agency would not necessarily be consistent with Rule 14e-1(c).

RESPONSE: The Company confirms supplementally its understanding that all conditions to the offer, other than regulatory approvals, must be satisfied or waived prior to expiration of the offer, and that a delay in payment to note holders because of the actions of a court or government agency would not necessarily be consistent with Rule 14e-1(c).

27. You state on page 33 that you may waive any condition in whole or in part. Please explain how you waive a condition to the offer "in part" or revise this language.

RESPONSE: The Company has revised the Registration Statement as requested. Please see page 28.

Expiration Date; Extensions; Amendments, page 33

28. We note on page 33 that if you "amend the exchange offer" to effect "a material or significant change," you will extend the exchange offer for a period of "five to twenty

business days..." Please revise your disclosure to add that if you decrease the percentage of the old notes you are seeking, or the consideration you have offered in exchange, or the soliciting fee you are paying your dealer, you are required to extend the tender offer for at least ten business days from the date you first publish or provide to shareholders the notice of any such change. See Rule 13e-4(e)(3)(ii) under the Exchange Act.

RESPONSE: The Company has revised the Registration Statement to conform to Rule 13e-4(e)(3)(ii). Please see page 29.

Dealer Manager, page 38

29. We note that you will pay customary fees to the dealer manager. We object to fees paid to a dealer manager based on tenders of subject securities it holds for its own account. Please indicate whether you intend to pay fees under those circumstances. If you do not, indicate how you will ensure that you do not pay fees under such circumstances. For example, what mechanism will you use to determine who holds the tendered securities when calculating the fee owed to Banc of America Securities LLC?

RESPONSE: The Company does not intend to pay fees to the dealer manager for tenders of notes that it holds for its own account. The form of Dealer Manager Agreement filed as Exhibit 1.1 to Amendment No. 1 to the Registration Statement provides that the fee will not relate to any notes held by Banc of America Securities LLC for its own account and that, in connection with the completion of the exchange offer, the dealer manager will deliver a certificate to the Company setting forth the notes it holds for its own account.

Description of the New Notes, page 39

30. Please supplementally address the following matters.

ACCOUNTING TREATMENT FOR THE EXCHANGE TRANSACTION

- We assume that you have determined that the new notes do not have substantially different terms, as defined in EITF 96-19, than the old notes. Therefore, you will not record the old notes as extinguished with related gain or loss recognition. Please confirm our understanding and, if correct, please show us how you arrived at this conclusion including how you assessed the change in the consideration payable and the payment of exchange fees in your calculation. If this is not the case, please tell us your anticipated accounting treatment and provide the accounting rationale including any supporting calculations to support your accounting.

ACCOUNTING TREATMENT FOR THE EXCHANGE FEE

- Please tell us how you will account for the exchange fee paid at the time of exchange and going forward. Please also cite the applicable authoritative GAAP that supports your policy.

ACCOUNTING TREATMENT FOR THE NEW NOTES

- Please tell us how you will account for the new notes in your future financial statements. In doing so, please ensure that you describe how you will account for the conversion feature at the time of issuance and at a point in time when the sale price condition, as defined on page 42 of your registration statement, is met. You should support your accounting in the event that the conversion feature is triggered citing appropriate accounting literature. We may have further comment upon review of your response.

INCOME TAX ACCOUNTING

- Please tell us how you will account for the tax consequences of the new notes under the guidelines of SFAS 109 and contrast supplementally for us this treatment to your treatment of the old notes. As part of your response, please ensure that you detail your anticipated accounting treatment in the event that the sale price conversion trigger is met. Please specifically address how the additional payment will be treated for tax purposes. Please consider the need to disclose this information in your registration statement to more fully disclose the impact of the exchange on the future results of operations.

RESPONSE:

ACCOUNTING TREATMENT FOR EXCHANGE TRANSACTION

The Staff's assumption is correct. The Company has determined that the new notes do not have substantially different terms than the old notes. EITF Issue No. 96-19 "Debtor's Accounting for a Modification or Exchange of Debt Instruments" (EITF 96-19), states that "From the debtor's perspective, an exchange of debt instruments between or a modification of a debt instrument by a debtor and a creditor in a nontroubled debt situation is deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of new debt instruments is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument." Applying the guidance in EITF No. 96-19 and that included in "Speech by the SEC Staff: Remarks before the 2004 AICPA National Conference on Current SEC and PCAOB Developments" in December 2004, the Company determined that the present value of the cash flows under the terms of new debt instruments is not at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument. Accordingly, the transaction is accounted for as "a modification of the original instrument."

The total estimated costs of the exchange ($1.7 million) and the change in fair value related to the change of control conversion adjustment feature ($1.5 million) are $3.2 million, which is less than a 1% change in the cash flows under the terms of the original instrument.

1. The conversion price will be adjusted if there is a "Fundamental Change" as defined in the Registration Statement. A Fundamental Change relates to conditions when there is a change of control. The adjustment of the conversion price is a contingent feature. EITF 96-19 states, "If the debt instruments contain contingent payment terms or unusual interest rate terms, judgment should be used to determine the appropriate cash flows." The Company does not believe that the conditions for "Fundamental Change" will have more than a remote probability. The Company estimates the fair value of the "Fundamental Change" feature to be in the range of $500,000 to $1.5 million, which is less than a 1% change in the cash flows under the terms of the original instrument.

2. The conversion value of the old notes was to be settled in the Company's common stock. The conversion value of the new notes will be settled in cash for the principal amount of the notes and the conversion spread may be settled with the Company's common stock or cash at the election of the Company. The fair value of what is delivered to the noteholder does not change so this does not affect the cash flows. (It is assumed that delivery of the Company's common stock is equivalent to a cash flow.)

Based on these changes to the notes, the Company concludes that the exchange of debt instruments does not result in an extinguishment of debt. The change in value related to the change of control conversion adjustment feature will be recorded as a debit (discount) to the book value of the debt and a credit to additional paid-in capital. The exchange fees and costs will be recorded as discussed below. Accordingly, a new effective interest rate will be 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.

ACCOUNTING TREATMENT FOR THE EXCHANGE FEE

1. As stated in EITF 96-19, fees paid by the debtor to the creditor or received by the debtor from the creditor as part of the exchange or modification are to be accounted for as follows:

"If the exchange or modification is NOT to be accounted for in the same manner as a debt extinguishment, then the fees are associated with the replacement or modified debt instrument and, along with any existing unamortized premium or discount, amortized as an adjustment of interest expense over the remaining term of the replacement or modified debt instrument using the interest method."

The noteholders will receive a fee of $1.50 per $1,000. In total if all the notes are exchanged, this amount would be $862,500. This amount would be amortized over the remaining term of the new notes using the interest method.

2. As stated in EITF 96-19, costs incurred with third parties directly related to the exchange or modification (such as legal fees) are to be accounted as follows:

"If the exchange or modification is not accounted for in the same manner as a debt extinguishment, then the costs should be expensed as incurred."

These costs are estimated to be approximately $887,000 and they would be expensed as incurred.

## ACCOUNTING TREATMENT FOR THE NEW NOTES

### ACCOUNTING FOR THE CONVERSION FEATURE AT THE TIME OF ISSUANCE

APB No. 14 paragraph 12 states, "The Board is of the opinion that no portion of the proceeds from the issuance of types of convertible debt securities described in paragraph 3 should be accounted for as attributable to the conversion feature." APB No. 14 paragraph 3 states, "Convertible debt securities discussed herein are those debt securities which are convertible into common stock of the issuer or an affiliated company at a specified price at the option of the holder and which are sold at a price or have a value at issuance not significantly in excess of the face amount." The old convertible notes met the description in paragraph 3 of APB No. 14 and were accounted for as long-term debt. Since the new notes are not an extinguishment of the old notes, there is no accounting for the conversion feature upon issuance of the new notes.

The conversion feature of the new notes meets the conditions in paragraphs 12-32 of EITF 00-19, as described in detail below, and is appropriately excluded from accounting under SFAS 133.

EITF 98-5, as supplemented by EITF 00-27, addresses accounting for contingent beneficial conversion features present in debt instruments. Under the terms of the old notes, there is no contingent beneficial conversion feature. At the time of exchange the old notes are expected to be "in-the-money" by approximately $25 million. The new notes will have the same conversion terms as the old notes and will be "in-the-money" by the same amount the old notes were. EITF 00-27 paragraphs 32 and 33 note that EITF 96-19 is applied prior to applying the guidance in EITF 98-5. Under EITF 96-19, an extinguishment of the old notes has not occurred as it was determined that the original and new debt instruments are not substantially different. In accordance with EITF 96-19, the transaction is accounted for as "a modification of the original instrument" and, under the guidance in EITF 96-19, a new effective interest rate is to be determined based on the carrying amount of the original debt instrument and the revised cash flows. Accordingly, the guidance in EITF 98-5 is not applicable.

### ACCOUNTING WHEN THE SALE PRICE CONDITION IS MET

The sale price condition is that a holder may convert the notes into cash and, if applicable, shares of the Company's common stock in any calendar quarter (and only during such calendar quarter) if the last reported sales price of the Company's common stock for at least the last 20 trading days during the 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 the Company's common stock on such last trading day. Upon conversion, the principal will be paid in cash and the conversion spread will be paid in cash or with the Company's common stock at the Company's option. When the sale price condition is met, the book amount of

the note must be equal to the amount of cash payable for principal since the instrument can be "put" to the Company at any time. As long as the Company has the option to settle the conversion spread with the Company's common stock, there is no accounting for the conversion spread prior to conversion.

ACCOUNTING IN THE EVENT THE CONVERSION FEATURE IS EXERCISED

In EITF Issue No. 03-7 "Accounting for a Settlement of the Equity-Settled Portion of a Convertible Debt Instrument that Permits or Requires the Conversion Spread to Be Settled in Stock (Instrument C of Issue No. 90-19)" (EITF 03-07) the Task Force reached a consensus that upon settlement of a security with the characteristics of Instrument C in EITF Issue No. 90-19 "Convertible Bonds with Issuer Option to Settle for Cash upon Conversion" (EITF 90-19) by payment of the accreted value of the obligation (recognized liability) in cash and settlement of the conversion spread (unrecognized equity instrument) with stock, only the cash payment should be considered in the computation of gain or loss on extinguishment of the recognized liability. That is, any shares transferred to settle the embedded equity instrument (referred to as the excess conversion spread in EITF 90-19) would not be considered in the settlement of the debt component.

EITF 03-07 states that the conversion feature must meet the criteria in paragraphs 12-32 of EITF Issue No. 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" (EITF 00-19) for classification within permanent equity. The Company has evaluated the conversion features of the new notes and they meet the conditions of paragraphs 12-32 in EITF 00-19. Following are the stated conditions of paragraphs 12-32 of EITF 00-19 and the Company's analysis of their applicability to the notes in the exchange offer:

The contract permits the Company to settle in unregistered shares.

This condition is met. An indeterminate number of shares underlying the new 3.75% Convertible Senior Notes, Series B due 2023 are being registered pursuant to the Registration Statement. The new notes will be registered securities at the time of their exchange for the old 3.75% Convertible Senior Notes. Paragraph 18 of EITF 00-19 states that the Task Force reached a consensus that if a derivative involves delivery of shares at settlement that are registered as of the inception of the derivative transaction and there is no further timely filing or registration requirements, the requirement of Issue 00-19 that share delivery be within the control of the Company is met.

The Company has sufficient authorized and unissued shares available to settle the contract after considering all other commitments that may require the issuance of stock during the maximum period the derivative contract could remain outstanding.

This condition is met. The Company has 1 billion authorized shares and only approximately 308 million shares are issued. The Company may elect not to issue any shares upon conversion of the new notes.

The contract contains an explicit limit on the number of shares to be delivered in a share settlement.

This condition is met. The number of shares that may be issued upon conversion will be limited by the initial conversion ratio of 86.3558 per $1,000 of new notes. The conversion rate will be adjusted in certain circumstances, which could result in a greater number of shares, if any, being issued upon conversion of the new notes. However, the Company may elect not to issue any shares upon conversion of the new notes.

There are no required cash payments to the counterparty in the event the Company fails to make timely filings with the SEC.

This condition is met. The new notes will not contain a provision requiring net-cash settlement payments if the Company fails to make timely filings with the SEC.

There are no required cash payments to the counterparty if the shares initially delivered upon settlement are subsequently sold by the counterparty and the sales proceeds are insufficient to provide the counterparty with full return of the amount due (that is, there are no cash settled "top-off" or "make-whole" provisions).

This condition is met. The new notes will not contain such a requirement for cash payments under these circumstances.

The contract requires net-cash settlement only in specific circumstances in which holders of shares underlying the contract also would receive cash in exchange for their shares.

This condition is met. It will be at the Company's election whether the conversion obligation for the amount in excess of the principal amount, if any, is settled in cash.

There are no provisions in the contract that indicate that the counterparty has rights that rank higher than those of a shareholder of the stock underlying the contract.

This condition is met. No such provision in the new notes indicates that the conversion spread must be settled in cash in the event of a bankruptcy. The Company may settle the conversion spread in cash, shares or a combination thereof. Thus, in the event of a bankruptcy, the Company could deliver shares of its common stock upon such conversion in satisfaction of the conversion spread, and the rights of the former noteholders receiving those shares would not rank higher than the rights of any of the Company's other shareholders.

There is no requirement in the contract to post collateral at any point or for any reason.

This condition is met. The new notes do not contain such a requirement.

The new notes will qualify as Instrument C in EITF 90-19. The conversion of the principal amount will be a debit to the convertible debt and a credit to cash. If the conversion spread is settled in stock there is no entry to be made. If the whole amount

including the conversion spread is settled in cash, then the Company would record a loss based on the total cash consideration in excess of the carrying amount of the debt.

The convertible debt will be classified as long-term debt until the contingency for conversion is met, until the convertible debt may be put to the Company within one year or until it is due within one year. Once the contingency for conversion is met, the debt will be classified as current and accreted to the amount payable in cash upon conversion, if necessary, to reflect the fact that the principal amount of the debt is puttable to the Company for cash.

EARNINGS PER SHARE

In EITF 90-19, the Task Force reached a consensus that the if-converted method should not be used to determine the earnings per share implications of Instrument C. There would be no adjustment to the numerator in the earnings per share computation for the cash-settled portion of Instrument C because that portion will always be settled in cash. The conversion spread should be included in diluted earnings per share based on the provisions of paragraph 29 of SFAS 128 and Topic No. D-72, "Effects of Contracts That May Be Settled in Stock or Cash on the Computation of Diluted Earnings per Share."

The earnings per share impact is computed as follows:

Potential common shares = (Conversion spread value)/(Average share price)

Conversion spread value =(Total common shares issued on conversion)*(Average share price -conversion price)

Diluted EPS = (Income Available to Shareholders)/(Shares Outstanding + Potential Common Shares)

Therefore, if the average share price is higher for the reporting period than the conversion price, then potential common shares would be added to the denominator of the computation.

The conversion price of the $575 million 3.75% convertible notes is $11.58.

For example, if the average share price for the reporting period was $12.50, the additional potential common shares for the $575 million issue would be as follows:

($575,000,000/$1,000)*86.35588=49,654,631 shares issuable on conversion

($12.50-$11.58)=$.92

49,654,631*$.92=$45,682,261-Conversion spread value

$45,682,261/$11.58=3,944,928 potential common shares

This formula comes from Example 2-Instrument C in Issue 90-19 with a market trigger in Exhibit 04-08A of EITF 04-08.

INCOME TAX ACCOUNTING

The exchange of the old notes for new notes should not constitute a significant modification for Internal Revenue Code section 1001 purposes. If there is not a significant modification, there will not be a change in the tax treatment between the old notes and the new notes because the new notes are deemed to be a continuation of the old notes. Accordingly, the new notes will continue to be subject to the special original issue discount (OID) regulations under Treas. Reg. section 1.1275-4(b), the contingent payment debt instrument (CPDI) regulations, which allow the issuer to accrue interest deductions that will be paid only if the notes are converted.

CASH SETTLEMENT OF THE CONVERSION SPREAD

Under SFAS 109 the deduction of the OID will originate a temporary difference equal to the difference between the OID and the stated interest on the notes. This temporary difference will create a deferred tax liability. If the sales price trigger is met and the conversion spread is settled in cash, the cumulative OID temporary difference on the date of settlement will reverse either as a result of expense recorded for financial statement purposes that was previously allowed for tax purposes as OID deductions or as ordinary income as a result of the settlement of the notes for less than the tax adjusted issue price. The reversal of the cumulative OID temporary difference should not affect the Company's effective tax rate.

To the extent the amount paid in settlement of the notes is greater than the adjusted issue price on the date of settlement, the excess will be treated by the Company as bond acquisition premium for tax purposes. Under Code Section 249, the bond acquisition premium is not deductible, except to the extent it represents an amount equal to a normal call premium on the notes. If the conversion spread is paid in cash, the bond acquisition premium will not be deductible and will result in an unfavorable permanent tax difference under SFAS 109, increasing the Company's effective tax rate.

STOCK SETTLEMENT OF THE CONVERSION SPREAD

If the sales price trigger is met and the conversion spread is settled in the Company's stock, the treatment under SFAS 109 will vary depending on whether the adjusted issue price is more or less than the fair market value paid in settlement of the notes on the conversion date.

If the adjusted issue price is less than the fair market value paid in settlement of the notes and the conversion spread is settled in the Company's stock, the deferred tax liability on the cumulative OID temporary difference will be eliminated as a debit to deferred tax liability and a credit to additional paid in capital, resulting in a permanent tax benefit. Since the benefit of the permanent difference is recorded as an adjustment to additional paid in capital, it will not impact the Company's effective tax rate.

If the adjusted issue price is more than the fair market value paid in settlement of the notes, the CPDI regulations require the Company to recognize ordinary income equal to the excess of the adjusted issue price over the fair market value paid in settlement of the notes. This will result in a partial reversal of the cumulative OID temporary difference and related deferred tax liability. The remainder of the deferred tax liability resulting from the cumulative OID deductions will be eliminated as a debit to deferred tax liability and a credit to additional paid in capital, resulting in a permanent tax benefit. Since the benefit of the permanent tax difference is recorded as an adjustment to additional paid in capital, it will not impact the Company's effective tax rate.

To the extent the amount paid in settlement of the notes exceeds the adjusted issue price of the notes on the date of settlement, the excess will be treated by the Company as bond acquisition premium for tax purposes. Under Code Section 249, the bond premium is not deductible, except to the extent it represents an amount equal to a normal call premium. If the settlement is made in the Company's stock, the bond acquisition premium will not create a permanent difference under SFAS 109 because there is no corresponding expense for this amount recorded for financial statement purposes.

NO CONVERSION SPREAD

If the sales price trigger is not met, the CPDI regulations require the Company to recognize ordinary income equal to the difference between the adjusted issue price and the amount of the repayment, resulting in the cumulative OID temporary difference to reverse as ordinary taxable income.

Because the income tax accounting for the new notes will be substantially identical to the income tax accounting for the old notes, the Company does not believe additional disclosure in the Registration Statement is necessary.

31. Please disclose your anticipated accounting treatment for the exchange of old notes for new notes under the guidelines of EITF 96-19. Additionally, please disclose how you anticipate accounting for the new notes going forward. Please ensure that your disclosure includes a discussion of the anticipated accounting treatment of the exchange fee paid, classification on the notes within your balance sheet, treatment of the conversion features related to the new notes at the time of issuance and upon triggering the sales price conversion feature.

RESPONSE: The Registration Statement has been revised to add the following, as requested:

ACCOUNTING FOR THE EXCHANGE

The new notes do not have substantially different terms than the old notes as defined in EITF Issue No. 96-19 "Debtor's Accounting for a Modification or Exchange of Debt Instruments" (EITF 96-19). Accordingly, the carrying amount of the new notes will be the carrying amount of the old notes, which is also their face value, and the conversion features of the new notes will not be valued at issuance. Exchange fees paid to the noteholders will be amortized over the life of the new notes and all other fees will be

expensed. Upon conversion of the notes, amounts paid in cash will be compared to the recorded carrying value and a gain or loss on conversion will be recorded.

Please see page 34.

Fundamental Change Requires Purchase of New Notes by Us at the Option of the Holder, page 49

32. Please disclose that any repurchase offer made pursuant to the fundamental change provisions will comply with any applicable regulations under the federal securities laws, including Rule 13e-4 under the Exchange Act.

RESPONSE: The Company has revised the Registration Statement as requested. Please see page 47.

Material United States Federal Income Tax Considerations, page 71

33. Please revise the caption to refer to the material tax "consequences."

RESPONSE: The Company has revised the Registration Statement as requested. Please see pages i and 66

34. Given that Baker Botts L.L.P. is providing a tax opinion, revise this section to identify the firm as tax counsel. In addition, in the event your tax counsel intends to provide a short-form opinion, remove all references in the opinion contained in the prospectus indicating that it is a "discussion" as opposed to counsel's tax opinion. In that event, please identify the specific matters set forth in this section that constitute counsel's opinion.

RESPONSE: The Company has revised the Registration Statement as requested. Please see pages 5, 11, 13 and 66-71.

35. Please include a complete discussion of the CPDI Regulations instead of referring to the registration statement relating to the old notes.

RESPONSE: The Company has revised the Registration Statement as requested. Please see pages 66-71.

36. When rendering its opinion, counsel should be clear as to the degree of uncertainty associated with the tax consequences of the exchange offer. Please revise to clarify the degree of uncertainty. Further, the opinion and this section should not include ambiguous statements such as "we cannot assure."

RESPONSE: The Company has revised the Registration Statement as requested. Please see pages 66-71.

General

37. Where a comment below requests additional disclosures or other revisions to be made, please show us in your supplemental response what the revisions will look like. You should include these revisions in your future filings. Furthermore, we have included comments specific to CenterPoint Energy Resources Corporation in this letter to facilitate the review process. Please confirm to us your agreement with this objective.

RESPONSE: The Company confirms its agreement with this objective.

Item 1. Business - True-Up Proceeding Developments, page 1

38. We note that you recorded a regulatory asset of $374 million related to an approved final order in your true-up proceeding. In this regard, please explain how you calculated the finance component and the allowance for earnings on shareholders' investment. Furthermore, you recognized the debt component immediately into earnings, although you deferred the earnings related to the shareholders' investment component. Please explain the reason for the disparity in accounting treatment.

RESPONSE: The final order in the Company's true-up proceeding allowed CenterPoint Energy Houston Electric, LLC (CenterPoint Houston) recovery of carrying costs on the true-up balance from January 1, 2002 until fully recovered. Carrying costs are calculated using the utility's cost of capital established in the utility's unbundled cost of service (UCOS) proceeding, which is 11.075%. Using CenterPoint Houston's actual debt to equity percentages and actual cost of debt in each year, CenterPoint Houston computed the return on the true-up balance attributable to the recovery of costs to finance assets for each year, with the remainder deemed attributable to an allowance for earnings on shareholders' investment.

The Texas Utility Commission issued Substantive Rule 25.263(l)(3):

(3) The TDU shall be allowed to recover, or shall be liable for, carrying costs on the true-up balance. Carrying costs shall be calculated using the utility's cost of capital established in the utility's UCOS proceeding, and shall be calculated for the period of time from the date of the true-up final order until fully recovered.

CenterPoint Houston appealed the Texas Utility Commission's rule that permitted interest to be recovered on stranded costs only from the date of the Texas Utility Commission's final order in the 2004 True-Up Proceeding, instead of from January 1, 2002 as CenterPoint Houston contends is required by law. On June 18, 2004 the Texas Supreme Court ruled that interest on stranded costs began to accrue as of January 1, 2002 and remanded the rule to the Texas Utility Commission to review the interaction between the Supreme Court's interest decision and the Texas Utility Commission's capacity auction true-up rule and the extent to which the capacity auction true-up results in the recovery of interest.

The Texas Utility Commission held a hearing in September 2004 and established that interest would accrue on stranded costs beginning January 1, 2002, based on CenterPoint Houston's cost of capital, however, the commissioners did not agree on the amount of interest to be accrued or the method for computing such accrual.

The Texas Utility Commission concluded the 2004 True-Up Proceeding and approved its Final Order in December 2004 allowing CenterPoint Houston's recovery of $289 million of interest on the true-up balance through August 2004, at 11.075 percent. Under these same procedures and until full recovery of the true-up balance through a competition transition charge or issuance of transition bonds, CenterPoint Houston will continue to accrue interest income monthly. On December 2, 2004, CenterPoint Houston requested a financing order to permit securitization of the true-up balance. Once securitized, CenterPoint Houston will no longer recover additional interest on the balance which has been securitized. Neither the competition transition charge nor the securitization is likely to occur before May 2005, so the recovery of the true-up balance and related interest will not begin before that time. The recovery period for the competition transition charge will likely be 14 years.

CenterPoint Houston had not accrued interest income on the true-up balance prior to the Final Order because the Texas Utility Commission had not reached a conclusion as to the calculation of interest prior to such order.

SFAS No. 92, "Regulated Enterprises - Accounting for Phase-in Plans" (SFAS No. 92) addresses accounting for phase-in plans for regulated enterprises. This statement reiterates that SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71) does not permit an allowance for earnings on shareholders' investment to be capitalized in general-purpose financial statements when it is capitalized for rate-making purposes other than during construction or as part of a phase-in plan.

The award of interest is based on CenterPoint Houston's cost of capital established in its UCOS proceeding, which is derived from CenterPoint Houston's cost to finance assets (debt return) and an allowance for earnings on shareholders' investment (equity return). The award of interest is bifurcated into a debt return component and an equity return component. The debt return component is recognized currently upon receipt of the final order for historical periods and as earned going forward. The equity return component will be recognized in income as it is collected through rates in the future.

As stated above, SFAS No. 71 does not permit an equity return to be capitalized in general-purpose financial statements when it is capitalized for rate-making purposes other than during construction or as part of a phase-in plan. Accordingly, the award of carrying costs based on CenterPoint Houston's UCOS rate is partially an equity return which cannot be recognized in income until it is collected. The debt return component of $226 million has been recognized in the fourth quarter of 2004. The equity return component of $148 million has been deferred and will be recognized in income as it is collected though rates in the future.

Item 7. Management's Narrative Analysis of Results of Operations

Consolidated Results of Operations, page 18

39. Please explain in detail the nature of the non-cash ECOM revenues that totaled $697 million and $661 million in 2002 and 2003, respectively. Also, please explain how you reflected these amounts on your consolidated statement of cash flows. We may have further comment.

RESPONSE: As previously disclosed in Footnote 4(a) of CenterPoint Houston's 2003 Annual Report on Form 10-K, the Texas Utility Commission used a computer model or projection, called an excess cost over market (ECOM) model, to estimate stranded costs related to generation plant assets. Accordingly, the Texas Utility Commission estimated the market power prices that would be received in the generation capacity auctions mandated by the Texas electric restructuring law during 2002 and 2003. Any difference between the Texas Utility Commission's projected market prices for generation during 2002 and 2003 and the actual market prices for generation as determined in the state-mandated capacity auctions during that period are a component of the 2004 True-Up Proceeding. In accordance with the Texas Utility Commission's rules regarding the ECOM True-Up, for the years ended December 31, 2002 and 2003, CenterPoint Houston recorded approximately $697 million and $661 million, respectively, in non-cash ECOM True-Up revenue. ECOM True-Up revenue was recorded as a regulatory asset and totaled $1.4 billion as of December 31, 2003. Approximately $465 million of this balance was written-off as an extraordinary loss in 2004 as a result of the Texas Utility Commission's final order in the 2004 True-Up Proceeding. Please also see the response to comment #42 below.

Non-cash ECOM revenues are included in net income on the Statement of Consolidated Cash Flows. The non-cash ECOM revenues are offset by the change in net regulatory assets and liabilities included in the Cash Flow from Operating Activities section of the Statement of Consolidated Cash Flows.

Liquidity, page 21

40. Please consider revising your table of contractual cash obligations to include the following:

(a) Estimated interest payments on your debt, and

(b) Required funding of pension and other postretirement benefit obligations.

Because the table is aimed at increasing transparency of cash flow, we believe you should include these payments in the table. If you choose not to include these payments, a footnote to the table should clearly identify the excluded items and provide any additional information that is material to an understanding of your cash requirements.

RESPONSE:

(a) Given the uncertainty surrounding the timing of receipt of the securitization proceeds, and the corresponding reductions in debt, CenterPoint Houston did not provide an estimate of interest payments on debt for purposes of the contractual obligations table. Significant assumptions would be required as to timing and amount of proceeds, interest rates, use of proceeds, new debt financings and re-financings, among other things, and CenterPoint Houston did not believe that this would provide meaningful information to investors. Footnote 2 of the contractual obligations table states that interest is not included. When the receipt of the securitization proceeds and the corresponding reductions in debt have occurred, CenterPoint Houston will include estimated interest payments on its debt in the contractual obligations table in future filings.

(b) Footnote 1 of the contractual obligations table provides disclosure as to CenterPoint Houston's postretirement benefit obligations. At December 31, 2004, there were no required funding obligations for the postretirement plan. Funding obligations arise as costs under the plan are incurred and as certain revenue is collected under rate orders.

CenterPoint Houston is a participant in the Company's pension plan and has no separate pension funding obligation. CenterPoint Houston's participation in the Company's pension plan is discussed in Management's Narrative Analysis of Results of Operations, Other Significant Matters and in Footnote 7 of the Notes to the Consolidated Financial Statements.

Other Significant Matters, page 26

41. We note that you adopted a plan for an accounting reorganization to eliminate your accumulated retained earnings deficit. Please explain to us any accounting changes that you intend to make concurrently with this reorganization. Furthermore, please explain to us what effect this will have on current rates or any rate matters.

RESPONSE: On April 27, 2005, the Manager of CenterPoint Houston determined that the accounting reorganization should not be implemented because necessary regulatory approvals could not be obtained in sufficient time to make the accounting reorganization effective as of January 1, 2005. Accordingly, the accounting reorganization was not implemented. The impact of an accounting reorganization, if it had been implemented, would have been to reclassify additional paid in capital to retained earnings in an amount sufficient to eliminate the retained deficit. Because CenterPoint Houston's assets and liabilities are subject to cost-based rate regulation, there would have been no need to adjust the recorded amounts for assets and liabilities. The accounting reorganization, if implemented, would have had no impact on current rates or on any rate matters.

Item 8. Statement of Consolidated Operations, page 28

42. We note that your business was deregulated in 1999, and you dis-applied SFAS 71 at that time related to your generation assets and recorded an extraordinary charge. We note that as part of your true-up proceedings you recorded an after-tax extraordinary charge of $977 million in 2004. You indicate that part of the true-up process related to determining the differences between projected market prices for generation during 2002 and 2003 and

the actual market prices for generation as determined in the state-mandated capacity auctions during that period. Please explain exactly what was disallowed in the true-up proceeding that ultimately led to the write-down of approximately $1.5 billion in regulatory assets. Also, please indicate if any non-deregulation rate issues were addressed in the true-up proceedings. In short, please explain the rationale for recording an extraordinary charge related to this true-up proceeding. We may have further comment.

RESPONSE:

In June 1999, the Texas Legislature adopted the Texas electric restructuring law that substantially amended the regulatory structure governing electric utilities in Texas in order to allow retail electric competition. CenterPoint Houston determined that the Texas electric restructuring law provided sufficient detail regarding deregulation of CenterPoint Houston's electric generation operations to require it to discontinue the use of SFAS No. 71 for those operations. Effective June 30, 1999, CenterPoint Houston applied SFAS No. 101 "Regulated Enterprises -- Accounting for the Discontinuation of Application of FASB Statement No. 71" (SFAS No. 71) to its electric generation operations. CenterPoint Houston recorded a $183 million after-tax extraordinary loss in the fourth quarter of 1999 and transferred generation related regulatory assets expected to be recovered under the legislation to a separately regulated portion of the business pursuant to EITF 97-4, "Deregulation of the Pricing of Electricity-Issues Related to the Application of FASB Statements No. 71 and 101."

Under the Texas electric restructuring law, transmission and distribution utilities in Texas, such as CenterPoint Houston, whose generation assets were "unbundled" would recover, following a regulatory proceeding to be held in 2004 (2004 True-Up Proceeding):

- "stranded costs," which consist of the positive excess of the regulatory net book value of generation assets, as defined, over the market value of the assets, taking specified factors into account;

- the difference between the Texas Utility Commission's projected market prices for generation during 2002 and 2003 and the actual market prices for generation as determined in the state-mandated capacity auctions during that period;

- the Texas jurisdictional amount reported by the previously vertically integrated electric utilities as generation-related regulatory assets and liabilities (offset and adjusted by specified amounts) in their audited financial statements for 1998;

- final fuel over- or under-recovery; less

- "price to beat" clawback components.

Stranded Cost Component. CenterPoint Houston would be entitled to recover stranded costs through a transition charge to its customers if the regulatory net

book value of generating plant assets exceeded the market value of those assets. The regulatory net book value of generating plant assets is the balance as of December 31, 2001 plus certain costs incurred for reductions in emissions of oxides of nitrogen (NOx), any above-market purchased power contracts and certain other amounts. The market value would be equal to the average daily closing price on The New York Stock Exchange for publicly held shares of Texas Genco common stock for 30 consecutive trading days chosen by the Texas Utility Commission out of the last 120 trading days immediately preceding the true-up filing, plus a control premium, up to a maximum of 10%, to the extent included in the valuation determination made by the Texas Utility Commission.

ECOM True-Up Component. The Texas Utility Commission used a computer model or projection, called an excess cost over market (ECOM) model, to estimate stranded costs related to generation plant assets. Accordingly, the Texas Utility Commission estimated the market power prices that would be received in the generation capacity auctions mandated by the Texas electric restructuring law during 2002 and 2003. Any difference between the Texas Utility Commission's projected market prices for generation during 2002 and 2003 and the actual market prices for generation as determined in the state-mandated capacity auctions during that period was a component of the 2004 True-Up Proceeding. In accordance with the Texas Utility Commission's rules regarding the ECOM True-Up, for the years ended December 31, 2002 and 2003, the Company recorded approximately $697 million and $661 million, respectively, in non-cash ECOM True-Up revenue. ECOM True-Up revenue was recorded as a regulatory asset and totaled $1.4 billion as of December 31, 2003.

In December 2004, the Texas Public Utility Commission approved a Final Order in CenterPoint Houston's 2004 True-Up proceeding which resulted in the write-off of $1.5 billion of CenterPoint Houston's recorded generation related regulatory assets, and represents the impact of deregulation on CenterPoint Houston's generation assets. SFAS No. 101 paragraph 9 indicates that any net adjustment to the Statement of Operations from applying SFAS No. 101 is to be accounted for as an extraordinary item. Therefore, the loss from writing down generation related regulatory assets pursuant to the 2004 True-Up Proceeding was reflected as an extraordinary item. Generation related regulatory assets resulting from the deregulation legislation include those related to ECOM. The ECOM amount increased the regulatory assets arising from deregulation and, therefore, adjustment to ECOM in the 2004 True-Up amount was included in the extraordinary loss.

In January 2005, CenterPoint Houston appealed certain aspects of the final order seeking to increase the true-up balance ultimately recovered by CenterPoint Houston. Other parties have also appealed the order, seeking to reduce the amount authorized for CenterPoint Houston's recovery. Although CenterPoint Houston believes it has meritorious arguments and that the other parties' appeals are without merit, no prediction can be made as to the ultimate outcome or timing of such appeals.

The components of the $1.5 billion write-down in regulatory assets were as follows:

ANALYSIS OF FINAL TRUE-UP ORDER (IN MILLIONS)

| | WRITE-DOWN |
|---|---|
| Stranded costs | $ 679 |
| Present value of Accumulated Deferred Income Taxes (ADIT) benefit related to stranded costs | 357 |
| Total related to stranded costs | 1,036 |
| Capacity auction (ECOM) | 465 |
| Total True-Up Write-Down Amount | $1,501 |

Stranded costs - The Commission found that CenterPoint Houston did not conduct a partial stock valuation in compliance with the Texas Public Utility Regulatory Act (PURA). As a result, an alternative determination was made to determine the market value of generation assets.

ADIT - The Commission determined that CenterPoint Houston received cost-free capital provided by its ADIT reserve related to stranded costs and this benefit should be used to reduce the amount to be recovered in the 2004 True-Up Proceeding.

ECOM - The Commission found that CenterPoint Houston did not sell the required 15% of generation capacity in auction in compliance with PURA. As a result, an alternative determination was made for market revenues.

There were no non-deregulation issues addressed in the 2004 True-Up Proceeding.

43. Please revise in future filings the other net line to present other income and other expenses on a gross basis on the face or in the notes. Net presentation is not appropriate unless it is clearly immaterial. See paragraphs 7 to 9 of Rule 5-03(b) of Regulation S-X.

RESPONSE: As a part of CenterPoint Houston's financial reporting process, CenterPoint Houston evaluated the individual items comprising the "other, net" line item in Other Income (Expense). In 2004, the return on stranded costs of $226 million was reflected as a separate line item due to its significance. Any amounts netted have been clearly immaterial. In future filings, other income and other expenses will be presented on a gross basis on the face or in the notes unless clearly immaterial.

Statements of Consolidated Cash Flows, page 31

44. You disclose that you participate in a money pool through which you can borrow or invest funds on a short-term basis. You disclose in your related party note that you were in a payable position at December 31, 2003 of $113 million and a receivable position at December 31, 2004 of $73 million. We would anticipate that the repayment of the $113 million loan would have been reflected as a financing activity, and your investment of $73 million would have been reflected as an investing cash flow activity. Please explain

in detail why you reflected the entire amount in financing activities. We may have further comment.

RESPONSE: Historically, CenterPoint Houston has been in a net borrowing position in the Company's money pool. These borrowings have been reflected as financing activities in the Statement of Consolidated Cash Flows. At December 31, 2004, CenterPoint Houston had a net receivable position in the money pool, primarily as a result of receipt of the retail clawback from Reliant Energy, Inc. in the amount of $177 million. CenterPoint Houston was back to a borrowing position as of February 2005. Paragraph 87 of SFAS No. 95, "Statement of Cash Flows", states, "Notwithstanding the desirability of reasonably clear and precise definitions of the three categories of cash flows, the Board recognizes that the most appropriate classification of items will not always be clear. In those circumstances, the appropriate classification generally should depend on the nature of the activity that is likely to be the predominate source of cash flows for the item." Since CenterPoint Houston is predominately a borrower from the Company's money pool, CenterPoint Houston's money pool activity has been classified as a financing activity.

45. Please reconcile your change in regulatory assets and liabilities on your consolidated balance sheets to your net regulatory asset and liability change on your statement of consolidated cash flows for the year ended December 31, 2004 of $518 million.

RESPONSE:

Amounts recorded on Consolidated Balance Sheets (in millions):

| | 12/31/2003 | 12/31/2004 | Change |
|---|---|---|---|
| Regulatory assets | $4,897 | $3,329 | $(1,568) |
| Regulatory liabilities - current | (186) | (225) | (39) |
| Regulatory liabilities - non-current | (923) | (648) | 275 |
| Net regulatory assets | $3,788 | $2,456 | $(1,332) |

| | |
|---|---|
| Change in regulatory assets and liabilities per consolidated balance sheet | $(1,332) |
| Write-down of net regulatory assets from true-up | 1,615 |
| Receipt of retail clawback payment | 176 |
| Depreciation and amortization | 42 |
| FAS 143 removal costs | 17 |
| Change in net regulatory assets and liabilities per statement of consolidated cash flow. | $ 518 |

COMPONENTS OF EXTRAORDINARY LOSS - TRUE-UP

| | |
|---|---|
| Net regulatory assets | $ 1,615 |
| Other liabilities | (114) |
| Extraordinary loss - true-up, before tax | $ 1,501 |

Note 1. Background and Basis of Presentation - Regulatory Assets and Liabilities, page 35

46. Please reconcile the regulatory amounts disclosed in this note to your consolidated balance sheets. Also, please ensure that your regulatory disclosure meets the requirements of paragraph 20 of SFAS 71.

RESPONSE:

| PER CONSOLIDATED BALANCE SHEET: | 12/31/2003 (IN MILLIONS) | 12/31/2004 (IN MILLIONS) |
|---|---|---|
| Regulatory assets | $ 4,897 | $ 3,329 |
| Regulatory liabilities - current | (186) | (225) |
| Regulatory liabilities - non-current | (923) | (648) |
| Net regulatory assets | $ 3,788 | $ 2,456 |
| PER FOOTNOTE 2(e): | $ 3,788 | $ 2,456 |

All regulatory assets included in the schedule earn a current return, accordingly CenterPoint Houston's regulatory disclosure meets the requirements of paragraph 20 of SFAS 71.

Note 7. Employee Benefit Plans, page 43

47. Please reconcile the amount recorded on your consolidated balance sheets related to benefit obligations of $128 million, as of December 31, 2004, to the amount disclosed in this note. In this regard, you disclose that the net amount recognized as of December 31, 2004 was $89 million.

RESPONSE:

With respect to item 47, detailed below is a reconciliation of amounts recognized per CenterPoint Houston's consolidated balance sheet to the benefits footnote (in millions):

| | Per Consolidated Balance Sheet | Per Note 7 | Difference |
|---|---|---|---|
| Postretirement benefits | $ 89 | $ 89 | $ 0 |
| Postemployment benefits | 17 | 0 | 17 |
| Deferred compensation benefits | 20 | 20 | 0 |
| Other | 2 | 0 | 2 |
| Total | $128 | $109 | $ 19 |

Historically, CenterPoint Houston has not disclosed separately the recorded liabilities for postemployment benefits and other benefit obligations. Such amounts are less than 1 % of other long-term liabilities. Post employment benefits are not within the scope of SFAS No. 88 and its required disclosures. However, CenterPoint Houston will include disclosure of recorded liabilities for postemployment benefit obligations in future filings.

48. Please explain to us how you calculate the market-related value of plan assets as that term is defined in SFAS 87. Since there are alternative ways to calculate the market value of plan assets and it has a direct impact on your pension expense, we believe you should disclose how you determine this amount in future filings.

RESPONSE: CenterPoint Houston is a participant in the Company's pension plan. The Company uses fair value, as of the beginning of the year, to calculate the market related value of plan assets as that term is defined in paragraph 30 of SFAS 87. The Company discloses its use of fair value in Note 9 of the Notes to the Consolidated Financial Statements in the Company's 2004 Annual Report on Form 10-K, as follows:

"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."

With respect to CenterPoint Houston, SFAS 87 Q&A #'s 86 and 87 and SFAS 132 paragraph 12 indicates that parent-subsidiary arrangements are to be treated similarly to a multiemployer plan. Accordingly, CenterPoint Houston disclosed the pension expense recorded by the subsidiary and described the nature of the arrangement.

CENTERPOINT ENERGY RESOURCES CORPORATION - FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2004

Item 7. Management's Narrative Analysis of Results of Operations

Natural Gas Distribution, page 17

49. Please describe in detail your accounting policy with respect to unbilled revenues. In this regard, please explain your change in estimating unbilled revenues that occurred in 2003 that led to the favorable $11 million increase in revenue for 2004.

RESPONSE: CenterPoint Energy Resources Corp. (CERC)'s policy is to accrue revenues related to the sale and/or delivery of natural gas when natural gas is delivered to customers. However, the determination of 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 natural gas delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is estimated. 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. In 2003, CERC standardized the procedure to calculate the

amount of gas unbilled at the end of the period across CERC's local gas distribution systems. This change resulted in a reduction of revenue of $11 million in the fourth quarter of 2003. There was no similar decrease to income in 2004 leading to the favorable $11 million increase in operating income in 2004 when compared to 2003.

50. Prospectively, consider explaining your results of operations by class of customer, for example, sales to retail, commercial, or industrial customers.

RESPONSE: Prospectively, CERC will include a table of throughput by class of customer in CERC's narrative analysis of natural gas distribution.

The following is an example of the additional disclosure that CERC will include in future filings:

The following table provides summary data of the Company's Natural Gas Distribution business segment for 2003 and 2004:

| | YEAR ENDED DECEMBER 31, | |
|---|---|---|
| | 2003 | 2004 |
| Throughput (in billion cubic feet (Bcf)): | | |
| Residential | 183 | 175 |
| Commercial and industrial | 238 | 237 |
| Non-rate regulated | 511 | 579 |
| Eliminations | (96) | (134) |
| Total Throughput | 836 | 857 |

Liquidity, page 19

51. Please consider revising your table of contractual cash obligations to include the following:

(c) Estimated interest payments on your debt, and

(d) Required funding of pension and other postretirement benefit obligations.

Because the table is aimed at increasing transparency of cash flow, we believe you should include these payments in the table. If you choose not to include these payments, a footnote to the table should clearly identify the excluded items and provide any additional information that is material to an understanding of your cash requirements.

RESPONSE: Footnote 2 of the contractual obligations table states that interest is not included. CERC will include interest payments on its debt in the contractual obligations table in future filings.

Footnote 1 of the contractual obligations table provides disclosure as to CERC's postretirement benefit obligations. At December 31, 2004, there are no required funding obligations for the postretirement plan. Funding obligations arise as costs under the plan are incurred and as certain revenue is collected under rate orders.

CERC is a participant in the Company's pension plan and has no separate pension funding obligation. CERC's participation in the Company's pension plan is discussed in Management's Narrative Analysis of Results of Operations, Other Significant Matters and in Footnote 7 of the Notes to the Consolidated Financial Statements.

Item 8. Statement of Consolidated Operations, page 26

52. Please revise in future filings the other net line to present other income and other expenses on a gross basis on the face or in the notes. Net presentation is not appropriate unless it is clearly immaterial. See paragraphs 7 to 9 of Rule 5-03(b) of Regulation S-X.

RESPONSE: As a part of CERC's financial reporting process, it evaluated the individual items comprising the "other, net" line item in Other Income (Expense). Any amounts netted have been clearly immaterial. In future filings, other income and other expenses will be presented on a gross basis on the face or in the notes unless clearly immaterial.

Statement of Consolidated Comprehensive Income, page 26

53. Please explain in detail the $68 million reclassification of deferred gain from de-designation of cash flow hedges to over/under recovery of gas costs.

RESPONSE: In certain jurisdictions, CERC's regulated local gas distribution companies have authorization from the applicable state commissions to purchase natural gas at fixed prices for future requirements. CERC accomplishes this in these jurisdictions by entering into financial transactions such as swaps and futures with CenterPoint Energy Gas Services, (CEGS), a non-regulated subsidiary of CERC, that sells gas to commercial and industrial customers. CEGS then enters into a matching financial instrument with a third-party. These financial transactions with the third parties had historically been designated as cash flow hedges. At the beginning of the fourth quarter of 2004, CERC elected to de-designate these hedges. The value of the financial transactions at September 30, 2004 was a $105.0 million pre-tax gain or $68.3 million after-tax gain.

SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", paragraph 31 states, "Amounts in accumulated other comprehensive income shall be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings." Because CERC's regulated local gas distribution companies are subject to SFAS No. 71 "Accounting for the Effects of Certain Types of Regulation" (SFAS 71), the hedged forecasted transactions affect earnings when they are an incurred cost as defined in SFAS 71. SFAS 71 paragraph 9 states that incurred costs are capitalized if (a) it is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost for rate-making purposes and (b) based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. The financial transactions entered into to hedge the price of natural gas meet the definition of an incurred cost in SFAS 71. Therefore the appropriate accounting upon de-designation is to reclassify the amount in other

comprehensive income related to these financial transactions to a liability for over/under recovery of gas.

Note 2. Summary of Significant Accounting Policies, page 31

54. Please enhance your discussion of revenue recognition with respect to your Pipeline and Gathering Business. In this regard, please explain what impact the price of gas has on revenues. Furthermore, a detailed example would be helpful to our understanding. You also should consider disclosing what portion of the Pipeline and Gathering Business is regulated versus unregulated, and include a meaningful discussion of the revenue recognition issues that impact both a regulated and unregulated company.

RESPONSE: Revenues are recognized as services are performed or, in the case of system management purchases/sales, when both the commodity purchase and associated sale transaction are completed.

The price of natural gas and/or the associated by-products have a direct bearing on the revenues received for the sale of gas and/or liquids since these revenues have a commodity component included in the revenue. Transportation services, balancing services and storage services do not include a commodity component.

The maximum allowable revenue rates charged by the two interstate pipeline companies (CenterPoint Energy Gas Transmission Company and CenterPoint Energy - Mississippi River Transmission) are regulated by the Federal Energy Regulatory Commission. Revenues billed by the gas gathering subsidiary (CenterPoint Energy Field Services, Inc.) and revenues billed by the pipeline services subsidiary (CenterPoint Energy Pipeline Services, Inc.) and certain smaller subsidiaries/divisions are not governed by rate regulation but are controlled by competitive market forces. Approximately 76% of the Pipeline and Gathering business segment's 2004 revenues were attributable to revenues generated by rate-regulated companies.

The revenue recognition policy for both the regulated and non-regulated portions of the business is to recognize revenue when services are performed or when both the commodity purchase and associated sale are complete. To the extent a regulatory body requires or allows revenues/costs to be recognized in a different manner than would be recognized by non-regulated businesses, CERC would recognize regulatory assets or liabilities to account for this timing difference in accordance with SFAS 71.

The Company does not believe additional disclosure is necessary because there are no unique revenue recognition issues related to its regulated pipeline business.

Long-Lived Assets and Intangibles, page 32

55. You disclose the estimated useful lives of your long-lived assets. Please disclose the weighted average useful lives related to each category and the accumulated depreciation by asset category.

RESPONSE: The following table discloses the weighted average useful lives and accumulated depreciation by asset category for CERC's long-lived assets.

| | WTD AVG USEFUL LIVES (YEARS) | DECEMBER 31, 2004 (IN MILLIONS) |
|---|---|---|
| Natural gas distribution (NGD)..... | 30 | $2,494 |
| Pipelines and gathering (Pipes)..... | 42 | 1,767 |
| Other property (Other)..... | 12 | 35 |
| Total..... | | 4,296 |
| Accumulated Depreciation - NGD..... | | (292) |
| Accumulated Depreciation - Pipes..... | | (157) |
| Accumulated Depreciation - Other..... | | (13) |
| Total..... | | (462) |
| Property, plant and equipment, net..... | | $3,834 |

Prospectively, CERC will include this information in CERC's filings.

56. Prospectively, consider disclosing your accounting treatment for maintenance and repairs.

RESPONSE: In CERC's 2004 Annual Report on Form 10-K, the Notes to Consolidated Financial Statements, in the opening paragraph of Footnote 2(d), CERC disclosed that "the Company expenses repair and maintenance costs as incurred." CERC does not believe that further disclosure is required.

Derivative Instruments, page 37

57. Please discuss any credit enhancements you have requested to mitigate any potential losses from counterparties, such as letters of credit.

RESPONSE: CERC has no credit enhancements related to derivative instruments. CERC attempts to limit its risk by contracting with credit worthy counterparties.

Note 7. Employee Benefit Plans, page 40

58. Please reconcile the amount recorded on your consolidated balance sheets related to benefit obligations of $128 million, as of December 31, 2004, to the amount disclosed in this note. In this regard, you disclose that the net amount recognized as of December 31, 2004 was $94 million.

RESPONSE: With respect to item 58, detailed below is a reconciliation of amounts recognized per CERC's balance sheet to the benefits footnote (in millions):

| | Per Balance Sheet | Per Footnote | Difference |
|---|---|---|---|
| Postretirement benefits | $ 94 | $ 94 | $ 0 |
| Postemployment benefits | 18 | 0 | 18 |
| Deferred compensation benefits | 9 | 9 | 0 |
| Other | 7 | 0 | 7 |
| Total | $128 | $103 | $ 25 |

Historically, CERC has not disclosed separately the recorded liabilities for postemployment benefits and other benefit obligations. Such amounts are less than 2% of other long-term liabilities. Post employment benefits are not within the scope of SFAS No. 88 and its required disclosures. However, CERC will include disclosure of recorded liabilities for postemployment benefit obligations in future filings.