



## CenterPoint Energy files true-up application

### Company takes final step in Texas' Electric Choice Law

HOUSTON - March 31, 2004 - CenterPoint Energy, Inc.'s (NYSE:CNP) electric transmission and distribution subsidiary, CenterPoint Energy Houston Electric, today filed with the Public Utility Commission of Texas (PUC) the final true-up application required by the 1999 Texas Electric Choice Law.

CenterPoint Energy, as well as other major parties, including consumer groups, unions, businesses and environmental groups were active supporters of the Texas Electric Choice Law. The 1999 legislation gave customers the ability to choose their retail electric providers beginning in 2002. It also required electric utilities to subject their retail and generation activities to competition and limited their regulated operations to transmission and distribution. The law also authorized electric utilities to recover in 2004 a "true-up" balance composed of stranded power plant costs, the cost of environmental controls and certain other transition costs, primarily through the issuance of low interest bonds. Repayment of the bonds will be through charges paid by retail electric providers for electric delivery services.

CenterPoint Energy's true-up balance is \$3.8 billion. An additional \$631 million in interest could be added if approved in a pending court proceeding.

"Each year our company makes hundreds of millions of dollars in investments in transmission and distribution infrastructure to serve our communities," said David M. McClanahan, president and chief executive officer for CenterPoint Energy. "To do so, we must have access to capital markets on reasonable terms. The outcome of this proceeding will have a significant effect on the cost and availability of capital to our company."

The impact on residential customers should be modest. Once the PUC completes its review, the company plans to issue securitization bonds that attract lower interest rates. Based on today's interest rates, the bonds that would be required to securitize the final true-up balance set forth in the application would require payments of approximately \$330 million annually. These bond payments would result in an increase in the rate CenterPoint Energy charges retail electric providers by about one-half cent per kilowatt hour (kwh). Even if the retail electric provider passes on the full amount to residential customers, the effect would be an increase of approximately \$5 per month (using the PUC's benchmark of 1,000 kwh per residential customer).

In addition, CenterPoint Energy currently gives each retail provider a credit (technically known as an "excess mitigation credit"). This credit, which is not based on the final true-up balance, will likely be discontinued. Customers may ultimately find their monthly bills impacted by their retail providers' treatment of several factors, including the final true-up balance, the termination of the excess mitigation credits and fuel cost adjustments. Depending on the specific retail electric provider involved, the combined impact of these factors on retail customers could range from a slight decrease to an increase of about one cent per kwh.

A final decision is expected by the PUC in late August. The docket number is 29526 and can be accessed on the PUC's web site at [www.puc.state.tx.us/index.cfm](http://www.puc.state.tx.us/index.cfm).

CenterPoint Energy, Inc., headquartered in Houston, Texas, is a domestic energy delivery company that includes electric transmission and distribution, natural gas distribution and sales, interstate pipeline and gathering operations, and more than 14,000 megawatts of power generation in Texas, of which nearly 3,000 megawatts are currently in mothball status. The company serves nearly five million customers primarily in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma, and Texas. Assets total \$21 billion. With more than 11,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 130 years. For more information, visit the Web site at [www.CenterPointEnergy.com](http://www.CenterPointEnergy.com).

#### CenterPoint Energy True-Up Balance As filed March 31, 2004 (1)

Stranded Costs	(\$ in millions)
Net Book Value of Generation Assets (2)	\$ 4,561
Regulatory assets and deferred debits	175
Above Market Purchase Power Costs	48

Market Value of Generation Assets (3)	<u>(2,908)</u>
	<b>\$ 1,876</b>
<b>Environmental Costs</b>	<b>\$ 718</b>
<b>Other Transition Charges/ Credits</b>	
Final Fuel Under-recovery Balance (4)	\$ 20
Capacity Auction True-up (ECOM)	1,357
Price to Beat Retail Clawback	<u>\$ (177)</u>
	<b>\$ 1,200</b>
<b>Total True-up Balance - Without interest</b>	<b>\$ 3,794</b>
Interest on Stranded Costs (5)	\$631

(1) Not conformed to PUC required filing format. All calculations assume a final order is issued on August 28, 2004, with payments of Excess Mitigation Credits (EMCs) discontinued as of that date.

(2) Reflects the reversal of T&D redirected depreciation and excess mitigation credits through August 2004 and excludes all environmental costs.

(3) Based on \$36.26 per share of Texas Genco, plus debt, without inclusion of a control premium.

(4) Does not reflect disallowance of \$117 million, including interest, recommended in PUC Docket 26195, Proposal for Decision. Final fuel balance could range from \$20 million under-recovery to \$106 million over-recovery, depending on final PUC decision.

(5) To be added to the total if approved on appeal.

For more information contact:

Media: Floyd LeBlanc, 713.207.7125

Investors: Marianne Paulsen, 713.207.6500