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

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM _______ TO _____________

Commission file number 1-3187

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

(Exact name of registrant as specified in its charter)

Texas	**22-3865106**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1111 Louisiana **Houston, Texas 77002**	**(713) 207-1111**
(Address and zip code of principal executive offices)	*(Registrant's telephone number, including area code)*

CenterPoint Energy Houston Electric, LLC meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☑ (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of July 16, 2012, all 1,000 common shares of CenterPoint Energy Houston Electric, LLC were held by Utility Holding, LLC, a wholly owned subsidiary of CenterPoint Energy, Inc.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2012

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

The following are some of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements:

- state and federal legislative and regulatory actions or developments affecting various aspects of our business, including, among others, energy deregulation or re-regulation, health care reform, financial reform and tax legislation;
- state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change;
- timely and appropriate rate actions and increases, allowing recovery of costs and a reasonable return on investment;
- the timing and outcome of any audits, disputes and other proceedings related to taxes;
- industrial, commercial and residential growth in our service territory and changes in market demand, including the effects of energy efficiency measures and demographic patterns;
- weather variations and other natural phenomena;
- any direct or indirect effects on our facilities, operations and financial condition resulting from terrorism, cyber attacks, data security breaches or other attempts to disrupt our businesses or the businesses of third parties, or other catastrophic events;
- the impact of unplanned facility outages;
- timely and appropriate regulatory actions allowing securitization or other recovery of costs associated with any future hurricanes or natural disasters;
- changes in interest rates or rates of inflation;
- commercial bank and financial market conditions, our access to capital, the cost of such capital, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;
- actions by credit rating agencies;
- inability of various counterparties to meet their obligations to us;
- non-payment for our services due to financial distress of our customers;
- the ability of GenOn Energy, Inc. (formerly known as RRI Energy, Inc., Reliant Energy, Inc. and Reliant Resources, Inc.) and its subsidiaries to satisfy their obligations to us, including indemnity obligations;
- the ability of retail electric providers (REPs), including REP affiliates of NRG Energy, Inc. and REP affiliates of Energy Future Holdings Corp., which are our two largest customers, to satisfy their obligations to us and our subsidiaries;

- the outcome of litigation brought by or against us;
- our ability to control costs;
- the investment performance of CenterPoint Energy, Inc.'s pension and postretirement benefit plans;
- our potential business strategies, including restructurings, acquisitions or dispositions of assets or businesses, which we cannot assure you will be completed or will have the anticipated benefits to us;
- acquisition and merger activities involving us or our competitors; and
- other factors we discuss in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated herein by reference, and other reports we file from time to time with the Securities and Exchange Commission.

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED STATEMENTS OF CONSOLIDATED INCOME
(Millions of Dollars)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
Revenues	$ 606	$ 676	$ 1,095	$ 1,207
Expenses:				
Operation and maintenance	221	234	431	459
Depreciation and amortization	149	197	274	344
Taxes other than income taxes	51	54	104	106
Total	421	485	809	909
Operating Income	185	191	286	298
Other Income (Expense):				
Interest and other finance charges	(38)	(36)	(75)	(74)
Interest on transition and system restoration bonds	(32)	(38)	(65)	(75)
Other, net	7	8	15	17
Total	(63)	(66)	(125)	(132)
Income Before Income Taxes	122	125	161	166
Income tax expense	43	47	58	52
Net Income	$ 79	$ 78	$ 103	$ 114

See Notes to the Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED CONSOLIDATED BALANCE SHEETS
(Millions of Dollars)
(Unaudited)

ASSETS

	December 31, 2011	June 30, 2012
Current Assets:		
Cash and cash equivalents ($220 and $236 related to VIEs at December 31, 2011 and June 30, 2012, respectively)	$ 220	$ 1,057
Accounts and notes receivable, net ($52 and $95 related to VIEs at December 31, 2011 and June 30, 2012, respectively)	201	286
Accounts and notes receivable—affiliated companies	1,027	27
Accrued unbilled revenues	72	89
Inventory	80	87
Taxes receivable	2	—
Deferred tax asset	3	4
Other ($42 and $55 related to VIEs at December 31, 2011 and June 30, 2012, respectively)	65	75
Total current assets	1,670	1,625
Property, Plant and Equipment:		
Property, plant and equipment	7,827	7,985
Less accumulated depreciation and amortization	2,784	2,805
Property, plant and equipment, net	5,043	5,180
Other Assets:		
Regulatory assets ($2,289 and $3,778 related to VIEs at December 31, 2011 and June 30, 2012, respectively)	3,726	3,529
Notes receivable—affiliated companies	750	750
Other	35	48
Total other assets	4,511	4,327
Total Assets	$ 11,224	$ 11,132

See Notes to the Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED CONSOLIDATED BALANCE SHEETS
(Millions of Dollars)
(Unaudited)

LIABILITIES AND MEMBER'S EQUITY

	December 31, 2011	June 30, 2012
Current Liabilities:		
Current portion of VIE transition and system restoration bonds long-term debt	$ 307	$ 439
Current portion of other long-term debt	46	450
Accounts payable	113	84
Accounts and notes payable—affiliated companies	32	27
Taxes accrued	101	97
Interest accrued	96	117
Other	98	97
Total current liabilities	793	1,311
Other Liabilities:		
Accumulated deferred income taxes, net	2,113	2,119
Benefit obligations	252	252
Regulatory liabilities	441	465
Notes payable—affiliated companies	151	151
Other	78	45
Total other liabilities	3,035	3,032
Long-term Debt:		
VIE transition and system restoration bonds	2,215	3,628
Other	2,047	1,597
Total long-term debt	4,262	5,225
Commitments and Contingencies (Note 8)		
Member's Equity:		
Common stock	—	—
Paid-in capital	1,230	1,231
Retained earnings	1,904	333
Total member's equity	3,134	1,564
Total Liabilities and Member's Equity	$ 11,224	$ 11,132

See Notes to the Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Millions of Dollars)
(Unaudited)

	Six Months Ended June 30,	
	2011	2012
Cash Flows from Operating Activities:		
Net income	$ 103	$ 114
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	274	344
Amortization of deferred financing costs	6	7
Deferred income taxes	60	(30)
Changes in other assets and liabilities:		
Accounts and notes receivable, net	(87)	(102)
Accounts receivable/payable, affiliates	13	(15)
Inventory	(3)	(7)
Accounts payable	(8)	(21)
Taxes receivable	63	2
Interest and taxes accrued	(9)	17
Net regulatory assets and liabilities	(20)	20
Other current assets	15	3
Other current liabilities	5	(1)
Other assets	—	2
Other liabilities	(2)	(1)
Other, net	1	1
Net cash provided by operating activities	411	333
Cash Flows from Investing Activities:		
Capital expenditures	(298)	(278)
Decrease (increase) in notes receivable from affiliates, net	(60)	1,010
Increase in restricted cash of transition and system restoration bond companies	(1)	(13)
Cash received from U.S. Department of Energy grant	77	—
Other, net	(11)	(20)
Net cash provided by (used in) investing activities	(293)	699
Cash Flows from Financing Activities:		
Proceeds from long-term debt	—	1,695
Payments of long-term debt	(141)	(197)
Dividend to parent	—	(1,685)
Debt issuance costs	—	(9)
Other, net	1	1
Net cash used in financing activities	(140)	(195)
Net Increase (Decrease) in Cash and Cash Equivalents	(22)	837
Cash and Cash Equivalents at Beginning of Period	198	220
Cash and Cash Equivalents at End of Period	$ 176	$ 1,057
Supplemental Disclosure of Cash Flow Information:		
Cash Payments:		
Interest, net of capitalized interest	$ 133	$ 125
Income taxes (refunds), net	(83)	49
Non-cash transactions:		
Accounts payable related to capital expenditures	$ 35	$ 46

See Notes to the Interim Condensed Consolidated Financial Statements

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Background and Basis of Presentation

General. Included in this Quarterly Report on Form 10-Q (Form 10-Q) of CenterPoint Energy Houston Electric, LLC are the condensed consolidated interim financial statements and notes (Interim Condensed Financial Statements) of CenterPoint Energy Houston Electric, LLC and its subsidiaries (collectively, CenterPoint Houston). The Interim Condensed Financial Statements are unaudited, omit certain financial statement disclosures and should be read with the Annual Report on Form 10-K of CenterPoint Houston for the year ended December 31, 2011.

Background. CenterPoint Houston engages in the electric transmission and distribution business in the Texas Gulf Coast area that includes the city of Houston. CenterPoint Houston is an indirect wholly owned subsidiary of CenterPoint Energy, Inc. (CenterPoint Energy), a public utility holding company. At June 30, 2012, CenterPoint Houston had five subsidiaries, CenterPoint Energy Transition Bond Company, LLC, CenterPoint Energy Transition Bond Company II, LLC, CenterPoint Energy Transition Bond Company III, LLC, CenterPoint Energy Restoration Bond Company, LLC and CenterPoint Energy Transition Bond Company IV, LLC (Bond Company IV). The transition and system restoration bond companies, which are classified as variable interest entities, are wholly-owned bankruptcy remote special purpose entities that were formed specifically for the purpose of securitizing transition and system restoration related property. Creditors of CenterPoint Houston have no recourse to any assets or revenues of the transition and system restoration bond companies. The bonds issued by these companies are payable only from and secured by transition and system restoration property, and the bondholders have no recourse to the general credit of CenterPoint Houston.

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

CenterPoint Houston's Interim Condensed Financial Statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the respective periods. Amounts reported in CenterPoint Houston's Condensed Statements of Consolidated Income are not necessarily indicative of amounts expected for a full-year period due to the effects of, among other things, (a) seasonal fluctuations in demand for energy, (b) timing of maintenance and other expenditures and (c) acquisitions and dispositions of businesses, assets and other interests.

(2) New Accounting Pronouncements

Management believes the impact of recently issued standards, which are not yet effective, will not have a material impact on CenterPoint Houston's consolidated financial position, results of operations or cash flows upon adoption.

(3) Employee Benefit Plans

CenterPoint Houston's employees participate in CenterPoint Energy's postretirement benefit plan. CenterPoint Houston's net periodic cost includes the following components relating to postretirement benefits:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
	(in millions)			
Interest cost	$ 4	$ 4	$ 8	$ 8
Expected return on plan assets	(2)	(1)	(4)	(3)
Amortization of loss	—	—	—	1
Amortization of transition obligation	2	2	3	3
Net periodic cost	$ 4	$ 5	$ 7	$ 9

CenterPoint Houston expects to contribute approximately $7 million to its postretirement benefit plan in 2012, of which $4 million has been contributed as of June 30, 2012.

(4) Regulatory Accounting

As of June 30, 2012, CenterPoint Houston has not recognized an allowed equity return of $579 million because such return will be recognized as it is recovered in rates. During the three months ended June 30, 2011 and 2012, CenterPoint Houston recognized approximately $5 million and $13 million, respectively, of the allowed equity return not previously recognized. During the six months ended June 30, 2011 and 2012, CenterPoint Houston recognized approximately $8 million and $21 million, respectively, of the allowed equity return not previously recognized.

(5) Fair Value Measurements

Assets and liabilities that are recorded at fair value in the Condensed Consolidated Balance Sheets are categorized based upon the level of judgment associated with the inputs used to measure their value. Hierarchical levels, as defined below and directly related to the amount of subjectivity associated with the inputs to fair valuations of these assets and liabilities, are as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at Level 1 fair value are investments listed in active markets. At December 31, 2011 and June 30, 2012, CenterPoint Houston held Level 1 investments of $38 million and $52 million, respectively, which were primarily money market funds.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. CenterPoint Houston had no Level 2 assets or liabilities at either December 31, 2011 or June 30, 2012.

Level 3: Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. These inputs reflect management's best estimate of the assumptions market participants would use in determining fair value. CenterPoint Houston had no Level 3 assets or liabilities at either December 31, 2011 or June 30, 2012.

CenterPoint Houston determines the appropriate level for each financial asset and liability on a quarterly basis and recognizes any transfers at the end of the reporting period. For the quarter ended June 30, 2012, there were no transfers between levels.

Estimated Fair Value of Financial Instruments

The fair values of cash and cash equivalents, short-term borrowings and the $750 million note receivable from CenterPoint Houston's parent are estimated to be equivalent to carrying amounts and have been excluded from the table below. The fair value of each debt instrument is determined by multiplying the principal amount of each debt instrument by the market price. These assets and liabilities, which are not measured at fair value in the Condensed Consolidated Balance Sheets but for which the fair value is disclosed, would be classified as Level 1 in the fair value hierarchy.

	December 31, 2011		June 30, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions)			
Financial liabilities:				
Long-term debt (including $151 million of long-term notes payable to parent)	$ 4,765	$ 5,345	$ 6,265	$ 6,927

(6) Related Party Transactions and Major Customers

(a) Related Party Transactions

CenterPoint Houston participates in a money pool through which it can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The net funding requirements of the money pool are expected to be met with borrowings under CenterPoint Energy's revolving credit facility or the sale of CenterPoint Energy's commercial paper. CenterPoint Houston had investments in the money pool of $1.0 billion and $-0- at December 31, 2011 and June 30, 2012, respectively, which are included in accounts and notes receivable-affiliated companies in the Condensed Consolidated Balance Sheets.

At December 31, 2011 and June 30, 2012, CenterPoint Houston had a $750 million note receivable from its parent.

CenterPoint Houston had net interest income related to affiliate borrowings of $5 million and $4 million, respectively, for the three months ended June 30, 2011 and 2012, and $10 million and $9 million, respectively, for the six months ended June 30, 2011 and 2012, included in Other Income.

CenterPoint Energy provides some corporate services to CenterPoint Houston. The costs of services have been charged directly to CenterPoint Houston using methods that management believes are reasonable. These methods include negotiated usage rates, dedicated asset assignment and proportionate corporate formulas based on operating expenses, assets, gross margin, employees and a composite of assets, gross margin and employees. These charges are not necessarily indicative of what would have been incurred had CenterPoint Houston not been an affiliate. Amounts charged to CenterPoint Houston for these services were $37 million and $35 million for the three months ended June 30, 2011 and 2012, respectively, and $71 million and $72 million for the six months ended June 30, 2011 and 2012, respectively, and are included primarily in operation and maintenance expenses.

(b) Major Customers

Sales to affiliates of NRG Energy, Inc. (NRG) in the three months ended June 30, 2011 and 2012 represented approximately$133 million and $153 million, respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of Energy Future Holdings Corp. in the three months ended June 30, 2011 and 2012 represented approximately $41 million and $38 million, respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of NRG in the six months ended June 30, 2011 and 2012 represented approximately $259 million and $293 million, respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of Energy Future Holdings Corp. in the six months ended June 30, 2011 and 2012 represented approximately $82 million and $74 million, respectively, of CenterPoint Houston's transmission and distribution revenues.

(7) Long-term Debt

Transition Bonds. In January 2012, Bond Company IV issued $1.695 billion of transition bonds in three tranches with interest rates ranging from 0.9012% to 3.0282% and final maturity dates ranging from April 15, 2018 to October 15, 2025. The transition bonds will be repaid over time through a charge imposed on customers in CenterPoint Houston's service territory.

Revolving Credit Facility. As of December 31, 2011 and June 30, 2012, CenterPoint Houston had the following revolving credit facility and utilization of such facility (in millions):

	December 31, 2011		June 30, 2012	
Size of Facility	Loans	Letters of Credit	Loans	Letters of Credit
$ 300	$ —	$ 4	$ —	$ 4

CenterPoint Houston's $300 million credit facility, which is scheduled to terminate September 9, 2016, can be drawn at the London Interbank Offered Rate (LIBOR) plus 125 basis points based on CenterPoint Houston's current credit ratings. The facility contains a debt (excluding transition and system restoration bonds) to total capitalization covenant, limiting debt to 65% of its capitalization.

Other. At both December 31, 2011 and June 30, 2012, CenterPoint Houston had issued $151 million of first mortgage bonds as collateral for long-term debt of CenterPoint Energy. As of December 31, 2011 and June 30, 2012, CenterPoint Houston had issued $508 million and $408 million of general mortgage bonds as collateral for long-term debt of CenterPoint Energy, respectively. These bonds are not reflected in the consolidated financial statements because of the contingent nature of the obligations.

(8) Commitments and Contingencies

Legal Matters

Gas Market Manipulation Cases. CenterPoint Energy, CenterPoint Houston or their predecessor, Reliant Energy, Incorporated (Reliant Energy), and certain of their former subsidiaries are named as defendants in certain lawsuits described below. Under a master separation agreement between CenterPoint Energy and a former subsidiary, Reliant Resources, Inc. (RRI), CenterPoint Energy and its subsidiaries, including CenterPoint Houston, are entitled to be indemnified by RRI and its successors for any losses, including attorneys' fees and other costs, arising out of these lawsuits. In May 2009, RRI sold its Texas retail business to a subsidiary of NRG and RRI changed its name to RRI Energy, Inc. In December 2010, Mirant Corporation merged with and became a wholly owned subsidiary of RRI, and RRI changed its name to GenOn Energy, Inc. (GenOn). Neither the sale of the retail business nor the merger with Mirant Corporation alters RRI’s (now GenOn’s) contractual obligations to indemnify CenterPoint Energy and its subsidiaries, including CenterPoint Houston, for certain liabilities, including their indemnification obligations regarding the gas market manipulation litigation.

A large number of lawsuits were filed against numerous gas market participants in a number of federal and western state courts in connection with the operation of the natural gas markets in 2000-2002. CenterPoint Energy’s former affiliate, RRI, was a participant in gas trading in the California and Western markets. These lawsuits, many of which have been filed as class actions, allege violations of state and federal antitrust laws. Plaintiffs in these lawsuits are seeking a variety of forms of relief, including, among others, recovery of compensatory damages (in some cases in excess of $1 billion), a trebling of compensatory damages, full consideration damages and attorneys’ fees. CenterPoint Energy and/or Reliant Energy were named in approximately 30 of these lawsuits, which were instituted between 2003 and 2009. CenterPoint Energy and its affiliates have been released or dismissed from all but two of such cases. CenterPoint Energy Services, Inc. (CES), a subsidiary of CenterPoint Energy Resources Corp., is a defendant in a case now pending in federal court in Nevada alleging a conspiracy to inflate Wisconsin natural gas prices in 2000-2002. In July 2011, the court issued an order dismissing the plaintiffs’ claims against the other defendants in the case, each of whom had demonstrated Federal Energy Regulatory Commission jurisdictional sales for resale during the relevant period, based on federal preemption. The plaintiffs have appealed this ruling to the United States Court of Appeals for the Ninth Circuit. Additionally, CenterPoint Energy was a defendant in a lawsuit filed in state court in Nevada that was dismissed in 2007, but in March 2010 the plaintiffs appealed the dismissal to the Nevada Supreme Court. CenterPoint Energy believes that neither it nor CES is a proper defendant in these remaining cases and will continue to pursue dismissal from those cases. CenterPoint Houston does not expect the ultimate outcome of these remaining matters to have a material impact on its financial condition, results of operations or cash flows.

Environmental Matters

Asbestos. Some facilities owned by CenterPoint Energy contain or have contained asbestos insulation and other asbestos-containing materials. CenterPoint Energy or its subsidiaries, including CenterPoint Houston, have been named, along with numerous others, as a defendant in lawsuits filed by a number of individuals who claim injury due to exposure to asbestos. Some of the claimants have worked at locations owned by CenterPoint Energy or CenterPoint Houston, but most existing claims relate to facilities previously owned by CenterPoint Energy’s other subsidiaries or CenterPoint Houston, but currently owned by NRG Texas LP. CenterPoint Energy anticipates that additional claims like those received may be asserted in the future. In 2004 and early 2005, CenterPoint Energy sold its generating business, to which most of these claims relate, to a company which is now an affiliate of NRG. Under the terms of the arrangements regarding separation of the generating business from CenterPoint Energy and its sale of that business, ultimate financial responsibility for uninsured losses from claims relating to the generating business has been assumed by the NRG affiliate, but CenterPoint Energy has agreed to continue to defend such claims to the extent they are covered by insurance maintained by CenterPoint Energy, subject to reimbursement of the costs of such defense by the NRG affiliate. Although their ultimate outcome cannot be predicted at this time, CenterPoint Houston or CenterPoint Energy, as appropriate, intends to continue vigorously contesting claims that are not considered to have merit and CenterPoint Houston does not expect, based on its experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on its financial condition, results of operations or cash flows.

Other Environmental. From time to time CenterPoint Houston identifies the presence of environmental contaminants on property where it conducts or has conducted operations. Other such sites involving contaminants may be identified in the future. CenterPoint Houston has and expects to continue to remediate identified sites consistent with its legal obligations. From time to time CenterPoint Houston has received notices from regulatory authorities or others regarding its status as a potentially responsible party in connection with sites found to require remediation due to the presence of environmental contaminants. In addition, CenterPoint Houston has been named from time to time as a defendant in litigation related to such sites. Although the ultimate outcome of such matters cannot be predicted at this time, CenterPoint Houston does not expect, based on its experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on its financial condition, results of operations or cash flows.

Other Proceedings

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

(9) Income Taxes

CenterPoint Houston reported an effective tax rate of 38% for the three months ended June 30, 2012 compared to 35% for the same period in 2011. The increase in the effective tax rate of 3% is related to non-recurring benefits recognized in the second quarter of 2011. CenterPoint Houston reported an effective tax rate of 31% for the six months ended June 30, 2012 compared to 36% for the same period in 2011. The decrease in the effective tax rate of 5% was primarily due to a $10 million favorable tax adjustment related to CenterPoint Energy's Internal Revenue Service (IRS) Appeals settlement for the tax years 2006 and 2007 that was recognized in the three months ended March 31, 2012.

The following table summarizes CenterPoint Houston's unrecognized tax benefits at December 31, 2011 and June 30, 2012:

	December 31, 2011	June 30, 2012
	(in millions)	
Unrecognized tax benefits	$ 44	$ 12
Portion of unrecognized tax benefits that, if recognized, would reduce the effective income tax rate	18	12
Interest accrued on unrecognized tax benefits	5	(1)

CenterPoint Houston does not expect the amount of unrecognized tax benefits to change materially over the 12 months ending June 30, 2013.

CenterPoint Energy has a tentative settlement with the IRS for tax years 2008 and 2009 that is under review by the Joint Committee on Taxation. In May 2012, the IRS commenced its examination of CenterPoint Energy's 2010 consolidated income tax return.

(10) Subsequent Events

In July 2012, CenterPoint Houston called for redemption $300 million principal amount of its 5.75% general mortgage bonds maturing on January 15, 2014 and $500 million principal amount of its 7.00% general mortgage bonds maturing on March 1, 2014. The redemption of each series of bonds is contingent upon the receipt by the trustee on or prior to the redemption date of money sufficient to pay the applicable redemption price. The redemption price of each series of bonds includes principal, a make-whole premium and accrued interest to the scheduled August 27, 2012 redemption date. Redemption premiums for the two series are expected to aggregate approximately $71 million. Depending on market conditions, CenterPoint Houston expects to issue long-term debt having an aggregate principal amount of $800 million in August 2012 and use the proceeds to fund a portion of the aggregate redemption price.

ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

The following narrative analysis should be read in combination with our Interim Condensed Financial Statements contained in this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2011 (2011 Form 10-K).

We meet the conditions specified in General Instruction H(1)(a) and (b) to Form 10-Q and are therefore permitted to use the reduced disclosure format for wholly owned subsidiaries of reporting companies. Accordingly, we have omitted from this report the information called for by Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations), Item 3 (Quantitative and Qualitative Disclosures About Market Risk) of Part I and the following Part II items of Form 10-Q: Item 2 (Unregistered Sales of Equity Securities and Use of Proceeds), Item 3 (Defaults Upon Senior Securities) and Item 4 (Submission of Matters to a Vote of Security Holders). The following discussion explains material changes in our results of operations between the three and six months ended June 30, 2011 and the three and six months ended June 30, 2012. Reference is made to "Management's Narrative Analysis of Results of Operations" in Item 7 of our 2011 Form 10-K.

EXECUTIVE SUMMARY

Recent Events

Debt Financing Transactions

In July 2012, we called for redemption $300 million principal amount of our 5.75% general mortgage bonds maturing on January 15, 2014 and $500 million principal amount of our 7.00% general mortgage bonds maturing on March 1, 2014. The redemption of each series of bonds is contingent upon the receipt by the trustee on or prior to the redemption date of money sufficient to pay the applicable redemption price. The redemption price of each series of bonds includes principal, a make-whole premium and accrued interest to the scheduled August 27, 2012 redemption date. Redemption premiums for the two series are expected to aggregate approximately $71 million. Depending on market conditions, we expect to issue long-term debt having an aggregate principal amount of $800 million in August 2012 and use the proceeds to fund a portion of the aggregate redemption price.

CONSOLIDATED RESULTS OF OPERATIONS

Our results of operations are affected by seasonal fluctuations in the demand for electricity. Our results of operations are also affected by, among other things, the actions of various governmental authorities having jurisdiction over rates we charge, debt service costs, income tax expense, our ability to collect receivables from retail electric providers (REPs) and our ability to recover our regulatory assets. For more information regarding factors that may affect the future results of operations of our business, please read "Risk Factors" in Item 1A of Part I of the 2011 Form 10-K.

The following table sets forth our consolidated results of operations for the three and six months ended June 30, 2011 and 2012, followed by a discussion of our consolidated results of operations based on operating income.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
	(in millions, except throughput and customer data)			
Revenues:				
Electric transmission and distribution utility	$ 489	$ 514	$ 889	$ 929
Transition and system restoration bond companies	117	162	206	278
Total revenues	606	676	1,095	1,207
Expenses:				
Operation and maintenance, excluding transition and system restoration bond companies	219	232	427	452
Depreciation and amortization, excluding transition and system restoration bond companies	66	75	137	148
Taxes other than income taxes	51	54	104	106
Transition and system restoration bond companies	85	124	141	203
Total expenses	421	485	809	909
Operating income	185	191	286	298
Interest and other finance charges	(38)	(36)	(75)	(74)
Interest on transition and system restoration bonds	(32)	(38)	(65)	(75)
Other income, net	7	8	15	17
Income before income taxes	122	125	161	166
Income tax expense	43	47	58	52
Net income	$ 79	$ 78	$ 103	$ 114
Operating Income:				
Electric transmission and distribution utility	153	153	221	223
Transition and system restoration bond companies (1)	32	38	65	75
Total operating income	185	191	286	298
Throughput (in gigawatt-hours (GWh)):				
Residential	7,785	7,917	12,656	12,442
Total	21,077	20,988	37,845	37,532
Number of metered customers at end of period:				
Residential	1,890,566	1,926,459	1,890,566	1,926,459
Total	2,137,156	2,180,731	2,137,156	2,180,731

(1) Represents the amount necessary to pay interest on the transition and system restoration bonds.

Three months ended June 30, 2012 compared to three months ended June 30, 2011

We reported operating income of $191 million for the three months ended June 30, 2012, consisting of $153 million from the regulated electric transmission and distribution utility (TDU) and $38 million related to transition and system restoration bond companies (Bond Companies). For the three months ended June 30, 2011, operating income totaled $185 million, consisting of $153 million from the TDU and $32 million related to Bond Companies. Increases in TDU operating income due to higher equity return ($8 million), primarily due to the recovery of true-up proceeds, customer growth ($6 million) from the addition of over 43,000 new customers, and increased miscellaneous revenues ($5 million), primarily from right-of-way access and land grants, were offset by the impact of the 2010 rate case implemented in September 2011 ($15 million) and higher costs billed by transmission providers net of higher transmission-related revenues ($4 million).

Six months ended June 30, 2012 compared to six months ended June 30, 2011

We reported operating income of $298 million for the six months ended June 30, 2012, consisting of $223 million from the TDU and $75 million related to Bond Companies. For the six months ended June 30, 2011, operating income totaled $286 million, consisting of $221 million from the TDU and $65 million related to Bond Companies. TDU operating income increased $2 million due to increased miscellaneous revenues ($18 million), primarily from right-of-way access and land grants, higher equity return ($13 million) primarily due to the recovery of true-up proceeds and customer growth ($12 million) from the addition of over 43,000 new customers, partially offset by the impact of the 2010 rate case implemented in September 2011 ($27 million), decreased usage ($10 million), primarily due to milder weather and higher costs billed by transmission providers net of higher transmission-related revenues ($3 million).

Income Tax Expense. We reported an effective tax rate of 38% for the three months ended June 30, 2012 compared to 35% for the same period in 2011. The increase in the effective tax rate of 3% is related to non-recurring benefits recognized in the second quarter of 2011. We reported an effective tax rate of 31% for the six months ended June 30, 2012 compared to 36% for the same period in 2011. The decrease in the effective tax rate of 5% was primarily due to a $10 million favorable tax adjustment related to CenterPoint Energy's Internal Revenue Service Appeals settlement for the tax years 2006 and 2007 that was recognized in the three months ended March 31, 2012.

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

For information on other developments, factors and trends that may have an impact on our future earnings, please read “Risk Factors” in Item 1A of Part I of our 2011 Form 10-K and “Management’s Narrative Analysis of Results of Operations - Certain Factors Affecting Future Earnings” in Item 7 of Part II of our 2011 Form 10-K and “Cautionary Statement Regarding Forward-Looking Information” in this Form 10-Q.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital requirements are affected primarily by our results of operations, capital expenditures, debt service requirements, tax payments and working capital needs. Substantially all of our capital expenditures are expected to be used for investment in infrastructure to maintain the reliability and safety of our operations. Our principal anticipated cash requirements for the remaining six months of 2012 include approximately $314 million of capital expenditures and $219 million of scheduled principal payments on transition and system restoration bonds.

We expect our external temporary investments and cash flows from operations will be sufficient to meet our anticipated cash needs in the remaining six months of 2012. In March 2012, we distributed approximately $1.7 billion to our parent. Funds for the payment of the distribution were obtained from our January 2012 sale of transition property in connection with the issuance of transition bonds by CenterPoint Energy Transition Bond Company IV, LLC (Bond Company IV).

Longer term cash requirements or discretionary financing or refinancing may result in the issuance of debt securities in the capital markets, borrowing under our revolving credit facility or the arrangement of additional credit facilities. Issuances of debt in the capital markets and additional credit facilities may not, however, be available to us on acceptable terms.

Off-Balance Sheet Arrangements. Other than first mortgage bonds and general mortgage bonds issued as collateral for long-term debt of CenterPoint Energy as discussed below and operating leases, we have no off-balance sheet arrangements.

Regulatory Matters. Regulatory developments that have occurred since our 2011 Form 10-K was filed with the Securities and Exchange Commission (SEC) are discussed below.

June 2010 Rate Case. The order on rehearing issued by the Public Utility Commission of Texas (Texas Utility Commission) in connection with our 2010 rate case was appealed to the Texas courts by various parties and a trial is scheduled for December 2012.

Other. In May 2012, we filed an application, subsequently modified consistent with the Texas Utility Commission’s Preliminary Order, requesting approval to recover a total of approximately $47.5 million in 2013 consisting of: (1) estimated 2013 energy efficiency program costs of $42.9 million; (2) a credit of $1.8 million related to the over-recovery of 2011 program costs; (3) a performance incentive for 2011 program achievements of $6.3 million and (4) certain rate case expenses. In July 2012, the parties filed a settlement agreement recommending approval to recover a total of $46.2 million. The $1.3 million reduction was attributable to settlement spending from our 2006 rate settlement included in the 2011 performance incentive calculation. The settlement preserves the right for us to appeal the reduction in our requested performance bonus amount. The proposed settlement amounts are expected to take effect with the commencement of our January 2013 billing month.

Debt Financing Transactions. In January 2012, Bond Company IV issued $1.695 billion of transition bonds in three tranches with interest rates ranging from 0.9012% to 3.0282% and final maturity dates ranging from April 15, 2018 to October 15, 2025. Through the issuance of the transition bonds, we recovered the additional true-up balance of $1.695 billion, less approximately $10.4

million of offering expenses. The transition bonds will be repaid over time through a charge imposed on customers in our service territory.

In July 2012, we called for redemption $300 million principal amount of our 5.75% general mortgage bonds maturing on January 15, 2014 and $500 million principal amount of our 7.00% general mortgage bonds maturing on March 1, 2014. The redemption of each series of bonds is contingent upon the receipt by the trustee on or prior to the redemption date of money sufficient to pay the applicable redemption price. The redemption price of each series of bonds includes principal, a make-whole premium and accrued interest to the scheduled August 27, 2012 redemption date. Redemption premiums for the two series are expected to aggregate approximately $71 million. Depending on market conditions, we expect to issue long-term debt having an aggregate principal amount of $800 million in August 2012 and use the proceeds to fund a portion of the aggregate redemption price.

Credit Facility. As of July 16, 2012, we had the following revolving credit facility and utilization of such facility (in millions):

Date Executed	Size of Facility	Amount Utilized at July 16, 2012	Termination Date
September 9, 2011	$ 300	$ 4 (1)	September 9, 2016

(1) Represents outstanding letters of credit.

Our $300 million credit facility can be drawn at London Interbank Offered Rate (LIBOR) plus 125 basis points based on our current credit ratings. The facility contains a debt (excluding transition and system restoration bonds) to total capitalization covenant which limits debt to 65% of our total capitalization.

Borrowings under our credit facility are subject to customary terms and conditions. However, there is no requirement that we make representations prior to borrowings as to the absence of material adverse changes or litigation that could be expected to have a material adverse effect. Borrowings under our credit facility are subject to acceleration upon the occurrence of events of default that we consider customary. The facility also provides for customary fees, including commitment fees, administrative agent fees, fees in respect of letters of credit and other fees. In our credit facility, the LIBOR borrowing spread and the commitment fees fluctuate based on our credit rating. We are currently in compliance with the various business and financial covenants contained in our credit facility.

Securities Registered with the SEC. We have filed a shelf registration statement with the SEC registering an indeterminate principal amount of our general mortgage bonds.

Temporary Investments. As of July 16, 2012, we had external temporary investments aggregating $849 million.

Money Pool. We participate in a money pool through which we and certain of our affiliates can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The net funding requirements of the money pool are expected to be met with borrowings under CenterPoint Energy's revolving credit facility or the sale of CenterPoint Energy's commercial paper. As of July 16, 2012, we had no investments in or borrowings from the money pool. The money pool may not provide sufficient funds to meet our cash needs.

Long-term Debt. Our long-term debt consists of our obligations and the obligations of our subsidiaries, including transition and system restoration bonds issued by wholly owned subsidiaries. The following table shows future maturity dates of long-term debt issued by us to third parties and affiliates and scheduled future payment dates of transition and system restoration bonds issued by our subsidiaries, CenterPoint Energy Transition Bond Company, LLC (Bond Company), CenterPoint Energy Transition Bond Company II, LLC (Bond Company II), CenterPoint Energy Transition Bond Company III, LLC (Bond Company III), CenterPoint Energy Restoration Bond Company, LLC (Restoration Bond Company) and Bond Company IV as of June 30, 2012. Amounts are expressed in millions.

Year	Third-Party	Affiliate	Sub-Total	Transition and System Restoration Bonds	Total
2012	$ —	$ —	$ —	$ 219	$ 219
2013	450	—	450	447	897
2014	800	—	800	354	1,154
2015	—	151	151	372	523
2016	—	—	—	391	391
2017	127	—	127	411	538
2018	—	—	—	434	434
2019	—	—	—	459	459
2020	—	—	—	231	231
2021	102	—	102	211	313
2022	—	—	—	220	220
2023	200	—	200	156	356
2024	—	—	—	162	162
2027	56	—	56	—	56
2033	312	—	312	—	312
Total	$ 2,047	$ 151	$ 2,198	$ 4,067	$ 6,265

As of June 30, 2012, outstanding first mortgage bonds and general mortgage bonds aggregated approximately $2.6 billion as shown in the following table. Amounts are expressed in millions.

	Issued Directly to Third Parties	Issued as Collateral for Our Debt	Issued as Collateral for CenterPoint Energy's Debt	Total
First Mortgage Bonds	$ 102	$ —	$ 151	$ 253
General Mortgage Bonds	1,762	183	408 (1)	2,353
Total	$ 1,864	$ 183	$ 559	$ 2,606

(1) Includes $290 million principal amount collateralizing bonds purchased by CenterPoint Energy in January 2010, which may be remarketed.

The lien of the general mortgage indenture is junior to that of the mortgage pursuant to which the first mortgage bonds are issued. We may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee. Approximately $2.8 billion of additional first mortgage bonds and general mortgage bonds could be issued on the basis of retired bonds and 70% of property additions as of June 30, 2012. However, we have contractually agreed that we will not issue additional first mortgage bonds, subject to certain exceptions.

The following table shows the maturity dates of the $559 million of first mortgage bonds and general mortgage bonds that we have issued as collateral for long-term debt of CenterPoint Energy. These bonds are not reflected in our consolidated financial statements because of the contingent nature of the obligations. Amounts are expressed in millions.

Year	First Mortgage Bonds	General Mortgage Bonds	Total
2015	151	—	151
2018	—	50	50
2019	—	200 (1)	200
2020	—	90 (1)	90
2028	—	68	68
Total	$ 151	$ 408	$ 559

(1) These mortgage bonds collateralize bonds purchased by CenterPoint Energy in January 2010, which may be remarketed by CenterPoint Energy.

At June 30, 2012, our subsidiaries had the following aggregate principal amount of transition and system restoration bonds outstanding. Amounts are expressed in millions.

Company	Aggregate Principal Amount Outstanding
Bond Company	$ 174
Bond Company II	1,250
Bond Company III	372
Bond Company IV	1,695
Restoration Bond Company	576
Total	$ 4,067

The transition bonds and system restoration bonds are paid through the imposition of "transition" or "system restoration" charges, as defined in the Texas Public Utility Regulatory Act, which are irrevocable, non-bypassable charges payable by most of our retail electric customers to the bond company subsidiaries in order to provide recovery of authorized qualified costs. The transition and system restoration bonds are reported as our long-term debt, although the holders of these bonds have no recourse to any of our assets or revenues, and our creditors have no recourse to any assets or revenues (including, without limitation, the transition or system restoration charges) of the bond companies. We have no payment obligations with respect to the transition and system restoration bonds except to remit collections of transition and system restoration charges as set forth in servicing agreements between us and the bond companies and in an intercreditor agreement among us, the bond companies and other parties.

Impact on Liquidity of a Downgrade in Credit Ratings. The interest on borrowings under our credit facility is based on our credit rating. As of July 26, 2012, Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services (S&P), a division of The McGraw Hill Companies, and Fitch, Inc. (Fitch) had assigned the following credit ratings to our senior debt.

	Moody's		S&P		Fitch	
Instrument	Rating	Outlook(1)	Rating	Outlook (2)	Rating	Outlook (3)
Senior Secured Debt	A3	Positive	A-	Stable	A	Stable

(1) A Moody's rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term.

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

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

We cannot assure you that the ratings set forth above will remain in effect for any given period of time or that one or more of these ratings will not be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are included for informational purposes and are not recommendations to buy, sell or hold our securities and may be revised or withdrawn at any time by the rating agency. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to obtain short- and long-term financing, the cost of such financings and the execution of our commercial strategies.

A decline in credit ratings could increase borrowing costs under our $300 million credit facility. If our credit ratings had been downgraded one notch by each of the three principal credit rating agencies from the ratings that existed at June 30, 2012, the impact on the borrowing costs under our credit facility would have been immaterial. A decline in credit ratings would also increase the interest rate on long-term debt to be issued in the capital markets and could negatively impact our ability to complete capital market transactions.

Cross Defaults. Under CenterPoint Energy's $1.2 billion revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness exceeding $75 million by us will cause a default. In addition, three outstanding series of CenterPoint Energy's senior notes, aggregating $750 million in principal amount as of June 30, 2012, provide that a payment default by us in respect of, or an acceleration of, borrowed money and certain other specified types of obligations, in the aggregate principal amount of $50 million, will cause a default. A default by CenterPoint Energy would not trigger a default under our debt instruments or bank credit facility.

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

- increases in interest expense in connection with debt refinancings and borrowings under our credit facility;
- various legislative or regulatory actions;
- the ability of GenOn Energy, Inc. (GenOn) and its subsidiaries to satisfy their obligations in respect of GenOn's indemnity obligations to us;
- the ability of REPs, including REP affiliates of NRG Energy, Inc. and REP affiliates of Energy Future Holdings Corp., which are our two largest customers, to satisfy their obligations to us and our subsidiaries;
- the outcome of litigation brought by and against us;
- restoration costs and revenue losses resulting from future natural disasters such as hurricanes and the timing of recovery of such restoration costs; and
- various other risks identified in "Risk Factors" in Item 1A of Part I of our 2011 10-K.

Certain Contractual Limits on Our Ability to Issue Securities and Borrow Money. Our credit facility limits our debt (excluding transition and system restoration bonds) as a percentage of our total capitalization to 65%. Additionally, we have contractually agreed that we will not issue additional first mortgage bonds, subject to certain exceptions.

Relationship with CenterPoint Energy. We are an indirect wholly owned subsidiary of CenterPoint Energy. As a result of this relationship, the financial condition and liquidity of our parent company could affect our access to capital, our credit standing and our financial condition.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2 to our Interim Condensed Financial Statements, incorporated herein by reference, for a discussion of new accounting pronouncements that affect us.

Item 4.CONTROLS AND PROCEDURES

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2012 to provide assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

There has been no change in our internal controls over financial reporting that occurred during the three months ended June 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For a discussion of certain legal and regulatory proceedings affecting us, please read Note 8 to our Interim Condensed Financial Statements and “Management’s Narrative Analysis of Results of Operations - Liquidity and Capital Resources - Regulatory Matters”, each of which is incorporated herein by reference. See also “Business - Regulation” and “- Environmental Matters” in Item 1 and “Legal Proceedings” in Item 3 of our 2011 Form 10-K.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in our 2011 Form 10-K.

Item 5. OTHER INFORMATION

Our ratio of earnings to fixed charges for the six months ended June 30, 2011 and 2012 was 2.12 and 2.07, respectively. We do not believe that the ratios for these six-month periods are necessarily indicative of the ratios for the twelve-month periods due to the seasonal nature of our business. The ratios were calculated pursuant to applicable rules of the Securities and Exchange Commission.

Item 6. EXHIBITS

The following exhibits are filed herewith:

Exhibits not incorporated by reference to a prior filing are designated by a cross (+); all exhibits not so designated are incorporated by reference to a prior filing of CenterPoint Houston or CenterPoint Energy as indicated.

Agreements included as exhibits are included only to provide information to investors regarding their terms. Agreements listed below may contain representations, warranties and other provisions that were made, among other things, to provide the parties thereto with specified rights and obligations and to allocate risk among them, and no such agreement should be relied upon as constituting or providing any factual disclosures about CenterPoint Energy Houston Electric, LLC, any other persons, any state of affairs or other matters.

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit References
3.1	Restated Certificate of Formation of CenterPoint Houston	CenterPoint Houston's Form 10-Q for the quarter ended June 30, 2011	1-3187	3.1
3.2	Amended and Restated Limited Liability Company Agreement of CenterPoint Houston	CenterPoint Houston's Form 10-Q for the quarter ended June 30, 2011	1-3187	3.2
4.1	$300,000,000 Credit Agreement, dated as of September 9, 2011, among CenterPoint Houston, as Borrower, and the banks named therein	CenterPoint Houston's Form 8-K dated September 9, 2011	1-3187	4.2
+12	Computation of Ratios of Earnings to Fixed Charges			
+31.1	Rule 13a-14(a)/15d-14(a) Certification of David M. McClanahan			
+31.2	Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			
+32.1	Section 1350 Certification of David M. McClanahan			
+32.2	Section 1350 Certification of Gary L. Whitlock			
+101.INS	XBRL Instance Document (1)			
+101.SCH	XBRL Taxonomy Extension Schema Document (1)			
+101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)			
+101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)			
+101.LAB	XBRL Taxonomy Extension Labels Linkbase Document (1)			
+101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)			

(1) Furnished, not filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: /s/ WALTER L. FITZGERALD

Walter L. Fitzgerald

Senior Vice President and Chief Accounting Officer

Date: August 6, 2012

Index to Exhibits

The following exhibits are filed herewith:

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+101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)			
+101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)			
+101.LAB	XBRL Taxonomy Extension Labels Linkbase Document (1)			
+101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)			

(1) Furnished, not filed.

Exhibit 12

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Millions of Dollars)

	Six Months Ended June 30,	
	2011 (1)	**2012 (1)**
Net income	$ 103	$ 114
Income taxes	58	52
Capitalized interest	(2)	(3)
	159	163
Fixed charges, as defined:		
Interest	140	149
Capitalized interest	2	3
Interest component of rentals charged to operating expense	—	—
Total fixed charges	142	152
Earnings, as defined	$ 301	$ 315
Ratio of earnings to fixed charges	2.12	2.07

(1) Excluded from the computation of fixed charges for the six months ended June 30, 2011 and 2012 is interest expense of $4 million and interest income of $5 million, respectively, which is included in income tax expense.

Exhibit 31.1

CERTIFICATIONS

I, David M. McClanahan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenterPoint Energy Houston Electric, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2012

/s/ David M. McClanahan

David M. McClanahan

Chairman (Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Gary L. Whitlock, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenterPoint Energy Houston Electric, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2012

/s/ Gary L. Whitlock

Gary L. Whitlock
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CenterPoint Energy Houston Electric, LLC (the “Company”) on Form 10-Q for the three months ended June 30, 2012 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, David M. McClanahan, Chairman (Principal Executive Officer), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David M. McClanahan

David M. McClanahan
Chairman (Principal Executive Officer)
August 6, 2012

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CenterPoint Energy Houston Electric, LLC (the “Company”) on Form 10-Q for the three months ended June 30, 2012 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, Gary L. Whitlock, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary L. Whitlock

Gary L. Whitlock
Executive Vice President and Chief Financial Officer
August 6, 2012