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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-31447

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

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

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

TITLE OF EACH CLASS NAME OF EACH EXCHANGE ON WHICH REGISTERED

- Common Stock, $0.01 par value and associated New York Stock Exchange rights to purchase preferred stock Chicago Stock Exchange HL&P Capital Trust II 8.257% Capital Securities, New York Stock Exchange Series B

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act). Yes [X] No [ ]

The aggregate market value of the voting stock held by non-affiliates of CenterPoint Energy, Inc. (Company) was $3,521,933,742 as of June 30, 2004, using the definition of beneficial ownership contained in Rule 13d-3 promulgated pursuant to the Securities Exchange Act of 1934 and excluding shares held by directors and executive officers. As of February 28, 2005, the Company had 308,501,031 shares of Common Stock outstanding. Excluded from the number of shares of Common Stock outstanding are 166 shares held by the Company as treasury stock.

Portions of the definitive proxy statement relating to the 2005 Annual Meeting of Shareholders of the Company, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2004, are incorporated by reference in Item 10, Item 11, Item 12, Item 13 and Item 14 of Part III of this Form 10-K.

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

Some of the factors that could cause actual results to differ from those expressed or implied by our forward-looking statements are described under "Risk Factors" beginning on page 24 in Item 1 of this report.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

PART I

ITEM 1. BUSINESS

OUR BUSINESS

OVERVIEW

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

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

- CenterPoint Energy Resources Corp. (CERC Corp. and, together with its subsidiaries, CERC), which owns gas distribution systems serving approximately 3 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.

In July 2004, we announced our agreement to sell our majority owned subsidiary, Texas Genco Holdings, Inc. (Texas Genco), to Texas Genco LLC (formerly known as GC Power Acquisition LLC), an entity owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco distributed $2.231 billion in cash to us. Texas Genco's principal remaining asset is its ownership interest in the South Texas Project, a nuclear generating facility. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment of $700 million to us, is expected to close during the first half of 2005, following receipt of approval from the Nuclear Regulatory Commission (NRC). For more information regarding this transaction, please see "-- Discontinued Operations -- Texas Genco" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Executive Summary -- Recent Events -- Sale of Texas Genco."

Our reportable business segments are Electric Transmission & Distribution, Natural Gas Distribution, Pipelines and Gathering, and Other Operations. The operations of Texas Genco, formerly presented as our Electric Generation business segment, are presented as discontinued operations.

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 affiliated service, sales and construction contracts.

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

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

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

- our Ethics and Compliance Code;

- our Corporate Governance Guidelines; and

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

Any shareholder who so requests may obtain a printed copy of any of these documents from us. Changes in or waivers of our Code of Ethics for our Chief Executive Officer and Senior Financial Officers and waivers of our Ethics and Compliance Code for directors or executive officers will be posted on our Internet website within five business days and maintained for at least 12 months or reported on Item 5.05 of our Forms 8-K. Our web site address is www.centerpointenergy.com.

True-Up Proceeding Developments

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 a competitive retail electric market 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 the benefit of certain deferred taxes and the accrual of interest and payment of excess mitigation credits after August 31, 2004. CenterPoint Houston has recorded as a regulatory asset a return of $374 million on the true-up balance for the period from January 1, 2002 through December 31, 2004 as allowed by the Texas Utility Commission in the final order. The component representing a return of costs to finance assets of $226 million has been recognized in the fourth quarter of 2004 and is included in other income in our consolidated financial statements. The component representing a return of costs to finance assets will continue to be recognized as earned going forward. The component representing an allowance for earnings on shareholders' investment of $148 million has been deferred and will be recognized as it is collected through rates in the future. CenterPoint Houston will continue to accrue a return until the true-up balance is recovered, either from rate payers or through a securitization offering as discussed below.

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.

In December 2004, CenterPoint Houston filed for approval of a financing order to issue transition bonds to securitize its true-up balance, which will be adjusted downward to reflect the benefit of certain deferred taxes previously recovered through rates, and upward to reflect the accrual of interest and payment of excess mitigation credits occurring after August 31, 2004. On March 9, 2005, the Texas Utility Commission issued its order allowing CenterPoint Houston to securitize approximately $1.8 billion and requiring that the benefit of certain deferred taxes be reflected as a reduction in the competition transition charge described below. CenterPoint Houston intends to issue transition bonds in this amount during 2005 but may be delayed in doing so by appeals of the securitization order.

CenterPoint Houston also has filed an application for a competition transition charge to recover any portion of its adjusted true-up balance that it is not able to recover through the issuance of transition bonds. Hearings in this proceeding are scheduled for April 2005.

For more information on these and other matters currently affecting us, please see "-- Electric Transmission & Distribution -- True-Up and Securitization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Executive Summary -- Significant Events in 2005."

ELECTRIC TRANSMISSION & DISTRIBUTION

Electric Transmission

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

Electric Distribution

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

ERCOT Market Framework

CenterPoint Houston is a member of ERCOT. ERCOT serves as the regional reliability coordinating council for member electric power systems in Texas. ERCOT membership is open to consumer groups, investor and municipally owned electric utilities, rural electric cooperatives, independent generators, power marketers and retail electric providers. The ERCOT market includes much of the State of Texas, other than a portion of the panhandle, a portion of the eastern part of the state bordering on Louisiana and the area in and around El Paso. The ERCOT market represents approximately 85% of the demand for power in Texas and is one of the nation's largest power markets. The ERCOT market includes an aggregate net generating capacity of approximately 78,000 MW. There are only limited direct current interconnections between the ERCOT market and other power markets in the United States.

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

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

True-Up and Securitization

The Texas Electric Restructuring Law. The Texas electric restructuring law, which became effective in September 1999, substantially amended the regulatory structure governing electric utilities in order to allow retail competition for electric customers beginning in January 2002. The Texas electric restructuring law required electric utilities to separate generation, transmission and distribution, and retail sales functions into three different units. Through a restructuring in the third quarter of 2002 in response to this law, we became the parent of CenterPoint Houston, Texas Genco and CERC. In the restructuring, we also became the parent of, but subsequently divested our interest in, Reliant Resources, Inc. (now named Reliant Energy, Inc.) (RRI), which conducts non-utility wholesale and retail energy operations. Additionally, as discussed further in "-- Discontinued Operations," we anticipate completing the sale of our interest in the South Texas Project, which is owned by Texas Genco, during the first half of 2005. The transmission and distribution functions that CenterPoint Houston performs remain subject to traditional utility rate regulation. CenterPoint Houston recovers the cost of its service through an energy delivery charge approved by the Texas Utility Commission.

As part of the transition from a regulated to a competitive retail electric market in Texas, the Texas electric restructuring law authorizes public utilities to recover a true-up balance composed of stranded power plant costs, the cost of environmental controls and certain other costs. The law requires the true-up balance to be determined in a true-up proceeding before the Texas Utility Commission (2004 True-Up Proceeding). The law authorizes the Texas Utility Commission to permit utilities to issue transition bonds to recover all or a part of the true-up balance. The issuance of these transition bonds is based on the securitization of revenues associated with transition charges imposed on retail electric providers. The law also provides for the Texas Utility Commission to impose a separate charge (called a competition transition charge) on retail electric providers to permit the utility to recover, over a period of years to be determined by the Texas Utility Commission, the amount of its true-up balance not otherwise recovered through the issuance of transition bonds and included in transition charges. Both the transition charges and the competition transition charges are non-bypassable, meaning that they must be paid by essentially all customers and cannot, except in limited circumstances, be avoided by switching to self-generation. CenterPoint Houston recovered a portion of its generation-related regulatory assets in 2001 through the issuance of transition bonds. For a further discussion of these matters, see "-- 2004 True-Up Proceeding" and "-- Securitization" below.

The Texas electric restructuring law also provides specific regulatory remedies to reduce or mitigate a utility's stranded cost exposure. During a base rate freeze period from 1999 through 2001, the law required those utilities estimated in 1998 to have stranded costs to apply any earnings above the utility's authorized rate of return to accelerate depreciation of generation-related plant assets for regulatory purposes. In addition, depreciation expense for transmission and distribution-related assets could be redirected to generation assets for regulatory purposes during that period if the utility was expected to have stranded costs. In 1998, the Texas Utility Commission estimated that CenterPoint Houston would have stranded costs. Accordingly, we implemented both of these mitigation measures as provided in the Texas electric restructuring law. In a rate order issued in October 2001 (the 2001 Final Order), however, the Texas Utility Commission changed the assumptions in its forecasting model, reversed its 1998 estimate, and required us to reverse the mitigation actions we had taken pursuant to the Texas electric restructuring law and ordered us to pay "excess mitigation credits" to retail electric providers beginning January 1, 2002. See "-- Mitigation" below.

2004 True-Up Proceeding. 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 from RRI described below. In June, July and September 2004, the Texas Utility Commission conducted hearings on and held public meetings addressing CenterPoint Houston's true-up application. 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. CenterPoint Houston has recorded as a regulatory asset a return of $374 million on the true-up balance for the period from January 1, 2002 through December 31, 2004 as allowed by the Texas Utility Commission in the final order. The component representing a return of costs to finance assets of $226 million has been recognized in the fourth quarter of 2004 and is included in other income in our consolidated financial statements. The component representing a return of costs to finance assets will continue to be recognized as earned going forward. The component representing an allowance for earnings on shareholders' investment of $148 million has been deferred and will be recognized as it is collected through rates in the future. CenterPoint Houston will continue to accrue a return until the true-up balance is recovered, either from rate payers or through a securitization offering as discussed below.

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.

Retail Clawback. In November 2004, RRI paid $177 million to us, representing the "retail clawback" determined by the Texas Utility Commission in the 2004 True-Up Proceeding. The Texas electric restructuring law requires the Texas Utility Commission to determine the retail clawback if the formerly integrated utility's affiliated retail electric provider retained more than 40 percent of its residential price-to-beat customers within the utility's service area as of January 1, 2004 (offset by new customers added outside the service territory). That retail clawback is a credit against the true-up balance the utility is entitled to recover and was reflected in the $2.3 billion recovery authorized. Under the terms of a master separation agreement between RRI and us, RRI agreed to pay us the amount of the retail clawback determined by the Texas Utility Commission. We used the payment to reduce outstanding indebtedness.

Securitization. The Texas electric restructuring law provides for the use of special purpose entities to issue transition bonds for the economic value of generation-related regulatory assets and stranded costs. These transition bonds will be repaid over a period not to exceed 15 years through non-bypassable transition charges. In October 2001, a special purpose subsidiary of CenterPoint Houston issued $749 million of transition bonds to securitize certain generation-related regulatory assets. These transition bonds have a final maturity date of September 15, 2015 and are non-recourse to us and our subsidiaries other than to the special purpose issuer. Payments on the transition bonds are made solely out of funds from non-bypassable transition charges.

In December 2004, CenterPoint Houston filed for approval of a financing order to issue transition bonds to securitize its true-up balance. On March 9, 2005, the Texas Utility Commission issued a financing order allowing CenterPoint Houston to securitize approximately $1.8 billion and requiring that the benefit of certain deferred taxes be reflected as a reduction in the competition transition charge. We anticipate that a new special purpose subsidiary of CenterPoint Houston will issue bonds in one or more series through an underwritten offering. Depending on market conditions and the impact of possible appeals of the financing order, among other factors, we anticipate completing such an offering in 2005.

In January 2005, CenterPoint Houston filed an application for a competition transition charge to recover its true-up balance, which will be adjusted downward to reflect the benefit of certain deferred taxes previously recovered through rates, and upward to reflect the accrual of interest and payment of excess mitigation credits occurring after August 31, 2004. CenterPoint Houston will adjust the amount sought through that charge to the extent that it is able to securitize any of such amount. Under the Texas Utility Commission's rules, the unrecovered true-up balance to be recovered through the competition transition charge earns a return until fully recovered.

Mitigation. In the 2001 Final Order, the Texas Utility Commission established the transmission and distribution rates that became effective in January 2002. Based on its 2001 revision of the 1998 stranded cost estimates, the Texas Utility Commission determined that CenterPoint Houston had over-mitigated its stranded costs by redirecting transmission and distribution depreciation and by accelerating depreciation of generation assets as provided under its 1998 transition plan and the Texas electric restructuring law. In the 2001 Final Order, CenterPoint Houston was required to reverse the amount of redirected depreciation and accelerated depreciation taken for regulatory purposes as allowed under the 1998 transition plan and the Texas electric restructuring law. In accordance with the order, CenterPoint Houston recorded a regulatory liability to reflect the prospective refund of the accelerated depreciation, and in January 2002 CenterPoint Houston began paying excess mitigation credits, which were to be paid over a seven-year period with interest at 7 1/2% per annum. The annual payment of excess mitigation credits is approximately $264 million. In its December 2004 final order in the 2004 True-Up Proceeding, the Texas Utility Commission found that CenterPoint Houston did, in fact, have stranded costs (as originally estimated in 1998). Despite this ruling, the Texas Utility Commission denied CenterPoint Houston recovery of approximately $180 million of the interest portion of the excess mitigation credits already paid by CenterPoint Houston and refused to terminate future excess mitigation credits. In January 2005, CenterPoint Houston filed a writ of mandamus petition with the Texas Supreme Court asking that court to order the Texas Utility Commission to terminate immediately the payment of all excess mitigation credits and to ensure full recovery of all excess mitigation credits. Although we believe we have meritorious arguments, a writ of mandamus is an extraordinary remedy and no prediction can be made as to the ultimate outcome or timing of the mandamus petition. If the Supreme Court denies our mandamus petition, we will continue to pursue this issue through regular appellate mechanisms. On March 1, 2005, a non-unanimous settlement was filed in Docket No. 30774, which involves the adjustment of RRI's Price-to-Beat. Under the terms of that settlement, the excess mitigation credits being paid by CenterPoint Houston would be terminated as of April 29, 2005. The Texas Utility Commission approved the settlement on March 9, 2005.

Customers

CenterPoint Houston serves nearly all of the Houston/Galveston metropolitan area. CenterPoint Houston's customers consist of municipalities, electric cooperatives, other distribution companies and approximately 56 retail electric providers in its certificated service area. Each retail electric provider is licensed by, and must meet creditworthiness criteria established by, the Texas Utility Commission. Two of these retail electric providers are subsidiaries of RRI. Sales to subsidiaries of RRI represented approximately 83%, 78% and 71% of CenterPoint Houston's transmission and distribution revenues in 2002, 2003 and 2004, respectively. CenterPoint Houston's billed receivables balance from retail electric providers as of December 31, 2004 was $102 million. Approximately 69% of this amount was owed by subsidiaries of RRI. CenterPoint Houston does not have long-term contracts with any of its customers. It operates on a continuous billing cycle, with meter readings being conducted and invoices being distributed to retail electric providers each business day.

Competition

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

Seasonality

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

Properties

All of CenterPoint Houston's properties are located in Texas. CenterPoint Houston's transmission system carries electricity from power plants to substations and from one substation to another. These substations serve to connect power plants, the high voltage transmission lines and the lower voltage distribution lines. Unlike the transmission system, which carries high voltage electricity over long distances, distribution lines carry lower voltage power from the substation to the retail electric customers. The distribution system consists primarily of distribution lines, transformers, secondary distribution lines and service wires and meters. Most of CenterPoint

Houston's transmission and distribution lines have been constructed over lands of others pursuant to easements or along public highways and streets as permitted by law.

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

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

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

As of March 1, 2005, CenterPoint Houston had outstanding approximately $253 million aggregate principal amount of first mortgage bonds under the Mortgage, including approximately $151 million held in trust to secure certain pollution control bonds for which CenterPoint Energy is obligated. Additionally, under the General Mortgage, CenterPoint Houston had outstanding approximately $3.3 billion aggregate principal amount of general mortgage bonds, including approximately $527 million held to secure certain additional pollution control bonds for which CenterPoint Energy is obligated, approximately $229 million held to secure pollution control bonds for which CenterPoint Houston is obligated and approximately $1.3 billion aggregate principal amount of general mortgage bonds to secure the borrowings under a collateralized term loan due in November 2005. Any drawings on CenterPoint Houston's $1.3 billion credit agreement entered into in March 2005 must be secured by general mortgage bonds in the same principal amount and bearing the same interest rate as such drawings.

Electric Lines -- Overhead. As of December 31, 2004, CenterPoint Houston owned 26,669 pole miles of overhead distribution lines and 3,612 circuit miles of overhead transmission lines, including 452 circuit miles operated at 69,000 volts, 2,083 circuit miles operated at 138,000 volts and 1,077 circuit miles operated at 345,000 volts.

Electric Lines -- Underground. As of December 31, 2004, CenterPoint Houston owned 15,244 circuit miles of underground distribution lines and 18.8 circuit miles of underground transmission lines, including 4.5 circuit miles operated at 69,000 volts and 14.3 circuit miles operated at 138,000 volts.

Substations. As of December 31, 2004, CenterPoint Houston owned 225 major substation sites having total installed rated transformer capacity of 46,424 megavolt amperes.

Service Centers. CenterPoint Houston operates 16 regional service centers located on a total of 404 acres of land. These service centers consist of office buildings, warehouses and repair facilities that are used in the business of transmitting and distributing electricity.

Franchises. CenterPoint Houston has franchise contracts with 90 of the 91 cities in its service area. The remaining city has enacted an ordinance that governs the placement of utility facilities in its streets. These franchises and this ordinance, typically having a term of 50 years, give CenterPoint Houston the right to construct, operate and maintain its transmission and distribution system within the streets and public ways of these municipalities for the purpose of delivering electric service to the municipality, its residents and businesses in exchange for payment of a fee. The franchise for the City of Houston is scheduled to expire in 2007.

NATURAL GAS DISTRIBUTION

Local Distribution Companies

CERC's natural gas distribution business engages in intrastate natural gas sales to, and natural gas transportation for, residential, commercial and industrial customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas through three unincorporated divisions: Houston Gas, Minnesota Gas and Southern Gas Operations. In an effort to increase brand recognition, the naming conventions of CERC's three unincorporated divisions were changed in 2004. CenterPoint Energy Arkla and the portion of CenterPoint Energy Entex (Entex) located outside of the metropolitan Houston area were renamed Southern Gas

Operations. The metropolitan Houston portion of Entex was renamed Houston Gas, and CenterPoint Energy Minnegasco was renamed Minnesota Gas. These operations are regulated as natural gas utility operations in the jurisdictions served by these divisions.

Houston Gas provides natural gas distribution services to approximately 1,030,000 customers in over 100 communities in the Houston metropolitan area. In 2004, approximately 99% of Houston Gas' total throughput was attributable to retail sales and approximately 1% was attributable to transportation services.

Minnesota Gas provides natural gas distribution services to approximately 750,000 customers in over 240 communities. The largest metropolitan area served by Minnesota Gas is Minneapolis. In 2004, approximately 91% of Minnesota Gas' total throughput was attributable to retail sales and approximately 9% was attributable to transportation services. Minnesota Gas also provides unregulated services consisting of heating, ventilating and air conditioning (HVAC) equipment and appliance repair, sales of HVAC, water heating and hearth equipment and home security monitoring.

Southern Gas Operations provides natural gas distribution services to approximately 1,260,000 customers in Arkansas, Louisiana, Mississippi, Oklahoma and Texas. The largest metropolitan areas served by Southern Gas Operations are Little Rock, Arkansas; Shreveport, Louisiana; Biloxi, Mississippi; Lawton, Oklahoma; and Laredo, Texas. In 2004, approximately 72% of Southern Gas Operations' total throughput was attributable to retail sales and approximately 28% was attributable to transportation services.

The demand for intrastate natural gas sales to, and natural gas transportation for, residential, commercial and industrial customers is seasonal. In 2004, approximately 70% of the total throughput of CERC's local distribution companies' business occurred in the first and fourth quarters. These patterns reflect the higher demand for natural gas for heating purposes during those periods.

Supply and Transportation. In 2004, Houston Gas purchased virtually all of its natural gas supply pursuant to contracts, with remaining terms varying from a few months to two years. Houston Gas' major suppliers in 2004 included American Electric Power Company (50% of supply volumes) and Kinder Morgan Texas Pipeline (27%). Numerous other suppliers provided the remaining 23% of Houston Gas' natural gas supply requirements. Houston Gas transports its natural gas supplies through various interstate and intrastate pipelines under contracts with remaining terms varying from one to five years.

In 2004, Minnesota Gas purchased virtually all of its natural gas supply pursuant to contracts, with remaining terms varying from a few months to four years. Minnesota Gas' major suppliers in 2004 included BP Canada Energy Marketing (61% of supply volumes), Occidental Energy Marketing (6%), Tenaska Marketing Ventures (6%), Prairielands Energy Marketing (4%) and Oneok Energy Services Company (4%). Numerous other suppliers provided the remaining 19% of Minnesota Gas' natural gas supply requirements. Minnesota Gas transports its natural gas supplies through various interstate pipelines under contracts with remaining terms varying from one to eight years.

In 2004, Southern Gas Operations purchased virtually all of its natural gas supply pursuant to contracts, with remaining terms varying from a few months to five years. Southern Gas Operations' major suppliers in 2004 included BP Energy Company (23% of supply volumes), CenterPoint Energy Gas Services (CEGS), a subsidiary of CERC Corp., (18%), Entergy-Koch, LP (12%), Oneok Energy Marketing and Trading LLC (8%), American Electric Power Company (6%) and Conoco Phillips Company (5%). Numerous other suppliers provided the remaining 28% of Southern Gas Operations' natural gas supply requirements. Southern Gas Operations transports its natural gas supplies through various intrastate and interstate pipelines including CenterPoint Energy's pipeline subsidiary.

Generally, the regulations of the states in which CERC's natural gas distribution business operates allow it to pass through changes in the costs of natural gas to its customers under purchased gas adjustment provisions in its tariffs.

Minnesota Gas and Southern Gas Operations use various leased or owned natural gas storage facilities to meet peak-day requirements and to manage the daily changes in demand due to changes in weather.

Minnesota Gas also supplements contracted supplies and storage from time to time with stored liquefied natural gas and propane-air plant production.

Minnesota Gas owns and operates an underground storage facility with a capacity of 7.0 billion cubic feet (Bcf). It has a working capacity of 2.1 Bcf available for use during a normal heating season and a maximum daily withdrawal rate of 50 million cubic feet (MMcf). It also owns nine propane-air plants with a total capacity of 204 MMcf per day and on-site storage facilities for 12 million gallons of propane (1.0 Bcf gas equivalent). Minnesota Gas owns liquefied natural gas plant facilities with a 12 million-gallon liquefied natural gas storage tank (1.0 Bcf gas equivalent) and a send-out capability of 72 MMcf per day.

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

Non-Rate Regulated Gas Sales and Services

CERC offers variable and fixed priced physical natural gas supplies to commercial and industrial customers and natural gas distributors through a number of subsidiaries, primarily CEGS. In 2004, CEGS marketed approximately 579 Bcf (including 134 Bcf to affiliates) of natural gas, transportation and related energy services to more than 6,000 customers which vary in size from small commercial to large utility companies in the central regions of the United States. These customers are served from offices located in Illinois, Louisiana, Minnesota, Missouri, Texas and Wisconsin. The business has three operational functions: wholesale, retail and intrastate pipelines further described below.

Wholesale Operations. CEGS offers a portfolio of physical delivery services and financial products designed to meet wholesale customers' supply and price risk management needs.

Retail Operations. CEGS also offers a variety of natural gas management services to smaller commercial and industrial customers including load forecasting, supply acquisition, daily swing volume management, invoice consolidation, storage asset management, firm and interruptible transportation administration and forward price management. CEGS manages transportation contracts and energy supply for retail customers in ten states.

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

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

As described above, CEGS offers its customers a variety of load following services. In providing these services, CEGS will use its customers' purchase commitments to forecast and arrange its own supply purchases and transportation services to serve customers' natural gas requirements. As a result of the variance between this forecast activity and the actual monthly activity, CEGS will either have too much supply or too little supply relative to its customers' purchase commitments. These supply imbalances arise each month as customers' natural gas requirements are scheduled and corresponding natural gas supplies are nominated by CEGS for delivery to these customers. CEGS' processes and risk control environment are designed to measure and value all supply imbalances on a real time basis to ensure that CEGS' exposure to commodity price and volume risk is kept to a minimum. The value assigned to these volumetric imbalances is calculated daily and is known as the aggregate Value at Risk (VaR). In 2004, CEGS' VaR averaged $0.2 million with a high of $1 million.

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

Assets

As of December 31, 2004, CERC owned approximately 65,000 linear miles of gas distribution mains, varying in size from one-half inch to 24 inches in diameter. Generally, in each of the cities, towns and rural areas served by CERC, we own the underground gas mains and service lines, metering and regulating equipment located on customers' premises and the district regulating equipment necessary for pressure maintenance. With a few exceptions, the measuring stations at which CERC receives gas are owned, operated and maintained by others, and its distribution facilities begin at the outlet of the measuring equipment. These facilities, including odorizing equipment, are usually located on the land owned by suppliers.

Competition

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

PIPELINES AND GATHERING

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

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

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

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

CERC's gathering operations are conducted by a wholly owned gas gathering subsidiary, CenterPoint Energy Field Services, Inc. (CEFS). CEFS is a natural gas gathering and processing business serving natural gas fields in the Midcontinent basin of the United States that interconnect with CEGT's and MRT's pipelines, as well as other interstate and intrastate pipelines. CEFS operates gathering pipelines, which collect natural gas from approximately 200 separate systems located in major producing fields in Arkansas, Louisiana, Oklahoma and Texas. CEFS, through its Service Star operating division, provides remote data monitoring and communications services to affiliates and third parties. The Service Star operating division currently provides monitoring activities at over 6,000 locations across Alabama, Arkansas, Kansas, Oklahoma, Louisiana, Mississippi, Missouri, New Mexico, Texas and Wyoming.

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

In 2004, approximately 22% of our total operating revenue from pipelines and gathering was attributable to services provided to Southern Gas Operations and approximately 9% was attributable to services to Laclede Gas Company (Laclede), an unaffiliated distribution company that provides natural gas utility service to the greater St. Louis metropolitan area in Illinois and Missouri. Services to Southern Gas Operations and Laclede are provided under several long-term firm storage and transportation agreements. The agreement to provide services to Laclede expires in 2007. Agreements for firm transportation, no notice transportation service and storage service in Southern Gas Operations' major service areas (Arkansas, Louisiana and Oklahoma) have recently been entered into and expire in 2012. The Oklahoma agreements are subject to the approval of the Oklahoma Corporation Commission (OCC).

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

Assets

We own and operate approximately 8,200 miles of gas transmission lines primarily located in Missouri, Illinois, Arkansas, Louisiana, Oklahoma and Texas. We also own and operate six natural gas storage fields with a combined daily deliverability of approximately 1.2 Bcf per day and a combined working gas capacity of approximately 59.0 Bcf. We also own a 10% interest in Gulf South Pipeline Company, LP's Bistineau storage facility. This facility has a total working gas capacity of 73.8 Bcf and approximately 1.1 Bcf per day of deliverability. Our storage capacity in the Bistineau facility is 8 Bcf of working gas with 100 MMcf per day of deliverability. Most of our storage operations are in north Louisiana and Oklahoma. We also own and operate approximately 4,300 miles of gathering pipelines that collect, treat and process natural gas from approximately 200 separate systems located in major producing fields in Arkansas, Louisiana, Oklahoma and Texas.

Competition

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

OTHER OPERATIONS

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

DISCONTINUED OPERATIONS

Texas Genco

Disposition. On December 14, 2004, Texas Genco merged with an indirect wholly owned subsidiary of CenterPoint Energy. As a result of the merger, Texas Genco became our indirect wholly owned subsidiary, and all of Texas Genco's publicly-held shares (other than 227 shares held by shareholders who validly perfected their dissenter's rights under Texas law) were converted into the right to receive $47 per share in cash without interest (the Merger Consideration) less any applicable withholding taxes. In connection with the merger, Texas Genco entered into a credit agreement (the Overnight Bridge Loan) under which it borrowed approximately $716 million on December 14, 2004 to finance the payment of the aggregate Merger Consideration payable as a result of the merger. Texas Genco's shares ceased to be publicly traded as of the close of trading on December 14, 2004. The merger was part of the first step of the sale transaction announced in July 2004 in which Texas Genco LLC (formerly known as GC Power Acquisition LLC), an entity owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group, agreed to acquire Texas Genco for approximately $3.65 billion in cash.

On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Texas Genco used approximately $716 million of the cash proceeds from the sale to repay the Overnight Bridge Loan and distributed $2.231 billion, consisting of the balance of the cash proceeds from the sale and cash on hand, to us. We used the proceeds primarily to repay outstanding indebtedness.

In connection with the sale of Texas Genco's fossil generation assets to Texas Genco LLC, Texas Genco, LP, a subsidiary of Texas Genco (Genco LP) also entered into a services agreement with Texas Genco LLC, under which Texas Genco LLC has agreed to provide at cost energy dispatch and coordination services to Genco LP, administer Genco LP's PUC-mandated capacity auctions and market Genco LP's excess capacity and energy to third parties. For those services, Genco LP will pay a monthly fee.

Following the sale of its fossil generation assets, Texas Genco's principal remaining asset is its interest in the South Texas Project. Texas Genco currently owns a 30.8% interest in the South Texas Project, which is subject to increase pursuant to the right of first refusal described below, and currently bears a corresponding 30.8% share of the capital and operating costs associated with the project.

In connection with the sale of Texas Genco's fossil generation assets to Texas Genco LLC, Genco LP entered into a power purchase and sale agreement with a subsidiary of Texas Genco LLC, which we refer to as the back-to-back power purchase agreement. Under this agreement, Genco LP has agreed to sell forward a substantial portion of Genco LP's total share of the energy from the South Texas Project through December 31, 2008. Genco LP has agreed to sell this energy on a unit-contingent basis, meaning that Genco LP will be excused (subject to the contingent payment for economic costs described below) from its obligations to deliver this energy to the extent the energy is unavailable as a result of a derating or forced outage at the South Texas Project or other specified causes.

During the period from the closing of the first step of the sale transaction until the closing of the second step, the pricing for the energy sold under the back-to-back power purchase agreement will be at the weighted-average price achieved by Texas Genco LLC on its firm forward sales in the South ERCOT zone, subject to payment by Genco LP to Texas Genco LLC, in the event the second step does not close, of 50% of the economic cost (i.e. liquidated damages payable to third parties or cost of cover) incurred by Texas Genco LLC during that period as a result of energy from the South Texas Project being unavailable to meet the contract quantity. After any termination of the transaction agreement, the pricing for this energy will be at 90% of such weighted-average price, with no contingent payment for economic costs. The transaction agreement may be terminated under various circumstances, including a failure to close the second step of the sale transaction by April 30, 2005 (which date may be extended by either party for up to two consecutive 90-day periods if NRC approval has not yet been obtained or is being contested and all other closing conditions are capable of being satisfied).

The second step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to us of $700 million, is expected to close during the first half of 2005 following receipt of approval from the NRC. Total cash proceeds to CenterPoint Energy from both steps of the transaction are expected to be $2.931 billion, or approximately $2.5 billion net of tax.

We recorded an after-tax loss of approximately $214 million in 2004 related to the sale of Texas Genco and an additional after-tax loss of $152 million offsetting our interest in Texas Genco's 2004 earnings. Until the sale of Texas Genco is complete, our interest in any future Texas Genco earnings will be offset by an increase in the loss on the pending sale. The consolidated financial statements included in this annual report on Form 10-K present Texas Genco's operations as discontinued operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144).

Right of First Refusal. On September 3, 2004, Genco LP signed an agreement to purchase a portion of AEP Texas Central Company's (AEP) 25.2% interest in the South Texas Project for approximately $174 million. Once the purchase is complete, Genco LP will own an additional 13.2% interest in the South Texas Project for a total of 44%, or approximately 1,100 MW. This purchase agreement was entered into pursuant to Genco LP's right of first refusal to purchase this interest when AEP announced its agreement to sell this interest to a third party. In addition to AEP's ownership interest and Genco LP's current 30.8% ownership, the 2,500 MW nuclear plant is currently 28%-owned by City Public Service of San Antonio (CPS) and 16%-owned by Austin Energy. CPS is expected to purchase AEP's remaining 12% ownership interest under its right of first refusal. The sale is subject to approval by the NRC. Texas Genco expects to fund the purchase of its share of AEP's interest, including reimbursements of draws under letters of credit, with existing cash balances that have been provided to cash collateralize the letters of credit as described below and, if necessary, cash expected to be generated through operations. If CPS were to fail to purchase the 12% interest it has agreed to acquire, Texas Genco would purchase AEP's entire 25.2% interest in the South Texas Project, in which case Texas Genco would need approximately $158 million of additional cash. We expect this transaction will be completed by the end of the second quarter of 2005.

In December 2004, prior to the consummation of the sale of Texas Genco's coal, lignite and gas-fired generation assets to Texas Genco LLC, the $250 million revolving credit facility of Genco LP was terminated and the then outstanding letters of credit aggregating $182 million issued under the facility in favor of AEP relating to the right of first refusal were cash collateralized at 105% of their face amount. In February 2005, Genco LP also established a $75 million term loan facility under which borrowings may be made for working capital purposes at the London interbank offered rate (LIBOR) plus 50 basis points. Two drawings aggregating $75 million may be made under the facility which matures on the earlier of August 2005 or the closing of the final step of the Texas Genco sale. An initial draw of $59 million was made in February 2005. This facility is secured by a lien on Texas Genco's equity and partnership interests in its subsidiaries and cash collateral accounts described above.

Fuel Supply. The South Texas Project satisfies its fuel supply requirements by acquiring uranium concentrates, converting uranium concentrates into uranium hexafluoride, enriching uranium hexafluoride, and fabricating nuclear fuel assemblies under a number of contracts covering a portion of the fuel requirements of the South Texas Project for uranium, conversion services, enrichment services and fuel fabrication. Other than a fuel fabrication agreement that extends for the life of the South Texas Project, these contracts have varying expiration dates, and most are short to medium term (less than seven years). We believe that sufficient capacity for nuclear fuel supplies and processing currently exists to permit normal operations of the South Texas Project's generating units.

Other

On September 30, 2002, we distributed to our shareholders on a pro-rata basis all of the shares of RRI common stock owned by us. The consolidated financial statements have been prepared to reflect the effect of the RRI distribution. The consolidated financial statements present the RRI businesses (Wholesale Energy, European Energy, Retail Energy and related corporate costs) as discontinued operations in accordance with SFAS No. 144. As a result of the spin-off of RRI, we recorded a non-cash loss on disposal of discontinued operations of $4.4 billion in 2002, which represented the excess of the carrying value of our investment in RRI over the market value of RRI common stock at the time of the RRI Distribution.

In February 2003, we sold our interest in Argener, a cogeneration facility in Argentina, for $23 million. The carrying value of this investment was approximately $11 million as of December 31, 2002. We recorded an after-tax gain of $7 million from the sale of Argener in the first quarter of 2003. In April 2003, we sold our final remaining investment in Argentina, a 90 percent interest in Empresa Distribuidora de Electricidad de Santiago del Estero S.A. We recorded an after-tax loss of $3 million in the second quarter of 2003 related to our Latin America operations. We have completed our strategy of exiting all of our international investments. The consolidated financial statements present these operations as discontinued operations in accordance with SFAS No. 144.

In November 2003, we sold CenterPoint Energy Management Services (CEMS), a business that provides district cooling services in the Houston, Texas central business district and related complementary energy services to district cooling customers and others. The assets and liabilities of this business have been classified in the Consolidated Balance Sheets as discontinued operations. We recorded an after-tax loss of $1 million from the sale of CEMS in the fourth quarter of 2003. We recorded an after-tax loss in discontinued operations of $16 million ($25 million pre-tax) during the second quarter of 2003 to record the impairment of the CEMS long-lived assets based on the impending sale and to record one-time termination benefits. The consolidated financial statements present these operations as discontinued operations in accordance with SFAS No. 144.

FINANCIAL INFORMATION ABOUT SEGMENTS

For financial information about our segments, see Note 15 to our consolidated financial statements, which note is incorporated herein by reference.

REGULATION

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

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

As a registered public utility holding company, we and our subsidiaries are subject to a comprehensive regulatory scheme imposed by the SEC in order to protect customers, investors and the public interest. Although the SEC does not regulate rates and charges under the 1935 Act, it does regulate the structure, financing, lines of business and internal transactions of public utility holding companies and their system companies. In order to obtain financing, acquire additional public utility assets or stock, or engage in other significant transactions, we are generally required to obtain approval from the SEC under the 1935 Act.

We received an order from the SEC under the 1935 Act on June 30, 2003 and supplemental orders thereafter relating to our financing activities and those of our regulated subsidiaries, as well as other matters. The orders are effective until June 30, 2005. As of December 31, 2004, the orders generally permitted us and our subsidiaries to issue securities to refinance indebtedness outstanding at June 30, 2003, and authorized us and our subsidiaries to issue certain incremental external debt securities and common and preferred stock through June 30, 2005 in specified amounts, without prior authorization from the SEC. The orders also contain certain requirements regarding ratings of our securities, interest rates, maturities, issuance expenses and use of proceeds. The orders generally require that CenterPoint Houston and CERC maintain a ratio of common equity to total capitalization of at least 30%. We intend to file an application for approval of our post-June 30, 2005 financing activities.

Pursuant to requirements of the orders, we formed a service company, CenterPoint Energy Service Company, LLC (Service Company), that began operation as of January 1, 2004, to provide certain corporate and shared services to our subsidiaries. Those services are provided pursuant to service arrangements that are in a form prescribed by the SEC. Services are provided by the Service Company at cost and are subject to oversight and periodic audit from the SEC.

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.

FEDERAL ENERGY REGULATORY COMMISSION

The FERC has jurisdiction under the Natural Gas Act and the Natural Gas Policy Act of 1978, as amended, to regulate the transportation of natural gas in interstate commerce and natural gas sales for resale in intrastate commerce that are not first sales. The FERC regulates, among other things, the construction of pipeline and related facilities used in the transportation and storage of natural gas in interstate commerce, including the extension, expansion or abandonment of these facilities. The rates charged by interstate pipelines for interstate transportation and storage services are also regulated by the FERC.

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

On November 25, 2003, the FERC issued Order No. 2004, the final rule modifying the Standards of Conduct applicable to electric and natural gas transmission providers, governing the relationship between regulated transmission providers and certain of their affiliates. During 2004, the FERC Order was amended three times. The rule significantly changes and expands the regulatory burdens of the Standards of Conduct and applies essentially the same standards to jurisdictional electric transmission providers and natural gas pipelines. On February 9, 2004, our natural gas pipeline subsidiaries filed Implementation Plans required under the new rule. Those subsidiaries were further required to post their Implementation Procedures on their websites by September 22, 2004, and to be in compliance with the requirements of the new rule by that date.

CenterPoint Houston is not a "public utility" under the Federal Power Act and therefore is not generally regulated by the FERC, although certain of its transactions are subject to limited FERC jurisdiction.

STATE AND LOCAL REGULATION

Electric Transmission & Distribution. CenterPoint Houston conducts its operations pursuant to a certificate of convenience and necessity issued by the Texas Utility Commission that covers its present service area and facilities. In addition, CenterPoint Houston holds non-exclusive franchises, typically having a term of 50 years, from the incorporated municipalities in its service territory. These franchises give CenterPoint Houston the right to construct, operate and maintain its transmission and distribution system within the streets and public ways of these municipalities for the purpose of delivering electric service to the municipality, its residents and businesses in exchange for payment of a fee. The franchise for the City of Houston is scheduled to expire in 2007.

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

CenterPoint Houston's distribution rates charged to retail electric providers for residential customers are based on amounts of energy delivered, whereas distribution rates for a majority of commercial and industrial customers are based on peak demand. Transmission rates charged to other distribution companies are based on amounts of energy transmitted under "postage stamp" rates that do not vary with the distance the energy is being transmitted. All distribution companies in ERCOT pay CenterPoint Houston the same rates and other charges for transmission services. The transmission and distribution rates for CenterPoint Houston have been in effect since January 1, 2002, when electric competition began. This regulated delivery charge includes the transmission and distribution rate (which includes costs for nuclear decommissioning and municipal franchise fees), a system benefit fund fee imposed by the Texas electric restructuring law, a transition charge associated with securitization of regulatory assets and an excess mitigation credit imposed by the Texas Utility Commission.

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

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

In 2004, the City of Houston, 28 other cities and the Railroad Commission approved a settlement that increased Houston Gas' base rate and service charge revenues by approximately $14 million annually.

In February 2004, the Louisiana Public Service Commission (LPSC) approved a settlement that increased Southern Gas Operations' base rate and service charge revenues in its South Louisiana Division by approximately $2 million annually.

In July 2004, Minnesota Gas filed an application for a general rate increase of $22 million with the Minnesota Public Utilities Commission (MPUC). Minnesota Gas and the Minnesota Department of Commerce have agreed to a settlement of all issues, including an annualized increase in the amount of $9 million, subject to approval by the MPUC. A final decision on this rate relief request is expected from the MPUC in the second quarter of 2005. Interim rates of $17 million on an annualized basis became effective on October 1, 2004, subject to refund.

In July 2004, the LPSC approved a settlement that increased Southern Gas Operations' base rate and service charge revenues in its North Louisiana Division by approximately $7 million annually.

In October 2004, Southern Gas Operations filed an application for a general rate increase of approximately $3 million with the Railroad Commission for rate relief in the unincorporated areas of its Beaumont, East Texas and South Texas Divisions. The Railroad Commission staff has begun its review of the request, and a decision is anticipated in April 2005.

In November 2004, Southern Gas Operations filed an application for a general rate increase of approximately $34 million with the Arkansas Public Service Commission (APSC). The APSC staff has begun its review of the request, and a decision is anticipated in the second half of 2005.

In December 2004, the OCC approved a settlement that increased Southern Gas Operations' base rate and service charge revenues in Oklahoma by approximately $3 million annually.

DEPARTMENT OF TRANSPORTATION

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

In December 2003, the Department of Transportation Office of Pipeline Safety issued the final regulations to implement the Act. These regulations became effective on February 14, 2004 and provided guidance on, among other things, the areas that should be classified as HCA. Our interstate pipelines developed and implemented a written pipeline integrity management program in 2004, meeting the Department of Transportation Office of Pipeline Safety requirement of having the program in place by December 17, 2004.

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

ENVIRONMENTAL MATTERS

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

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

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

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

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

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

- construct or acquire new equipment;

- acquire permits for facility operations;

- modify or replace existing and proposed equipment; and

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

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

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

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

AIR EMISSIONS

Our operations are subject to the federal Clean Air Act and comparable state laws and regulations. These laws and regulations regulate emissions of air pollutants from various industrial sources, including our processing plants and compressor stations, and also impose various monitoring and reporting requirements. Such laws and regulations may require that we obtain pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions or result in the increase of existing air emissions, obtain and strictly comply with air permits containing various emissions and operational limitations, or utilize specific emission control technologies to limit emissions. Our failure to comply with these requirements could subject us to monetary penalties, injunctions, conditions or restrictions on operations, and potentially criminal enforcement actions. We may be required to incur certain capital expenditures in the future for air pollution control equipment in connection with obtaining and maintaining operating permits and approvals for air emissions. We believe, however, that our operations will not be materially adversely affected by such requirements, and the requirements are not expected to be any more burdensome to us than to any other similarly situated companies.

WATER DISCHARGES

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

HAZARDOUS WASTE

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

LIABILITY FOR REMEDIATION

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

LIABILITY FOR PREEXISTING CONDITIONS

Hydrocarbon Contamination. CERC Corp. and certain of its subsidiaries are among the defendants in lawsuits filed beginning in August 2001 in Caddo Parish and Bossier Parish, Louisiana. The suits allege that, at some unspecified date prior to 1985, the defendants allowed or caused hydrocarbon or chemical contamination of the Wilcox Aquifer, which lies beneath property owned or leased by certain of the defendants and which is the sole or primary drinking water aquifer in the area. The primary source of the contamination is alleged by the plaintiffs to be a gas processing facility in Haughton, Bossier Parish, Louisiana known as the "Sligo Facility," which was formerly operated by a predecessor in interest of CERC Corp. This facility was purportedly used for gathering natural gas from surrounding wells, separating gasoline and hydrocarbons from the natural gas for marketing, and transmission of natural gas for distribution. Beginning about 1985, the predecessors of certain CERC Corp. defendants engaged in a voluntary remediation of any subsurface contamination of the groundwater below the property they owned or leased. This work has been done in conjunction with and under the direction of the Louisiana Department of Environmental Quality. The plaintiffs seek monetary damages for alleged damage to the aquifer underlying their property, unspecified alleged personal injuries, alleged fear of cancer, alleged property damage or diminution of value of their property, and, in addition, seek damages for trespass, punitive, and exemplary damages. We believe the ultimate cost associated with resolving this matter will not have a material impact on our financial condition or results of operations or that of CERC.

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

At December 31, 2004, CERC had accrued $18 million for remediation of certain Minnesota sites. At December 31, 2004, the estimated range of possible remediation costs for these sites was $7 million to $42 million based on remediation continuing for 30 to 50 years. The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites to be remediated, the participation of other potentially responsible parties (PRP), if any, and the remediation methods used. CERC has utilized an environmental expense tracker mechanism in its rates in Minnesota to recover estimated costs in excess of insurance recovery. As of December 31, 2004, CERC has collected or accrued $13 million from insurance companies and ratepayers to be used for future environmental remediation.

In addition to the Minnesota sites, the EPA and other regulators have investigated MGP sites that were owned or operated by CERC or may have been owned or operated by one of its former affiliates. CERC has not been named by these agencies as a PRP for any of those sites. CERC has been named as a defendant in lawsuits under which contribution is sought for the cost to remediate former MGP sites based on the previous ownership of such sites by former affiliates of CERC or its divisions. We are investigating details regarding these sites and the range of environmental expenditures for potential remediation. However, CERC believes it is not liable as a former owner or operator of those sites under CERCLA and applicable state statutes, and is vigorously contesting those suits.

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

Other Environmental. From time to time, we have received notices from regulatory authorities or others regarding our status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. Although their ultimate outcome cannot be predicted at this time, we do not believe, based on our experience to date, that these matters, either individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

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

REGULATORY AND ENVIRONMENTAL MATTERS RELATING TO DISCONTINUED OPERATIONS

Nuclear Regulatory Commission. Texas Genco is subject to regulation by the NRC with respect to the operation of the South Texas Project nuclear facility. This regulation involves testing, evaluation and modification of all aspects of plant operation in light of NRC safety and environmental requirements. Continuous demonstrations to the NRC that plant operations meet applicable requirements are also required. The NRC has the ultimate authority to determine whether any nuclear-powered generating unit may operate.

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

Nuclear Waste. Under the U.S. Nuclear Waste Policy Act of 1982, the federal government was to create a federal repository for spent nuclear fuel produced by nuclear plants like the South Texas Project. Also pursuant to that legislation a special assessment has been imposed on those nuclear plants to pay for the facility. Consistent with the Act, owners of nuclear facilities, including Texas Genco and the other owners of the South Texas Project, entered into contracts setting out the obligations of the owners and U.S. Department of Energy (DOE). Since 1998, DOE has been in default on its obligations to begin moving spent nuclear fuel from reactors to the federal repository (which still is not completed). In January 2004, Texas Genco and the other owners of the South Texas Project, along with owners of other nuclear plants, filed a breach of contract suit against DOE in order to protect against the running of a statute of limitations.

In conjunction with Texas Genco's 30.8% ownership interest in the South Texas Project, Texas Genco bears a proportionate share of responsibility associated with the proper handling and disposal of high-level radioactive waste (spent nuclear fuel) as well as low-level radioactive waste. The South Texas Project has on-site storage facilities with the capability to store the spent nuclear fuel, and currently does store such waste on-site, per the requirements established by the NRC. There is adequate on-site storage at the South Texas Project for high-level radioactive waste over the licensed life of the two generating units.

The 1980 Federal Low-Level Radioactive Waste Policy Act directed states to assume responsibility for the disposal of low-level radioactive waste generated within their borders. Texas does not currently have any waste disposal locations available for low-level radioactive waste. Private waste management companies are seeking to develop sites in Texas but Texas Genco cannot predict when such a site may be available. South Carolina and New Mexico operate low-level radioactive waste disposal sites that accept low-level radioactive waste from Texas. The South Texas Project disposes of its low-level radioactive waste in both South Carolina and New Mexico under short-term annual agreements. In the event that both South Carolina and New Mexico stop accepting waste in the future, and until a Texas site is functional, the South Texas Project has storage for at least five years of low-level radioactive waste generated by the project.

EMPLOYEES

As of December 31, 2004, we had 9,093 full-time employees. The following table sets forth the number of our employees by business segment:

BUSINESS SEGMENT	NUMBER	NUMBER REPRESENTED BY UNIONS OR OTHER COLLECTIVE BARGAINING GROUPS
Electric Transmission & Distribution	2,952	1,272
Natural Gas Distribution	4,517	1,538
Pipelines and Gathering	677	--
Other Operations	947	--
Total	9,093	2,810

As of December 31, 2004, approximately 31% of the Company's employees are subject to collective bargaining agreements. Four of these agreements, covering approximately 9% of the Company's employees, have expired or will expire in 2005.

EXECUTIVE OFFICERS
(AS OF MARCH 1, 2005)

NAME	AGE	TITLE
David M. McClanahan.......................	55	President and Chief Executive Officer and Director
Scott E. Rozzell..........................	55	Executive Vice President, General Counsel and Corporate Secretary
Gary L. Whitlock..........................	55	Executive Vice President and Chief Financial Officer
James S. Brian............................	57	Senior Vice President and Chief Accounting Officer
Byron R. Kelley...........................	57	Senior Vice President and Group President and Chief Operating Officer, CenterPoint Energy Pipelines and Field Services
Thomas R. Standish........................	55	Senior Vice President and Group President and Chief Operating Officer, CenterPoint Houston

DAVID M. MCCLANAHAN has been President and Chief Executive Officer and a director of CenterPoint Energy since September 2002. He served as Vice Chairman of Reliant Energy from October 2000 to September 2002 and as President and Chief Operating Office of Reliant Energy's Delivery Group from April 1999 to September 2002. He also served as the President and Chief Operating Officer of Reliant Energy HL&P, the electric utility division of Reliant Energy, from 1997 to 1999. He has served in various executive capacities with CenterPoint Energy since 1986. He previously served as Chairman of the Board of Directors of ERCOT and Chairman of the Board of the University of St. Thomas in Houston. He currently serves on the boards of the Edison Electric Institute and the American Gas Association.

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

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

JAMES S. BRIAN has served as Senior Vice President and Chief Accounting Officer of CenterPoint Energy since August 2002. He served as Senior Vice President, Finance and Administration of the Delivery Group of Reliant Energy from 1999 to August 2002, and as Vice President and Chief Financial Officer of Reliant Energy HL&P from 1997 to 1999. Mr. Brian has served in various executive capacities with CenterPoint Energy since 1983.

BYRON R. KELLEY has served as Senior Vice President and Group President and Chief Operating Officer of CenterPoint Energy Pipelines and Field Services since June 2004, having previously served as President and Chief Operating Officer of CenterPoint Energy Pipelines and Field Services since May 2003. Prior to joining CenterPoint Energy he served as President of El Paso International, a subsidiary of El Paso Corporation, from January 2001 to August 2002 and as Executive Vice President of Development, Operations and Engineering from March 1999 through December 2000. He currently serves on the Board of Directors of the Interstate Natural Gas Association of America.

THOMAS R. STANDISH has served as Senior Vice President and Group President and Chief Operating Officer of CenterPoint Houston since June 2004, having previously served as President and Chief Operating Officer of CenterPoint Houston since August 2002. He served as President and Chief Operating Officer for both electricity and natural gas for Reliant Energy's Houston area from 1999 until August 2002, and as Senior Vice President of Distribution Customer Service for Reliant Energy HL&P from 1997 to 1999. Mr. Standish has served in various executive capacities with CenterPoint Energy since 1993. He currently serves on the Board of Directors of ERCOT.

RISK FACTORS

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.

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. 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. 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.

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 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. 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. While rate regulation in Texas is premised on providing an opportunity to recover reasonable and necessary operating expenses and to earn a reasonable return on its invested capital, there can be no assurance that the regulatory process in which rates are determined will 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. While rate regulation in the applicable jurisdictions is, generally, premised on providing an opportunity to recover reasonable and necessary operating expenses and to earn a reasonable return on invested capital, there can be no assurance that the regulatory process in which rates are determined will 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, AND ITS PIPELINES AND GATHERING BUSINESSES MUST COMPETE DIRECTLY WITH OTHERS IN THE TRANSPORTATION, STORAGE, GATHERING, TREATING AND PROCESSING OF NATURAL GAS.

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.

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 AFFECTING TEXAS GENCO

Until the closing of the merger of Texas Genco with a subsidiary of Texas Genco LLC, which is expected to occur during the first half of 2005 following receipt of approval from the NRC, Texas Genco's operations at the South Texas Project nuclear generating station will continue to be a part of our business. The application for approval is currently pending before the NRC.

TEXAS GENCO HAS SOLD FORWARD A SUBSTANTIAL PORTION OF ITS SHARE OF THE POWER GENERATED BY THE SOUTH TEXAS PROJECT TO TEXAS GENCO LLC. ACCORDINGLY, TEXAS GENCO'S RESULTS OF OPERATIONS, FINANCIAL CONDITION AND CASH FLOWS COULD BE ADVERSELY AFFECTED IF TEXAS GENCO LLC FAILS TO MEET ITS PURCHASE OBLIGATIONS.

In connection with the sale of Texas Genco's fossil generation assets to Texas Genco LLC, Genco LP entered into a power purchase and sale agreement with Texas Genco LLC, which we refer to as the back-to-back power purchase agreement. Under this agreement, Genco LP has sold forward a substantial portion of Genco LP's share of the energy from the South Texas Project through December 31, 2008. In the event Texas Genco LLC fails to meet its purchase obligations under the back-to-back power purchase agreement, Texas Genco's results of operations, financial condition and cash flows could be adversely affected. As of December 31, 2004, Texas Genco LLC's securities ratings were below investment grade.

TEXAS GENCO IS SUBJECT TO OPERATIONAL AND MARKET RISKS ASSOCIATED WITH ITS FUTURE CAPACITY AUCTIONS AND OTHER FUTURE SALES.

Although Texas Genco has already sold forward a substantial portion of its share of the energy from the South Texas Project, it currently remains obligated to sell 15% of its share of installed generation capacity from the South Texas Project and related ancillary services pursuant to PUC-mandated auctions. In these auctions, Texas Genco will be required to sell firm entitlements on a forward basis to capacity and ancillary services dispatched within specified operational constraints. In addition to its capacity auctions, Texas Genco may from time to time sell any excess capacity or energy generated by the South Texas Project forward on a firm or interruptible basis. Accordingly, unanticipated unit outages or other problems with the South Texas Project could result in Texas Genco's firm capacity and ancillary services commitments under its future capacity auctions or other future sales exceeding its available generation capacity. As a result, an unexpected outage at the South Texas Project could require Texas Genco to obtain replacement power from third parties in the open market in order to satisfy its obligations. The cost of any such replacement power would likely exceed the cost of generating power at the South Texas Project.

Under the Texas electric restructuring law, Texas Genco and other power generators in Texas are not subject to traditional cost-based regulation and, therefore, may sell electric generation capacity, energy and ancillary services to wholesale purchasers at prices determined by the market. As a result, Texas Genco is not guaranteed any rate of return on its capital investments through mandated rates, and its revenues and results of operations associated with future sales depend, in part, upon prevailing market prices for electricity in the ERCOT market. Market prices for electricity, generation capacity, energy and ancillary services may fluctuate substantially. The gross margins generated by Texas Genco's future sales will be directly impacted by natural gas prices. Because the South Texas Project's fuel costs are largely fixed under contracts, they are generally not subject to significant daily and monthly fluctuations. However, the market price for power in the ERCOT market is directly affected by the price of natural gas because natural gas is the marginal fuel for facilities serving the ERCOT market during most hours. As a result, the price customers are willing to pay for entitlements to Texas Genco's future capacity not sold forward under the back-to-back power purchase agreement will generally rise and fall with natural gas prices.

Market prices in the ERCOT market may also fluctuate substantially due to other factors. Such fluctuations may occur over relatively short periods of time. Volatility in market prices may result from:

- oversupply or undersupply of generation capacity;

- power transmission or fuel transportation constraints or inefficiencies;

- weather conditions;

- seasonality;

- availability and market prices for natural gas or other fuels;

- changes in electricity usage;

- additional supplies of electricity from existing competitors or new market entrants as a result of the development of new generation facilities or additional transmission capacity;

- illiquidity in the ERCOT market;

- availability of competitively priced alternative energy sources;

- natural disasters, wars, embargoes, terrorist attacks and other catastrophic events; and

- federal and state energy and environmental regulation and legislation.

IF THE SALE OF TEXAS GENCO TO TEXAS GENCO LLC IS NOT COMPLETED, TEXAS GENCO MAY BE OBLIGATED TO PAY LIQUIDATED DAMAGES TO TEXAS GENCO LLC RELATING TO COSTS INCURRED BY TEXAS GENCO LLC AS A RESULT OF ENERGY FROM THE SOUTH TEXAS PROJECT BEING UNAVAILABLE AND THE PRICING OF ENERGY TEXAS GENCO SELLS UNDER THE BACK-TO-BACK POWER PURCHASE AGREEMENT WILL BE REDUCED IN THE FUTURE.

During the period from December 15, 2004 until the closing of the sale of Texas Genco to Texas Genco LLC, the price for the energy sold by Texas Genco under the back-to-back power purchase agreement will be the weighted-average price achieved by Texas Genco LLC on its firm forward sales in the South ERCOT zone. However, in the event the sale does not close, Genco LP will be obligated to pay Texas Genco LLC 50% of the economic cost (i.e. liquidated damages payable to third parties or cost of cover) Texas Genco LLC incurs as a result of energy from the South Texas Project being unavailable to meet the contract quantity during the period from December 15, 2004 to the termination of the agreement governing the sale of Texas Genco. In addition, after any termination of this sale agreement, the pricing for the energy sold under the back-to-back power purchase agreement will be 90% of such weighted-average price, with no contingent payment for economic costs. The sale agreement may be terminated under various circumstances, including a failure to close the second step of the sale transaction by April 30, 2005 (which date may be extended by either party for up to two consecutive 90-day periods if NRC approval has not yet been obtained or is being contested and all other closing conditions are capable of being satisfied). We currently expect to obtain NRC approval in the first half of 2005.

THERE COULD BE A SIGNIFICANT DISRUPTION IN TEXAS GENCO'S OPERATIONS IF TEXAS GENCO LLC FAILS TO PERFORM ITS OBLIGATIONS UNDER THE SERVICES AGREEMENT.

In connection with the sale of Texas Genco's fossil generation assets to Texas Genco LLC, Genco LP entered into a services agreement with Texas Genco LLC under which Texas Genco LLC has agreed to, among other things, provide energy scheduling services to Genco LP, administer Genco LP's PUC-mandated capacity auctions and administer Genco LP's energy sales transactions. In the event Texas Genco LLC fails to perform its obligations under the services agreement or the services agreement is terminated, Texas Genco will be required to engage another service provider or develop the infrastructure to resume the functions being performed by Texas Genco LLC under the services agreement. If Texas Genco is unable to do so, there could be a significant disruption in its operations.

THE OPERATION OF THE SOUTH TEXAS PROJECT INVOLVES RISKS THAT COULD ADVERSELY AFFECT TEXAS GENCO'S REVENUES, COSTS, RESULTS OF OPERATIONS, FINANCIAL CONDITION AND CASH FLOWS.

The South Texas Project is owned as a tenancy in common among Genco LP and other co-owners. Each co-owner has an undivided ownership interest in the two nuclear-fueled generating units and the electrical output from those units. Genco LP currently owns a 30.8% interest in the South Texas Project and currently bears a corresponding 30.8% share of the capital and operating costs associated with the project. This interest is subject to increase by up to an additional 25.2% pursuant to Texas Genco's exercise of its right of first refusal as described under "Our Business -- Discontinued Operations -- Texas Genco -- Right of First Refusal." This purchase may occur prior to the completion of the sale of Texas Genco to Texas Genco LLC. Genco LP and the other co-owners have organized the STP Nuclear Operating Company (STPNOC) to operate and maintain the South Texas Project. STPNOC is managed by a board of directors composed of one director appointed by each of the co-owners, along with the chief executive officer of STPNOC. The ownership of an interest in and operation of the South Texas Project are subject to various risks, any of which could adversely affect Texas Genco's revenues, costs, results of operations, financial condition and cash flows. These risks include:

- liability associated with the potential harmful effects on the environment and human health resulting from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials;

- limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with nuclear operations;

- uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives;

- breakdown or failure of equipment or processes;

- operating performance below expected levels of output or efficiency;

- disruptions in the transmission of electricity;

- shortages of equipment, material or labor;

- labor disputes;

- fuel supply interruptions;

- limitations that may be imposed by regulatory requirements, including, among others, environmental standards;

- limitations imposed by the ERCOT ISO;

- governmental action, including on a preemptive basis;

- violations of permit limitations;

- operator error; and

- catastrophic events such as fires, hurricanes, explosions, floods, terrorist attacks or other similar occurrences.

The South Texas Project may require significant capital expenditures to keep it operating at high efficiency and to meet regulatory requirements and is also likely to require periodic upgrading and improvement. Any unexpected failure to produce power, including failure caused by breakdown or forced outage, could result in increased costs of operations and reduced earnings.

THE POWER GENERATED BY THE SOUTH TEXAS PROJECT IS TRANSMITTED THROUGH POWER TRANSMISSION AND DISTRIBUTION FACILITIES THAT TEXAS GENCO DOES NOT OWN OR CONTROL. IF TRANSMISSION SERVICE IS DISRUPTED DUE TO A FORCE MAJEURE EVENT, TEXAS GENCO LLC WILL NOT BE OBLIGATED TO PURCHASE POWER FROM GENCO LP UNDER THE BACK-TO-BACK POWER PURCHASE AGREEMENT DURING THE COURSE OF SUCH OUTAGE.

The power generated by the South Texas Project is transmitted through transmission and distribution facilities owned and operated by CenterPoint Houston and by others. If transmission service is disrupted due to a force majeure event, Texas Genco LLC will not be obligated to purchase power from Genco LP under the back-to-back power purchase agreement during the course of such outage, which would adversely impact Texas Genco's results of operations, financial condition and cash flows.

TEXAS GENCO'S RESULTS OF OPERATIONS, FINANCIAL CONDITION AND CASH FLOWS COULD BE ADVERSELY IMPACTED BY A DISRUPTION OF FUEL SUPPLIES FOR THE SOUTH TEXAS PROJECT.

The South Texas Project satisfies its fuel supply requirements by acquiring uranium concentrates, converting uranium concentrates into uranium hexafluoride, enriching uranium hexafluoride, and fabricating nuclear fuel assemblies under a number of contracts covering a portion of the fuel requirements of the South Texas Project for uranium, conversion services, enrichment services and fuel fabrication. Other than a fuel fabrication agreement that extends for the life of the South Texas Project, these contracts have varying expiration dates, and most are short to medium term (less than seven years). We believe that sufficient capacity for nuclear fuel supplies and processing currently exists to permit normal operations of the South Texas Project's nuclear powered generating units, however, any disruption in fuel supplies or processing services could adversely affect Texas Genco's results of operations, financial condition and cash flows.

TEXAS GENCO'S OPERATIONS ALSO ARE SUBJECT TO EXTENSIVE REGULATION, INCLUDING ENVIRONMENTAL REGULATIONS. IF TEXAS GENCO FAILS TO COMPLY WITH APPLICABLE REGULATIONS OR TO OBTAIN OR MAINTAIN ANY NECESSARY GOVERNMENTAL PERMIT OR APPROVAL, IT MAY BE SUBJECT TO CIVIL, ADMINISTRATIVE AND/OR CRIMINAL PENALTIES THAT COULD ADVERSELY IMPACT ITS RESULTS OF OPERATIONS, FINANCIAL CONDITION AND CASH FLOWS.

Texas Genco's operations are subject to complex and stringent energy, environmental and other governmental laws and regulations. The acquisition, ownership and operation of power generation facilities require numerous permits, approvals and certificates from federal, state and local governmental agencies. These facilities are subject to regulation by the Texas Utility Commission regarding non-rate matters. Existing regulations may be revised or reinterpreted, new laws and regulations may be adopted or become applicable to Texas Genco or any of its generation facilities or future changes in laws and regulations may have a detrimental effect on its business.

Operation of the South Texas Project is subject to regulation by the NRC. This regulation involves testing, evaluation and modification of all aspects of plant operation in light of NRC safety and environmental requirements. Continuous demonstrations to the NRC that plant operations meet applicable requirements are also required. The NRC has the ultimate authority to determine whether any nuclear powered generating unit may operate. The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines, shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Any revised safety requirements promulgated by the NRC could necessitate substantial capital expenditures at nuclear plants. In addition, although we have no reason to anticipate a serious nuclear incident at the South Texas Project, if an incident were to occur, it could have a material adverse effect on Texas Genco's results of operations, financial condition and cash flows.

Water for certain of Texas Genco's facilities is obtained from public water authorities. New or revised interpretations of existing agreements by those authorities or changes in price or availability of water may have a detrimental effect on Texas Genco's business.

Texas Genco's business is subject to extensive environmental regulation by federal, state and local authorities. Texas Genco is required to comply with numerous environmental laws and regulations and to obtain numerous governmental permits in operating its facilities. Texas Genco may incur significant additional costs to comply with these requirements. If Texas Genco were to fail to comply with these requirements or with any other regulatory requirements that apply to its operations, it could be subject to administrative, civil and/or criminal liability and fines, and regulatory agencies could take other actions seeking to curtail its operations. These liabilities or actions could adversely impact its results of operations, financial condition and cash flows.

Existing environmental regulations could be revised or reinterpreted, new laws and regulations could be adopted or become applicable to Texas Genco or its facilities, and future changes in environmental laws and regulations could occur, including potential regulatory and enforcement developments related to air emissions. If any of these events were to occur, Texas Genco's business, results of operations, financial condition and cash flows could be adversely affected.

STPNOC may not be able to obtain or maintain from time to time all required environmental regulatory approvals. If there is a delay in obtaining any required environmental regulatory approvals or if STPNOC fails to obtain and comply with them, it may not be able to operate the South Texas Project or it may be required to incur additional costs. Texas Genco is generally responsible for its proportionate share of on-site liabilities associated with the environmental condition of the South Texas Project, regardless of when the liabilities arose and whether the liabilities are known or unknown. These liabilities may be substantial.

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 and our ability to monetize our remaining interest in Texas Genco;

- 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. In addition, we will receive an additional $700 million from the sale of Texas Genco and its remaining operations, which is scheduled to occur in the first half of 2005 but remains subject to various conditions, including approval of the NRC.

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

IF THE SALE OF CENTERPOINT ENERGY'S INTEREST IN TEXAS GENCO TO TEXAS GENCO LLC DOES NOT CLOSE, CENTERPOINT ENERGY MAY PURSUE OTHER MEANS FOR MONETIZING ITS REMAINING INTEREST IN TEXAS GENCO AND NO ASSURANCE CAN BE GIVEN THAT SUCH EFFORTS WOULD BE SUCCESSFUL.

On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash, of which $2.231 billion was distributed to CenterPoint Energy. The sale was part of the first step of the transaction previously announced in July 2004 in which Texas Genco LLC (formerly known as GC Power Acquisition LLC), an entity owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group, agreed to acquire Texas Genco for approximately $3.65 billion in cash. The second step of the transaction, in which Texas Genco is expected to merge with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to CenterPoint Energy of $700 million, is expected to close during the first half of 2005 following receipt of approval from the NRC. The closing of the second step of the overall sale transaction is subject to various closing conditions, including receipt of approval from the NRC. If the conditions are not satisfied and the second step does not close, CenterPoint Energy will not receive the $700 million it currently expects Texas Genco LLC to pay as consideration for CenterPoint Energy's interest in Texas Genco. In such an event, CenterPoint Energy may pursue other means for monetizing its remaining interest in Texas Genco and no assurance can be given that such efforts would be successful.

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. While we may seek to use interest rate swaps in order to hedge portions of our floating-rate debt, we may not be successful in obtaining hedges on acceptable terms. 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 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 Annual Report on Form 10-K for the year ended December 31, 2004 that as of December 31, 2004 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. Although authorized levels of financing, together with current levels of liquidity, are believed to be adequate during the period the order is effective, unforeseen events could result in capital needs in excess of authorized amounts, necessitating further authorization from the SEC. Approval of filings under the 1935 Act can take extended periods.

We must seek 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, but there can be no assurance that the SEC would 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. We cannot assure you that insurance coverage will be available in the future at current costs or on commercially reasonable terms or that the insurance proceeds received for any loss of, or any damage to, any of our facilities will be sufficient to restore the loss or damage without negative impact on our results of operations, financial condition and cash flows.

Texas Genco and the other owners of the South Texas Project maintain nuclear property and nuclear liability insurance coverage as required by law and periodically review available limits and coverage for additional protection. The owners of the South Texas Project currently maintain $2.75 billion in property damage insurance coverage, which is above the legally required minimum, but is less than the total amount of insurance currently available for such losses. Under the federal Price Anderson Act, the maximum liability to the public of owners of nuclear power plants was $10.8 billion as of December 31, 2004. Owners are required under the Price Anderson Act to insure their liability for nuclear incidents and protective evacuations. Texas Genco and the other owners of the South Texas Project currently maintain the required nuclear liability insurance and participate in the industry retrospective rating plan. In addition, the security procedures at this facility have recently been enhanced to provide additional protection against terrorist attacks. All potential losses or liabilities associated with the South Texas Project may not be insurable, and the amount of insurance may not be sufficient to cover them.

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 would be entitled to seek to recover such loss or damage through a change in its regulated rates, although there is no assurance that CenterPoint Houston ultimately would obtain any such rate recovery or that any such rate recovery would be timely granted. Therefore, we cannot assure you that CenterPoint Houston will 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.

ITEM 2. PROPERTIES

CHARACTER OF OWNERSHIP

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

ELECTRIC TRANSMISSION & DISTRIBUTION

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

NATURAL GAS DISTRIBUTION

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

PIPELINES AND GATHERING

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

OTHER OPERATIONS

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

ITEM 3. LEGAL PROCEEDINGS

For a brief description of certain legal and regulatory proceedings affecting us, please read "Regulation" and "Environmental Matters" in Item 1 of this report and Notes 4 and 11(c) to our consolidated financial statements, which information is incorporated herein by reference.

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

There were no matters submitted to the vote of our security holders during the fourth quarter of 2004.

PART II

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

As of February 28, 2005, our common stock was held of record by approximately 58,677 shareholders. Our common stock is listed on the New York and Chicago Stock Exchanges and is traded under the symbol "CNP."

The following table sets forth the high and low closing prices of the common stock of CenterPoint Energy on the New York Stock Exchange composite tape during the periods indicated, as reported by Bloomberg, and the cash dividends declared in these periods. Cash dividends paid aggregated $0.40 per share in both 2003 and 2004.

	MARKET PRICE (HIGH / LOW)	DIVIDEND DECLARED PER SHARE
2003		
First Quarter		$0.10
January 6	$ 8.55	
February 25	$ 4.50	
Second Quarter		$0.20(1)
April 2	$ 7.37	
May 28	$ 9.74	
Third Quarter		(1)
July 17	$ 7.71	
September 29	$ 9.38	
Fourth Quarter		$0.10
November 3	$10.11	
December 11	$ 9.15	
2004		
First Quarter		$0.10
January 2	$ 9.72	
March 31	$11.43	
Second Quarter		$0.10
April 2	$11.88	
May 11	$10.25	
Third Quarter		$0.10
July 20	$12.21	
September 24	$10.02	
Fourth Quarter		$0.10
October 25	$10.41	
December 15	$11.34	

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(1) 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.

The closing market price of our common stock on December 31, 2004 was $11.30 per share.

The 1935 Act restricts the source of our dividend payments to current and retained earnings, in the absence of approval from the SEC under the 1935 Act to pay dividends out of capital or unearned surplus.

In addition to the limitation imposed by the 1935 Act, the amount of future cash dividends will be subject to determination based upon our results of operations and financial condition, our future business prospects, any applicable contractual restrictions and other factors that our board of directors considers relevant and will be declared at the discretion of the board of directors.

Recent Sales of Unregistered Securities

In December 2004, we awarded Milton Carroll 20,000 shares of our common stock pursuant to an agreement under which he serves as Chairman of our Board of Directors. We relied on the private placement exemption from registration under Section 4(2) of the Securities Act of 1933.

Repurchases of Equity Securities

During the quarter ended December 31, 2004, none of our equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 were purchased by or on behalf of us or any of our "affiliated purchasers," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934.

ITEM 6. SELECTED FINANCIAL DATA

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

	YEAR ENDED DECEMBER 31,				
	2000	2001(1)	2002	2003(2)	2004(3)
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)				
Revenues	$ 6,949	$ 7,148	$ 6,438	$ 7,790	$ 8,510
Income from continuing operations before extraordinary loss and cumulative effect of accounting change	52	357	482	409	205
Discontinued operations, net of tax	395	565	(4,402)	75	(133)
Extraordinary loss, 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)
Basic earnings (loss) per common share:					
Income from continuing operations before extraordinary loss and cumulative effect of accounting change	$ 0.18	$ 1.23	$ 1.62	$ 1.35	$ 0.67
Discontinued operations, net of tax	1.39	1.95	(14.78)	0.24	(0.43)
Extraordinary loss, 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)
Diluted earnings (loss) per common share:					
Income from continuing operations before extraordinary loss and cumulative effect of accounting change	$ 0.18	$ 1.22	$ 1.61	$ 1.24	$ 0.61
Discontinued operations, net of tax	1.38	1.93	(14.69)	0.22	(0.37)
Extraordinary loss, 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)
Cash dividends paid per common share	$ 1.50	$ 1.50	$ 1.07	$ 0.40	$ 0.40
Dividend payout ratio from continuing operations	833%	122%	66%	30%	60%
Return from continuing operations on average common equity	1.0%	5.8%	11.8%	25.7%	14.4%
Ratio of earnings from continuing operations to fixed charges	1.39	1.99	2.03	1.81	1.43
At year-end:					
Book value per common share	$ 19.10	$ 22.77	$ 4.74	$ 5.77	$ 3.59
Market price per common share	43.31	26.52	8.01	9.69	11.30
Market price as a percent of book value	227%	116%	169%	168%	315%
Assets of discontinued operations	$18,479	$16,840	$ 4,594	$ 4,244	$ 1,565
Total assets	35,936	32,020	20,635	21,461	18,162
Short-term borrowings	4,799	3,469	347	63	--
Long-term debt obligations, including current maturities	4,989	4,712	9,996	10,939	9,029
Trust preferred securities(4)	705	706	706	--	--
Cumulative preferred stock	10	--	--	--	--
Capitalization:					
Common stock equity	49%	55%	12%	14%	11%
Trust preferred securities	6%	6%	6%	--	--
Long-term debt, including current maturities	45%	39%	82%	86%	89%
Capital expenditures, excluding discontinued operations	$ 653	$ 802	$ 566	$ 497	$ 530

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

gain, or $0.20 earnings per basic and diluted share). For additional information related to the cumulative effect of accounting change, please read Note 5 to our consolidated financial statements.

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

(3) 2004 net income includes an after-tax extraordinary loss of $977 million ($3.18 and $2.72 loss per basic and diluted share, respectively) based on our analysis of the Texas Utility Commission's 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. For more information on these and other matters currently affecting us, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Executive Summary -- Significant Events in 2005."

(4) 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 effective December 31, 2003. For additional information related to the adoption of FIN 46, please read Note 2(n) to our consolidated financial statements.

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

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

OVERVIEW

BACKGROUND

We are a public utility holding company, created on August 31, 2002 as part of a corporate restructuring of Reliant Energy, Incorporated (Reliant Energy) in compliance with requirements of the Texas Electric Choice Plan (Texas electric restructuring law). We are the successor to Reliant Energy for financial reporting purposes under the Securities Exchange Act of 1934. Our operating subsidiaries own and operate electric transmission and distribution facilities, natural gas distribution facilities, interstate pipelines and natural gas gathering, processing and treating facilities. We are a registered holding company under the Public Utility Holding Company Act of 1935, as amended (1935 Act). For information about the 1935 Act, please read " -- 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." Our indirect wholly owned subsidiaries include:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which owns and operates our electric transmission and distribution business in the Texas Gulf Coast area; and

- CenterPoint Energy Resources Corp. (CERC Corp., and together with its subsidiaries, CERC), which owns and operates our local gas distribution companies, interstate 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.

In July 2004, we announced our agreement to sell our majority owned subsidiary, Texas Genco Holdings, Inc. (Texas Genco), to Texas Genco LLC (formerly known as GC Power Acquisition LLC), an entity owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco distributed $2.231 billion in cash to us. Texas Genco's principal remaining asset is its ownership interest in a nuclear generating facility. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment of $700 million to us, is expected to close during the first half of 2005, following receipt of approval from the Nuclear Regulatory Commission (NRC).

At the time of Reliant Energy's corporate restructuring, it owned an 83% interest in Reliant Resources, Inc., now known as Reliant Energy, Inc. (RRI). On September 30, 2002, we distributed that interest to our shareholders (the RRI Distribution).

BUSINESS SEGMENTS

In this section, we discuss our results from continuing operations on a consolidated basis and individually for each of our business segments. We also discuss our liquidity, capital resources and critical accounting policies. CenterPoint Energy is first and foremost an energy delivery company and it is our intention to remain focused on this segment of the energy business. The results of our business operations are significantly impacted by weather, customer growth, cost management, rate proceedings before regulatory agencies and other actions of the various regulatory agencies to which we are subject. Our transmission and distribution services remain subject to rate regulation and are reported in the Electric Transmission & Distribution business segment as are impacts of generation-related stranded costs and other true-up balances recoverable by the regulated utility. Although our former retail sales business is no longer conducted by us, retail customers remained regulated customers of our former integrated electric utility, Reliant Energy HL&P, through the date of their first meter reading in 2002. Sales of electricity to retail customers in 2002 prior to this meter reading are reflected in the Electric Transmission & Distribution business segment. Our reportable business segments include:

Electric Transmission & Distribution

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

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

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

Natural Gas Distribution

CERC owns and operates our natural gas distribution business, which engages in intrastate natural gas sales to, and natural gas transportation for, approximately 3 million residential, commercial and industrial customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. These operations are regulated as natural gas utility operations. Its operations also include non-rate regulated retail and wholesale gas sales to, and transportation services for, commercial and industrial customers in the six states listed above as well as several other Midwestern states.

Pipelines and Gathering

CERC's pipelines and gathering business operates two interstate natural gas pipelines as well as gas gathering facilities and also provides pipeline services. CERC's gathering operations are conducted by a wholly owned gas gathering subsidiary, CenterPoint Energy Field Services, Inc. (CEFS). CEFS is a natural gas gathering and processing business serving natural gas fields in the Midcontinent basin of the United States that interconnect with CERC's pipelines, as well as other interstate and intrastate pipelines. CEFS operates gathering pipelines, which collect natural gas from approximately 200 separate systems located in major producing fields in Arkansas, Louisiana, Oklahoma and Texas. CEFS, through its Service Star operating division, provides remote data monitoring and communications services to affiliates and third parties. The Service Star operating division currently provides monitoring activities at over 6,000 locations across Alabama, Arkansas, Kansas, Oklahoma, Louisiana, Mississippi, Missouri, New Mexico, Texas and Wyoming.

Other Operations

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

EXECUTIVE SUMMARY

RECENT EVENTS

2004 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 a competitive retail electric market in Texas. The amount of costs recoverable was determined in a true-up proceeding before the Texas Utility Commission. In March 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 from RRI. In June, July and September 2004, the Texas Utility Commission conducted hearings on and held public meetings addressing CenterPoint Houston's true-up application. 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. Based on our analysis of the Texas Utility Commission's final order, we recorded an after-tax charge to earnings in 2004 of $977 million to write-down our electric generation-related regulatory assets to their realizable value, which is reflected as an extraordinary loss in the Statements of Consolidated Operations. Additionally, we have recorded other income of $226 million in the fourth quarter of 2004 representing the return on our true-up balance for the years 2002, 2003 and 2004 based on the Texas Utility Commission's final decision on this matter. 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.

In December 2004, CenterPoint Houston filed for approval of a financing order to issue transition bonds to securitize its true-up balance, which will be adjusted downward to reflect the benefit of certain deferred taxes previously recovered through rates, and upward to reflect the accrual of interest and payment of excess mitigation credits occurring after August 31, 2004. On March 9, 2005, the Texas Utility Commission issued its order allowing CenterPoint Houston to securitize approximately $1.8 billion and requiring that the benefit of certain deferred taxes be reflected as a reduction in the competition transition charge. CenterPoint Houston also has filed an application for a competition transition charge to recover any portion of its adjusted true-up balance that it is not able to recover through the issuance of transition bonds. Hearings in this proceeding are scheduled for April 2005.

The balance approved by the Texas Utility Commission in the 2004 True-Up Proceeding includes $699 million in environmental expenditures incurred by Texas Genco, of which approximately $50 million was not projected to be spent until 2005 and 2006. CenterPoint Houston has agreed to return to its customers any funds not expended on environmental projects by December 31, 2006. The December 2004 final order in the 2004 True-Up Proceeding requires CenterPoint Houston to demonstrate by January 31, 2007, that the $699 million was spent on environmental projects or to refund its customers the unspent funds, along with interest.

SALE OF TEXAS GENCO

Disposition. On December 14, 2004, Texas Genco merged with an indirect wholly owned subsidiary of CenterPoint Energy. As a result of the merger, Texas Genco became our indirect wholly owned subsidiary, and all of Texas Genco's publicly held shares (other than 227 shares held by shareholders who validly perfected their dissenter's rights under Texas law) were converted into the right to receive $47 per share in cash without interest (the Merger Consideration) less any applicable withholding taxes. In connection with the merger, Texas Genco entered into a credit agreement (the Overnight Bridge Loan) under which it borrowed approximately $716 million on December 14, 2004 to finance the payment of the aggregate Merger Consideration payable as a result of the merger. Texas Genco's shares ceased to be publicly traded as of the close of trading on December 14, 2004. The merger was part of the first step of the sale transaction announced in July 2004 in which Texas Genco LLC agreed to acquire Texas Genco for approximately $3.65 billion in cash.

On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Texas Genco used approximately $716 million of the cash proceeds from the sale to repay the Overnight Bridge Loan and distributed $2.231 billion, consisting of the balance of the cash proceeds from the sale and cash on hand, to us. We used the proceeds primarily to repay outstanding indebtedness.

In connection with the sale of Texas Genco's fossil generation assets to Texas Genco LLC, Texas Genco, LP, a subsidiary of Texas Genco (Genco LP), also entered into a services agreement with Texas Genco LLC, under which Texas Genco LLC has agreed to provide at cost energy dispatch and coordination services to Genco LP, administer Genco LP's PUC-mandated capacity auctions and market Genco LP's excess capacity and energy to third parties. For those services, Genco LP will pay a monthly fee.

Following the sale of its fossil generation assets, Texas Genco's principal remaining asset is its interest in the South Texas Project Electric Generating Station, a nuclear generating facility (South Texas Project). Texas Genco currently owns a 30.8% interest in the South Texas Project, that is subject to increase pursuant to the right of first refusal described below, and currently bears a corresponding 30.8% share of the capital and operating costs associated with the project.

In connection with the sale of Texas Genco's fossil generation assets to Texas Genco LLC, Genco LP entered into a power purchase and sale agreement with a subsidiary of Texas Genco LLC, which we refer to as the back-to-back power purchase agreement. Under this agreement, Genco LP has agreed to sell forward a substantial portion of Genco LP's total share of the energy from the South Texas Project through December 31, 2008. Genco LP has agreed to sell this energy on a unit-contingent basis, meaning that Genco LP will be excused (subject to the contingent payment for economic costs described below) from its obligations to deliver this energy to the extent the energy is unavailable as a result of a derating or forced outage at the South Texas Project or other specified causes.

During the period from the closing of the first step of the sale transaction until the closing of the second step, the pricing for the energy sold under the back-to-back power purchase agreement will be at the weighted-average price achieved by Texas Genco LLC on its firm forward sales in the South ERCOT zone, subject to payment by Genco LP to Texas Genco LLC, in the event the second step does not close, of 50% of the economic cost (i.e., liquidated damages payable to third parties or cost of cover) incurred by Texas Genco LLC during that period as a result of energy from the South Texas Project being unavailable to meet the contract quantity. After any termination of the transaction agreement, the pricing for this energy will be at

90% of such weighted-average price, with no contingent payment for economic costs. The transaction agreement may be terminated under various circumstances, including a failure to close the second step of the sale transaction by April 30, 2005 (which date may be extended by either party for up to two consecutive 90-day periods if NRC approval has not yet been obtained or is being contested and all other closing conditions are capable of being satisfied).

The second step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to us of $700 million, is expected to close during the first half of 2005 following receipt of approval from the NRC. Total cash proceeds to CenterPoint Energy from both steps of the transaction are expected to be $2.931 billion.

We recorded an after-tax loss of approximately $214 million in 2004 related to the sale of Texas Genco and an additional after-tax loss of $152 million offsetting our interest in Texas Genco's 2004 earnings from July 1, 2004. Until the sale of Texas Genco is complete, our interest in any future Texas Genco earnings will be offset by an increase in the loss on the pending sale. The consolidated financial statements included in this annual report on Form 10-K present Texas Genco's operations as discontinued operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," (SFAS No. 144).

Right of First Refusal. In September 2004, Genco LP signed an agreement to purchase a portion of AEP Texas Central Company's (AEP) 25.2% interest in the South Texas Project for approximately $174 million. Once the purchase is complete, Genco LP will own an additional 13.2% interest in the South Texas Project for a total of 44%, or approximately 1,100 MW. This purchase agreement was entered into pursuant to Genco LP's right of first refusal to purchase this interest when AEP announced its agreement to sell this interest to a third-party. In addition to AEP's ownership interest and Genco LP's current 30.8% ownership, the 2,500 MW nuclear plant is currently 28%-owned by City Public Service of San Antonio (CPS) and 16%-owned by Austin Energy. CPS is expected to purchase AEP's remaining 12% ownership interest under its right of first refusal. The sale is subject to approval by the NRC. Texas Genco expects to fund the purchase of its share of AEP's interest, including reimbursements of draws under letters of credit, with existing cash balances that have been provided to cash collateralize the letters of credit as described below and, if necessary, cash expected to be generated through operations. If CPS were to default and fail to purchase the 12% interest it has agreed to acquire, Texas Genco would purchase AEP's entire 25.2% interest in the South Texas Project, in which case Texas Genco would need approximately $158 million of additional cash. We expect this transaction will be completed by the end of the second quarter of 2005.

In December 2004, prior to the consummation of the sale of Texas Genco's coal, lignite and gas-fired generation assets to Texas Genco LLC, the $250 million revolving credit facility of Genco LP was terminated and the then outstanding letters of credit aggregating $182 million issued under the facility in favor of AEP relating to the right of first refusal were cash collateralized at 105% of their face amount. In February 2005, Genco LP also established a $75 million term loan facility under which borrowings may be made for working capital purposes at LIBOR plus 50 basis points. Two drawings aggregating $75 million may be made under the facility which matures on the earlier of August 2005 or the closing of the final step of the Texas Genco sale. An initial draw of $59 million was made in February 2005. This facility is secured by a lien on Texas Genco's equity and partnership interests in its subsidiaries and cash collateral accounts described above.

SIGNIFICANT EVENTS IN 2005

Resolution of legal proceedings relating to the 2004 True-Up Proceeding, recovery of amounts approved in the 2004 True-Up Proceeding and the sale of our remaining interest in Texas Genco are the most significant events facing us in 2005. We expect to use the proceeds received from these events to further repay a portion of our indebtedness and for other general corporate purposes. 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.

We recorded an after-tax loss of approximately $214 million in 2004 related to the sale of our interest in Texas Genco. See "Recent Events" above. We also recorded an after-tax extraordinary loss of $977 million in 2004 related to the 2004 True-Up Proceeding as discussed above. Portions of these losses recorded in periods prior to the fourth quarter of 2004 reduced our earnings below the level required for us to continue paying our current quarterly dividends out of current earnings as required under our Securities and Exchange Commission (SEC) financing order. However, in May 2004, we received an order from the SEC under the 1935 Act authorizing us to continue to pay our current quarterly dividend in the second and third quarters of 2004 out of capital or unearned surplus in the event we had such losses. We declared a dividend in the fourth quarter of 2004 out of current earnings. 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 there can be no assurance that the SEC would authorize such payments. These losses would delay the timing of our achievement of a ratio of common equity to total capitalization of 30% as generally required by the SEC under the 1935 Act. Accordingly, we may issue equity and take other actions to achieve a future equity capitalization of 30%.

In March 2005, we replaced our $750 million revolving credit facility with a $1 billion five-year revolving credit facility. Borrowings may be made under the facility at LIBOR plus 100 basis points based on current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings any time more than 50% of the facility is utilized. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered.

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

CenterPoint Houston also established a $1.31 billion credit facility in March 2005. This facility is available to be utilized only to refinance CenterPoint Houston's $1.31 billion term loan maturing in November 2005 in the event that proceeds from the issuance of transition bonds are not sufficient to repay such term loan. Drawings may be made under this credit facility until November 2005, at which time any outstanding borrowings are converted to term loans maturing in November 2007. Net proceeds from the issuance of transition bonds and certain new net indebtedness for borrowed money issued by CenterPoint Houston in excess of $200 million must be used to repay borrowings under the new facility. Based on CenterPoint Houston's current credit ratings, borrowings under the facility can be made at LIBOR plus 75 basis points. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. Any drawings under this facility must be secured by CenterPoint Houston's general mortgage bonds in the same principal amount and bearing the same interest rate as such drawings.

In March 2005, we filed a registration statement relating to an offer to exchange our 3.75% convertible senior notes due 2023 for a new series of 3.75% convertible senior notes due 2023. This registration statement has not yet been declared effective by the SEC. We expect to conduct the exchange offer in response to the guidance set forth in Emerging Issues Task Force Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share." Under that guidance, because the terms of the new notes provide for settlement of the principal amount on conversion in cash rather than our common stock, exchanging new notes for old notes will allow us to exclude the portion of the conversion value of the new notes attributable to their principal amount from our computation of diluted earnings per share from continuing operations.

2004 HIGHLIGHTS

In addition to the extraordinary loss related to the 2004 True-Up Proceeding and the loss related to the sale of Texas Genco as discussed above, our operating performance for 2004 compared to 2003 were affected by:

- the termination of revenues related to Excess Cost Over Market (ECOM) as of January 1, 2004 compared to ECOM revenues of $661 million recorded in 2003;

- an increase in operating income of $135 million in our Electric Transmission & Distribution business segment, excluding ECOM, primarily due to the absence of an $87 million reserve recorded in 2003 related to the final fuel reconciliation, excluding interest, and a $15 million reversal of this reserve in 2004;

- an increase in other income of $226 million related to the return on our true-up balance as discussed above;

- rate increases of $15 million in 2004 in our Natural Gas Distribution business segment;

- increased operating income of $22 million in our Pipelines and Gathering business segment primarily from increased throughput, favorable commodity prices and increased ancillary services; and

- continued customer growth, with the addition of over 92,000 metered electric and gas customers.

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

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

- the timing and amount of our recovery of the true-up components;

- the timing and results of the monetization of our remaining interest in Texas Genco;

- state and federal legislative and regulatory actions or developments, including deregulation, re-regulation, constraints placed on our activities or business by the 1935 Act, changes in or application of laws or regulations applicable to other aspects of our business and actions with respect to:

  - allowed rates of return;

  - rate structures;

  - recovery of investments; and

  - operation and construction of facilities;

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

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

- changes in interest rates or rates of inflation;

- weather variations and other natural phenomena;

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

- commercial bank and financial market conditions, our access to capital, the cost of such capital, receipt of certain financing approvals under the 1935 Act, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;

- actions by rating agencies;

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

- non-payment for our services due to financial distress of our customers, including RRI;

- the outcome of the pending securities lawsuits against us, Reliant Energy and RRI;

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

- our ability to control costs;

- the investment performance of our employee benefit plans;

- our internal restructuring or other restructuring options that may be pursued;

- our potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to us; and

- other factors discussed in Item 1 of this report under "Risk Factors."

CONSOLIDATED RESULTS OF OPERATIONS

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

YEAR ENDED DECEMBER 31,	2002	2003	2004
Revenues	$ 6,438	$7,790	$8,510
Operating Expenses	4,998	6,435	7,646
Operating Income	1,440	1,355	864
Gain (Loss) on Time Warner Investment	(500)	106	31
Gain (Loss) on Indexed Debt Securities	480	(96)	(20)
Interest and Other Finance Charges	(712)	(741)	(777)
Return on True-Up Balance	--	--	226
Other Income (Expense), net	46	(10)	20
Income From Continuing Operations Before Income Taxes and Extraordinary Loss	754	614	344
Income Tax Expense	(272)	(205)	(139)
Income From Continuing Operations Before Extraordinary Loss	482	409	205
Discontinued Operations, net of tax	(4,402)	75	(133)
Income (Loss) Before Extraordinary Loss	(3,920)	484	72
Extraordinary Loss, net of tax	--	--	(977)
Net Income (Loss)	$(3,920)	$ 484	$ (905)
Basic Earnings Per Share:			
Income From Continuing Operations Before Extraordinary Loss	$ 1.62	$ 1.35	$ 0.67
Discontinued Operations, net of tax	(14.78)	0.24	(0.43)
Extraordinary Loss, net of tax	--	--	(3.18)
Net Income (Loss)	$(13.16)	$ 1.59	$(2.94)
Diluted Earnings Per Share:			
Income From Continuing Operations Before Extraordinary Loss	$ 1.61	$ 1.24	$ 0.61
Discontinued Operations, net of tax	(14.69)	0.22	(0.37)
Extraordinary Loss, net of tax	--	--	(2.72)
Net Income (Loss)	$(13.08)	$ 1.46	$(2.48)

2004 COMPARED TO 2003

Income from Continuing Operations. We reported income from continuing operations before extraordinary loss of $205 million ($0.61 per diluted share) for 2004 as compared to $409 million ($1.24 per diluted share) for 2003. The decrease in income from continuing operations of $204 million was primarily due to the termination of revenues in our Electric Transmission & Distribution business segment related to ECOM as of January 1, 2004, which had contributed $430 million of income in 2003, higher net transmission costs of $6 million related to our Electric Transmission & Distribution business segment and increased interest expense of $36 million related to continuing operations as discussed below. These items were partially offset by the absence of an $87 million reserve recorded in 2003 by our Electric Transmission & Distribution business segment related to the final fuel reconciliation, a $15 million reversal of this reserve in 2004 and $226 million of other income related to a return on the true-up balance of our Electric Transmission & Distribution business segment. These items were a result of the Texas Utility Commission's final orders in the fuel reconciliation and the 2004 True-Up Proceeding. Additionally, income from continuing operations was favorably impacted by increased operating income of $31 million related to customer growth in our Electric Transmission & Distribution business segment, increased operating income of $20 million in our Natural Gas Distribution business segment primarily due to rate increases, increased operating income of $22 million in our Pipelines and Gathering business segment primarily from increased throughput, favorable commodity prices and increased ancillary services, and a gain of $10 million on the sale of land by our Electric Transmission & Distribution business segment.

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

Net income for 2003 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 $0.24 earnings per diluted share), which is included in discontinued operations related to Texas Genco.

2003 COMPARED TO 2002

Income from Continuing Operations. We reported income from continuing operations of $409 million ($1.24 per diluted share) for 2003 compared to $482 million ($1.61 per diluted share) for 2002. The decrease in income from continuing operations for 2003 compared to 2002 of $73 million was primarily due to a $69 million increase in expenses related to CenterPoint Houston's final fuel reconciliation, a $36 million reduction in non-cash ECOM revenue and an increase in interest expense of $29 million related to continuing operations due to higher borrowing costs and increased debt levels as discussed below.

INTEREST EXPENSE AND OTHER FINANCE CHARGES

In 2002 and 2003, our $3.85 billion credit facility consisted of a revolver and a term loan. This facility was amended in October 2003 to a $2.35 billion credit facility, consisting of a revolver and a term loan. According to the terms of the $3.85 billion credit facility, any net cash proceeds received from the sale of Texas Genco were required to be applied to repay borrowings under the credit facility. According to the terms of the $2.35 billion credit facility, until such time as the facility had been reduced to $750 million, 100% of any net cash proceeds received from the sale of Texas Genco were required to be applied to repay borrowings under the credit facility and reduce the amount available under the credit facility. In the fourth quarter of 2004, we reduced borrowings under our credit facility by $1.574 billion and retired $375 million of trust preferred securities. We expensed $15 million of unamortized loan costs in the fourth quarter of 2004 that were associated with the credit facility. In accordance with Emerging Issues Task Force Issue No. 87-24 "Allocation of Interest to Discontinued Operations", we have reclassified interest to discontinued operations of Texas Genco based on net proceeds to be received from the sale of Texas Genco of $2.5 billion, and have applied the proceeds to the amount of debt assumed to be paid down in each respective period according to the terms of the respective credit facilities in effect for those periods. In periods where only the term loan was assumed to be repaid, the actual interest paid on the term loan was reclassified. In periods where a portion of the revolver was assumed to be repaid, the percentage of that portion of the revolver to the total outstanding balance was calculated, and that percentage was applied to the actual interest paid in those periods to compute the amount of interest reclassified.

Total interest expense incurred was $764 million, $942 million and $849 million in 2002, 2003 and 2004, respectively. We have reclassified $52 million, $201 million and $72 million of interest expense in 2002, 2003 and 2004, respectively, based upon actual interest expense incurred within our discontinued operations and interest expense associated with debt that would have been required to be repaid as a result of our disposition of Texas Genco.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The following table presents operating income (in millions) for each of our business segments for 2002, 2003 and 2004. Some amounts from the previous years have been reclassified to conform to the 2004 presentation of the financial statements. These reclassifications do not affect consolidated net income.

OPERATING INCOME (LOSS) BY BUSINESS SEGMENT

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(IN MILLIONS)		
Electric Transmission & Distribution	$1,096	$1,020	$494
Natural Gas Distribution	198	202	222
Pipelines and Gathering	153	158	180
Other Operations	(7)	(25)	(32)
Total Consolidated Operating Income	$1,440	$1,355	$864

ELECTRIC TRANSMISSION & DISTRIBUTION

The following tables provide summary data of our Electric Transmission & Distribution business segment, CenterPoint Houston, for 2002, 2003 and 2004 (in millions, except throughput data):

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
Revenues:			
Electric transmission and distribution revenues	$ 1,451	$ 1,400	$ 1,446
ECOM revenues(1)	697	661	--
Transition bond revenues	74	63	75
Total operating revenues	2,222	2,124	1,521
Expenses:			
Operation and maintenance	641	635	539
Depreciation and amortization	238	246	248
Taxes other than income taxes	213	198	203
Transition bond expenses	34	25	37
Total operating expenses	1,126	1,104	1,027
Operating Income	$ 1,096	$ 1,020	$ 494
Actual gigawatt-hours (GWh) delivered:			
Residential throughput (in GWh)	23,025	23,687	23,748
Total throughput (in GWh) (2)	69,585	70,815	73,632

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(1) In 2004, there were no non-cash ECOM revenues under the Texas electric restructuring law.

(2) Usage volumes for commercial and industrial customers are included in total GWh delivered; however, the majority of these customers are billed on a peak demand (KW) basis and, as a result, revenues do not vary based on consumption.

2004 Compared to 2003. Our Electric Transmission & Distribution business segment reported operating income of $494 million for 2004, consisting of $456 million for the regulated electric transmission and distribution utility and $38 million for the transition bond company subsidiary of CenterPoint Houston that issued $749 million principal amount of transition bonds in 2001. For 2003, operating income totaled $1.0 billion, consisting of $321 million for the regulated electric transmission and distribution utility, $38 million for the transition bond company and $661 million of non-cash income associated with ECOM. Operating income increased $31 million from continued customer growth and a $10 million gain on a land sale, partially offset by milder weather and decreased usage of $18 million and higher net transmission costs of $6 million. Additionally, operating income in 2004 was favorably impacted by the absence of $87 million reserve recorded in 2003 related to the final fuel reconciliation and a $15 million reversal of this fuel reserve in 2004 as a result of the Texas Utility Commission's final orders in the fuel reconciliation and the 2004 True-Up Proceeding.

2003 Compared to 2002. Our Electric Transmission & Distribution business segment reported operating income of $1.0 billion for 2003 consisting of $321 million for the regulated electric transmission and distribution utility, $38 million for the transition bond company and $661 million of non-cash income associated with ECOM. For 2002, operating income totaled $1.1 billion, consisting of $359 million for the regulated electric transmission and distribution utility, $40 million for the transition bond company and $697 million of non-cash income associated with ECOM. Increased revenues from customer growth ($40 million) were more than offset by transition period revenues that only occurred in 2002 ($90 million) and decreased industrial demand, resulting in an overall decrease in electric revenues from the regulated electric transmission and distribution business of $62 million. Additionally, non-cash ECOM revenue decreased $36 million as a result of higher operating margins from sales of generation based on the state-mandated capacity auctions. Operation and maintenance expenses decreased in 2003 compared to 2002 primarily due to the absence of purchased power costs that occurred in 2002 during the transition period to deregulation ($48 million), a decrease in labor costs as a result of work force reductions in 2002 ($13 million), non-recurring contract services expense primarily related to transition to deregulation in 2002 ($10 million) and lower bad debt expense related to transition revenues in 2002 ($10 million). These decreases were offset by an increase in expenses related to CenterPoint Houston's final fuel reconciliation ($69 million) and an increase in benefits expense primarily due to increased pension costs ($18 million). Taxes other than income taxes decreased $15 million primarily due to the absence of gross receipts tax associated with transition period revenue in the first quarter of 2002 ($9 million).

NATURAL GAS DISTRIBUTION

The following table provides summary data of our Natural Gas Distribution business segment for 2002, 2003 and 2004 (in millions, except throughput data):

YEAR ENDED DECEMBER 31,	2002	2003	2004
Operating Revenues	$3,960	$5,435	$6,684
Operating Expenses:			
Natural gas	2,995	4,428	5,631
Operation and maintenance	539	560	566
Depreciation and amortization	126	136	143
Taxes other than income taxes	102	109	122
Total operating expenses	3,762	5,233	6,462
Operating Income	$ 198	$ 202	$ 222
Throughput (in billion cubic feet (Bcf)):			
Residential	175	183	175
Commercial and industrial	253	238	237
Non-rate regulated commercial and industrial	471	511	579
Eliminations	(48)	(96)	(134)
Total Throughput	851	836	857

2004 Compared to 2003. Our Natural Gas Distribution business segment reported operating income of $222 million for 2004 as compared to $202 million for 2003. Increases in operating income of $4 million from continued customer growth with the addition of 45,000 customers since December 31, 2003, $15 million from rate increases, $11 million from the impact of the 2003 change in estimate of margins earned on unbilled revenues implemented in 2003 and $9 million related to certain regulatory adjustments made to the amount of recoverable gas costs in 2003 were partially offset by the $8 million impact of milder weather. Operations and maintenance expense increased $6 million for 2004 as compared to 2003. Excluding an $8 million charge recorded in the first quarter of 2004 for severance costs associated with staff reductions, which has reduced costs in later periods, operation and maintenance expenses decreased by $2 million.

2003 Compared to 2002. Our Natural Gas Distribution business segment's operating income increased $4 million in 2003 compared to 2002 primarily due to higher revenues from rate increases implemented late in 2002 ($33 million), improved margins from our unregulated commercial and industrial sales ($6 million) and continued customer growth with the addition of over 38,000 customers since December 2002 ($6 million). These increases were partially offset by decreased revenues as a result of a decrease in the estimate of margins earned on unbilled revenues ($11 million). Additionally, operating income was negatively impacted by higher employee benefit expenses primarily due to increased pension costs ($13 million), certain costs being included in operating expense subsequent to the amendment of a receivables facility in November 2002 as compared to being included in interest expense in the prior year ($7 million) and increased bad debt expense primarily due to higher gas prices ($9 million).

PIPELINES AND GATHERING

The following table provides summary data of our Pipelines and Gathering business segment for 2002, 2003 and 2004 (in millions, except throughput data):

YEAR ENDED DECEMBER 31,	2002	2003	2004
Operating Revenues	$ 374	$ 407	$ 451
Operating Expenses:			
Natural gas	32	61	46
Operation and maintenance	130	129	164
Depreciation and amortization	41	40	44
Taxes other than income taxes	18	19	17
Total operating expenses	221	249	271
Operating Income	$ 153	$ 158	$ 180
Throughput (Bcf):			
Natural gas sales	14	9	11
Transportation	845	794	859
Gathering	287	292	321
Elimination(1)	(9)	(4)	(7)
Total Throughput	1,137	1,091	1,184

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(1) Elimination of volumes both transported and sold.

2004 Compared to 2003. Our Pipelines and Gathering business segment's operating income increased by $22 million in 2004 compared to 2003. Operating margins (revenues less fuel costs) increased by $59 million primarily due to favorable commodity pricing ($3 million), increased demand for certain transportation services driven by commodity price volatility ($36 million) and increased throughput and enhanced services related to our core gas gathering operations ($11 million). The increase in operating margin was partially offset by higher operation and maintenance expenses of $35 million primarily due to compliance with pipeline integrity regulations ($4 million) and costs relating to environmental matters ($9 million). Project work expenses included in operation and maintenance expense increased ($11 million) resulting in a corresponding increase in revenues billed for these services ($15 million).

2003 Compared to 2002. Our Pipelines and Gathering business segment's operating income increased $5 million in 2003 compared to 2002. The increase was primarily a result of increased margins (revenues less fuel costs) due to higher commodity prices ($8 million), improved margins from new transportation contracts to power plants ($7 million) and improved margins from enhanced services in our gas gathering operations ($4 million), partially offset by higher pension, employee benefit and other miscellaneous expenses ($14 million). Project work expenses included in operation and maintenance expense decreased ($15 million) resulting in a corresponding decrease in revenues billed for these services ($14 million).

OTHER OPERATIONS

The following table provides summary data for our Other Operations business segment for 2002, 2003 and 2004 (in millions):

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
Operating Revenues	$30	$ 28	$ 8
Operating Expenses	37	53	40
Operating Loss	$(7)	$(25)	$(32)

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

2003 Compared to 2002. Our Other Operations business segment's operating loss in 2003 compared to 2002 increased $18 million primarily due to changes in unallocated corporate costs in 2002 as compared to 2003.

DISCONTINUED OPERATIONS

On September 30, 2002, we distributed all of the shares of RRI common stock owned by us on a pro-rata basis to our shareholders. The consolidated financial statements have been prepared to reflect the effect of the RRI Distribution as described above on the CenterPoint Energy consolidated financial statements. The consolidated financial statements present the RRI businesses (Wholesale Energy, European Energy, Retail Energy and related corporate costs) as discontinued operations in accordance with SFAS No. 144. We also recorded a $4.4 billion non-cash loss on disposal of these discontinued operations in 2002. This loss represents the excess of the carrying value of our net investment in RRI over the market value of RRI common stock at the time of the RRI Distribution.

In February 2003, we sold our interest in Argener, a cogeneration facility in Argentina, for $23 million. The carrying value of this investment was approximately $11 million as of December 31, 2002. We recorded an after-tax gain of $7 million from the sale of Argener in the first quarter of 2003. In April 2003, we sold our final remaining investment in Argentina, a 90 percent interest in Empresa Distribuidora de Electricidad de Santiago del Estero S.A. We recorded an after-tax loss of $3 million in the second quarter of 2003 related to our Latin America operations. We have completed our strategy of exiting all of our international investments. The consolidated financial statements present these operations as discontinued operations in accordance with SFAS No. 144.

In November 2003, we sold CenterPoint Energy Management Services, Inc. (CEMS), a business that provides district cooling services in the Houston central business district and related complementary energy services to district cooling customers and others. We recorded an after-tax loss of $1 million from the sale of CEMS in the fourth quarter of 2003. We recorded an after-tax loss in discontinued operations of $16 million ($25 million pre-tax) during the second quarter of 2003 to record the impairment of the CEMS long-lived assets based on the impending sale and to record one-time termination benefits. The consolidated financial statements present these operations as discontinued operations in accordance with SFAS No. 144.

In July 2004, we announced our agreement to sell our majority owned subsidiary, Texas Genco, to Texas Genco LLC. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco distributed $2.231 billion in cash to us. Texas Genco's principal remaining asset is its ownership interest in a nuclear generating facility. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to us of $700 million, is expected to close during the first half of 2005, following receipt of approval from the NRC. The Company recorded an after-tax loss of $214 million in 2004 related to the sale of Texas Genco. In addition, as a result of this transaction, any future earnings of Texas Genco will be offset by an increase in the loss. The consolidated financial statements present these operations as discontinued operations in accordance with SFAS No. 144.

LIQUIDITY AND CAPITAL RESOURCES

HISTORICAL CASH FLOWS

The net cash provided by/used in operating, investing and financing activities for 2002, 2003 and 2004 is as follows (in millions):

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
Cash provided by (used in):			
Operating activities....................................	$ 455	$ 650	$ 381
Investing activities....................................	(513)	(504)	1,709
Financing activities....................................	723	(434)	(2,107)
Discontinued operations..................................	(379)	72	95

CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities in 2004 decreased $269 million compared to 2003 primarily due to increased pension contributions of $453 million and decreased income tax refunds of $74 million, partially offset by the receipt of a $177 million retail clawback payment from RRI in the fourth quarter of 2004 and decreased accounts receivable attributable to a higher level of accounts receivable being sold under CERC Corp.'s receivables facility ($81 million). Additionally, other changes in working capital items, primarily increased net accounts receivable and accounts payable due to higher natural gas prices in December 2004 as compared to December 2003 ($99 million), contributed to the overall decrease in cash provided by operating activities. Cash provided by operating activities will be negatively impacted in 2005 by the payment of taxes associated with the sale of Texas Genco, the proceeds of which are reflected in cash provided by investing activities in 2004 as discussed below.

Net cash provided by operating activities in 2003 increased $195 million compared to 2002 primarily due to higher income tax refunds received of $170 million, partially offset by higher interest paid related to outstanding borrowings of $130 million.

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash provided by investing activities increased $2.2 billion in 2004 as compared to 2003 primarily due to proceeds of $2.231 billion received from the sale of Texas Genco's fossil generation assets in December 2004, partially offset by increased capital expenditures of $34 million primarily related to our Electric Transmission & Distribution and Other Operations business segments.

Net cash used in investing activities decreased $9 million during 2003 compared to 2002 due primarily to decreased capital expenditures in our Electric Transmission & Distribution business segment primarily resulting from process improvements that included revised construction and design standards.

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

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

In 2003, debt payments exceeded net loan proceeds by $338 million. In 2002, net loan proceeds exceeded debt payments by $1.1 billion. Additionally, common stock dividends paid by us in 2003 were $202 million less than in 2002. Since the beginning of 2003, the terms of our credit facility limited the common stock dividend to $0.10 per share per quarter. This dividend limitation was eliminated in the new $1 billion credit facility entered into in March 2005.

FUTURE SOURCES AND USES OF CASH

Our liquidity and capital requirements are affected primarily by our results of operations, capital expenditures, debt service requirements, tax payments, working capital needs, various regulatory actions and appeals relating to such regulatory actions. Our principal cash requirements during 2005, excluding the requirements of Texas Genco, include the following:

- approximately $655 million of capital expenditures;

- an estimated $77 million in refunds by CenterPoint Houston of excess mitigation credits (assuming they are terminated as of April 29, 2005);

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

- $1.8 billion of maturing long-term debt, including $47 million of transition bonds; and

- income tax payments, including approximately $430 million in the first quarter of 2005.

Significant cash inflows in 2005 are expected to include the following:

- cash proceeds of approximately $1.8 from the issuance of transition bonds; and

- cash proceeds of $700 million from the sale of Texas Genco.

We expect that borrowings under our credit facilities and anticipated cash flows from operations will be sufficient to meet our cash needs for 2005. CenterPoint Houston's $1.31 billion term loan requires the proceeds from the issuance of transition bonds to be used to reduce the term loan unless refused by the lenders. CenterPoint Houston's $1.31 billion credit facility is expected to be utilized if the $1.31 billion term loan matures prior to the issuance of sufficient transition bonds. The 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 the credit facility.

The 1935 Act regulates our financing ability, as more fully described in "-- Certain Contractual and Regulatory Limits on Ability to Issue Securities and Pay Dividends on Our Common Stock" below.

The following table sets forth our capital expenditures for 2004 and estimates of our capital requirements for 2005 through 2009, excluding expenditures related to discontinued operations (in millions):

	2004	2005	2006	2007	2008	2009
Electric Transmission & Distribution	$235	$282	$295	$295	$271	$272
Natural Gas Distribution	197	218	203	207	209	210
Pipelines and Gathering	73	139	139	74	52	102
Other Operations	25	16	14	9	10	4
Total	$530	$655	$651	$585	$542	$588

The following table sets forth estimates of our contractual obligations to make future payments for 2005 through 2009 and thereafter (in millions):

CONTRACTUAL OBLIGATIONS(1)	TOTAL	2005	2006	2007	2008	2009	2010 AND THEREAFTER
Long-term debt, including current portion(2)	$ 9,015	$1,831	$212	$ 66	$572	$80	$6,254
Capital leases	9	5	3	--	--	--	1
Operating leases(3)	110	25	21	18	14	6	26
Non-trading derivative liabilities	33	26	--	4	2	1	--
Other commodity commitments(4)	1,432	807	401	193	29	1	1
Total contractual cash obligations	$10,599	$2,694	$637	$281	$617	$88	$6,282

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(1) Contributions to the pension plan are not required in 2005; however, we expect to contribute approximately $29 million to our postretirement benefits plan in 2005 to fund a portion of our obligations in accordance with rate orders or to fund pay-as-you-go costs associated with the plan.

(2) The amounts reflected for long-term debt obligations in the table above do not include interest and have been updated to reflect the new credit facilities established on March 7, 2005.

(3) For a discussion of operating leases, please read Note 11(b) to our consolidated financial statements.

(4) For a discussion of other commodity commitments, please read Note 11(a) to our consolidated financial statements.

In October 2001, CenterPoint Houston was required by the Texas Utility Commission to reverse the amount of redirected depreciation and accelerated depreciation taken for regulatory purposes as allowed under the 1998 transition plan and the Texas electric restructuring law. CenterPoint Houston recorded a regulatory liability to reflect the prospective refund of the accelerated depreciation and in January 2002 CenterPoint Houston began paying excess mitigation credits, which were to be paid over a seven-year period. The annual payment of excess mitigation credits is approximately $264 million. In January 2005, CenterPoint Houston filed a writ of mandamus petition with the Texas Supreme Court asking that court to order the Texas Utility Commission to terminate immediately the payment of all excess mitigation credits and to ensure full recovery of all excess mitigation credits. Although we believe we have meritorious arguments, a writ of mandamus is an extraordinary remedy and no prediction can be made as to the ultimate outcome or timing of the mandamus petition. If the Supreme Court denies our mandamus petition, we will continue to pursue this issue through regular appellate mechanisms. On March 1, 2005, a non-unanimous settlement was filed in Docket No. 30774, which involves the adjustment of RRI's Price-to-Beat. Under the terms of that settlement, the excess mitigation credits being paid by CenterPoint Houston would be terminated as of April 29, 2005. The Texas Utility Commission approved the settlement on March 9, 2005.

Off-Balance Sheet Arrangements. Other than operating leases, we have no off-balance sheet arrangements. However, we do participate in a receivables factoring arrangement. CERC Corp. has a bankruptcy remote subsidiary, which we consolidate, which was formed for the sole purpose of buying receivables created by CERC and selling those receivables to an unrelated third-party. This transaction is accounted for as a sale of receivables under the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", and, as a result, the related receivables are excluded from the Consolidated Balance Sheet. In January 2004, the $100 million receivables facility was replaced with a $250 million receivables facility terminating in January 2005. In January 2005, the facility was extended to January 2006 and temporarily increased, for the period from January 2005 to June 2005, to $375 million. For additional information regarding this transaction please read Note 2(i) to our consolidated financial statements.

Credit Facilities. In March 2005, we replaced our $750 million revolving credit facility with a $1 billion five-year revolving credit facility. Borrowings may be made under the facility at LIBOR plus 100 basis points based on current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings any time more than 50% of the facility is utilized. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. The facility contains covenants, including a debt to earnings before interest, taxes, depreciation and amortization (EBITDA) covenant and an EBITDA to interest covenant.

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

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

CenterPoint Houston also established a $1.31 billion credit facility in March 2005. This facility is available to be utilized only to refinance CenterPoint Houston's $1.31 billion term loan maturing in November 2005 in the event that proceeds from the issuance of transition bonds are not sufficient to repay such term loan. Drawings may be made under this credit facility until November 2005, at which time any outstanding borrowings are converted to term loans maturing in November 2007. Net proceeds from the issuance of transition bonds and certain new net indebtedness for borrowed money issued by CenterPoint Houston in excess of $200 million must be used to repay borrowings under the new facility. Based on CenterPoint Houston's current credit ratings, borrowings under the facility can be made at LIBOR plus 75 basis points. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. Any drawings under this facility must be secured by CenterPoint Houston's general mortgage bonds in the same principal amount and bearing the same interest rate as such drawings.

CenterPoint Houston's $200 million and $1.31 billion credit facilities each contain covenants, including a debt to total capitalization covenant of 68% and an EBITDA to interest covenant. Borrowings under CenterPoint Houston's $200 million credit facility and its $1.31 billion credit facility are available notwithstanding that a material adverse change has occurred or litigation that could be expected to have a material adverse effect has occurred, so long as other customary terms and conditions are satisfied.

In February 2005, Genco LP also established a $75 million term loan facility under which borrowings may be made for working capital purposes at LIBOR plus 50 basis points. Two drawings aggregating $75 million may be made under the facility which matures on the earlier of August 2005 or the closing of the final step of the Texas Genco sale. An initial draw of $59 million was made in February 2005. This facility is secured by a lien on Texas Genco's equity and the partnership interests in its subsidiaries and cash collateral accounts set up in connection with the sale of Texas Genco's coal, lignite and gas-fired generation assets.

As of March 11, 2005, we had the following credit facilities (in millions):

DATE EXECUTED	COMPANY	SIZE OF FACILITY	AMOUNT UTILIZED AT MARCH 11, 2005	TERMINATION DATE
March 23, 2004	CERC Corp.	$ 250	$ --	March 23, 2007
March 7, 2005	CenterPoint Energy	1,000	235	March 7, 2010
March 7, 2005	CenterPoint Houston	200	30	March 7, 2010
March 7, 2005	CenterPoint Houston	1,310	--	(1)
February 3, 2005	Texas Genco	75	59	(2)

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(1) Revolver until November 2005 with two-year term-out of borrowed moneys.

(2) Earlier of August 2005 or the closing of the final step of the Texas Genco sale.

Securities Registered with the SEC. At December 31, 2004, CenterPoint Energy had a shelf registration statement covering senior debt securities, preferred stock and common stock aggregating $1 billion and CERC Corp. had a shelf registration statement covering $50 million principal amount of debt securities.

Temporary Investments. On December 31, 2004, we had temporary external investments of $144 million, of which $22 million were investments of Texas Genco and are included in current assets of discontinued operations in the Consolidated Balance Sheets.

Money Pools. We have two "money pools" through which our participating subsidiaries can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. Following Texas Genco's certification by the FERC as an "exempt wholesale generator" under the 1935 Act in October 2003, it could no longer participate with our regulated subsidiaries in the same money pool. In October 2003, we established our second money pool in which Texas Genco and its subsidiaries are currently the sole participants.

The net funding requirements of the money pool in which our regulated subsidiaries participate are expected to be met with borrowings under CenterPoint Energy's revolving credit facility.

Except in an emergency situation (in which case we could provide funding pursuant to applicable SEC rules), we would be required to obtain approval from the SEC to issue and sell securities for purposes of funding Texas Genco's operations via the money pool established in October 2003. We do not currently expect to fund the operations of Texas Genco via the money pool. A $75 million credit facility, established in February 2005 at a subsidiary of Texas Genco, is expected to be used to fund Texas Genco's operations.

The terms of both money pools are in accordance with requirements applicable to registered public utility holding companies under the 1935 Act and under an order from the SEC relating to our financing activities and those of our subsidiaries on June 30, 2003 (June 2003 Financing Order). This order expires in June 2005; however, we will seek appropriate approval for the money pool prior to that date.

Impact on Liquidity of a Downgrade in Credit Ratings. As of March 1, 2005, Moody's, S&P, and Fitch, Inc. (Fitch) had assigned the following credit ratings to senior debt of CenterPoint Energy and certain subsidiaries:

	MOODY'S		S&P		FITCH	
COMPANY/INSTRUMENT	RATING	OUTLOOK(1)	RATING	OUTLOOK(2)	RATING	OUTLOOK(3)
CenterPoint Energy Senior Unsecured Debt.............................	Ba2	Negative	BBB-	Negative	BBB-	Stable
CenterPoint Houston Senior Secured Debt (First Mortgage Bonds)......	Baa2	Negative	BBB	Negative	BBB+	Stable
CERC Corp. Senior Debt.............	Ba1	Stable	BBB	Negative	BBB	Stable

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(1) A "negative" outlook from Moody's reflects concerns over the next 12 to 18 months which will either lead to a review for a potential downgrade or a return to a stable outlook. A "stable" outlook from Moody's

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

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

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

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

A decline in credit ratings would increase borrowing costs under our $1 billion credit facility, CenterPoint Houston's $200 million credit facility and its $1.31 billion credit facility and CERC's $250 million revolving credit facility. A decline in credit ratings would also increase the interest rate on long-term debt to be issued in the capital markets and would negatively impact our ability to complete capital market transactions. If we were unable to maintain an investment-grade rating from at least one rating agency, as a registered public utility holding company we would be required to obtain further approval from the SEC for any additional capital markets transactions as more fully described in "-- Certain Contractual and Regulatory Limits on Ability to Issue Securities and Pay Dividends on Our Common Stock" below. Additionally, a decline in credit ratings could increase cash collateral requirements and reduce margins of our Natural Gas Distribution business segment.

As described above under "-- Credit Facilities," our revolving credit facility contains a "material adverse change" clause that could impact our ability to make new borrowings under this facility. CERC Corp.'s credit facility also contains a "material adverse change" clause which relates to CERC Corp.'s ability to perform its obligations under the credit agreement. Texas Genco's term loan facility contains a "material adverse change" clause that could impact the second borrowing under the facility. The clause relates to the business, condition (financial or otherwise), operations, performance or properties of Texas Genco. Borrowings under CenterPoint Houston's $200 million credit facility and its $1.3 billion facility are available notwithstanding that a material adverse change has occurred or litigation that could be expected to have a material adverse effect has occurred.

In September 1999, we issued 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) having an original principal amount of $1.0 billion. Each ZENS note is exchangeable at the holder's option at any time for an amount of cash equal to 95% of the market value of the reference shares of Time Warner Inc. (TW Common) attributable to each ZENS note. If our creditworthiness were to drop such that ZENS note holders thought our liquidity was adversely affected or the market for the ZENS notes were to become illiquid, some ZENS noteholders might decide to exchange their ZENS notes for cash. Funds for the payment of cash upon exchange could be obtained from the sale of the shares of TW Common that we own or from other sources. We own shares of TW Common equal to 100% of the reference shares used to calculate our obligation to the holders of the ZENS notes. ZENS note exchanges result in a cash outflow because deferred tax liabilities related to the ZENS notes and TW Common shares become current tax obligations when ZENS notes are exchanged and TW Common shares are sold.

CenterPoint Energy Gas Services, Inc. (CEGS), a wholly owned subsidiary of CERC Corp., provides comprehensive natural gas sales and services to industrial and commercial customers that are primarily located within or near the territories served by our pipelines and natural gas distribution subsidiaries. In order to hedge its exposure to natural gas prices, CEGS has agreements with provisions standard for the industry that establish credit thresholds and require a party to provide additional collateral on two business days' notice when that party's rating or the rating of a credit support provider for that party (CERC Corp. in this case) falls below those levels. As of December 31, 2004, the senior unsecured debt of CERC Corp. was rated BBB by S&P and Ba1 by Moody's. We estimate that as of December 31, 2004, unsecured credit limits extended to CEGS by counterparties could aggregate $100 million; however, utilized credit capacity is significantly lower.

Cross Defaults. Under our revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness exceeding $50 million by us or any of our significant subsidiaries will cause a default. Pursuant to the indenture governing our senior notes, a payment default by us, CERC Corp. or CenterPoint Houston in respect of, or an acceleration of, borrowed money and certain other specified types of obligations, in the aggregate principal amount of $50 million will cause a default. As of February 28, 2005, we had issued five series of senior notes aggregating $1.4 billion in principal amount under this indenture. A default by CenterPoint Energy would not trigger a default under our subsidiaries' debt instruments or bank credit facilities.

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

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

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

- increased costs related to the acquisition of gas for storage;

- increases in interest expense in connection with debt refinancings;

- various regulatory actions;

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

- various of the risks identified in "Risk Factors".

Certain Contractual and Regulatory Limits on Ability to Issue Securities and Pay Dividends on Our Common Stock. Limitations imposed on us as a registered public utility holding company under the 1935 Act affect our ability to issue securities, pay dividends on our common stock or take other actions that affect our capitalization.

The secured term loan and each of the credit facilities of CenterPoint Houston limits CenterPoint Houston's debt, excluding transition bonds, as a percentage of its total capitalization to 68%. CERC Corp.'s bank facility and its receivables facility limit CERC's debt as a percentage of its total capitalization to 60% and contain an EBITDA to interest covenant. Our $1 billion credit facility contains a debt to EBITDA covenant and an EBITDA to interest covenant. CenterPoint Houston's $1.31 billion and $200 million credit facilities also contain EBITDA to interest covenants.

We are a registered public utility holding company under the 1935 Act. The 1935 Act and related rules and regulations impose a number of restrictions on our activities and those of our subsidiaries other than Texas Genco. 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 affiliated service, sales and construction contracts.

The June 2003 Financing Order is effective until June 30, 2005. Additionally, we have received several subsequent orders which provide additional financing authority. These orders establish limits on the amount of external debt and equity securities that can be issued by us and our regulated subsidiaries without additional authorization but generally permit us to refinance our existing obligations and those of our regulated subsidiaries. Each of us and our subsidiaries is in compliance with the authorized limits. Discussed below are the incremental amounts of debt and equity that we are authorized to issue after giving effect to our capital markets transactions in 2003 and 2004. The orders also permit utilization of undrawn credit facilities at CenterPoint Energy and CERC. As of February 28, 2005:

- CenterPoint Energy is authorized to issue an additional aggregate $1.7 billion of debt securities and $875 million of preferred stock and preferred securities;

- CenterPoint Houston is authorized to issue an additional aggregate $273 million of debt and an aggregate $250 million of preferred stock and preferred securities; and

- CERC is authorized to issue an additional $2 million of debt and an additional aggregate $250 million of preferred stock and preferred securities.

The SEC has reserved jurisdiction over, and must take further action to permit, the issuance of $478 million of additional debt at CenterPoint Energy, $430 million of additional debt at CERC and $250 million of additional debt at CenterPoint Houston.

The orders require that if we or any of our regulated subsidiaries issue securities that are rated by a nationally recognized statistical rating organization (NRSRO), the security to be issued must obtain an investment grade rating from at least one NRSRO and, as a condition to such issuance, all outstanding rated securities of the issuer and of CenterPoint Energy must be rated investment grade by at least one NRSRO. The orders also contain certain requirements for interest rates, maturities, issuance expenses and use of proceeds.

The 1935 Act limits the payment of dividends to payment from current and retained earnings unless specific authorization is obtained to pay dividends from other sources. The SEC has reserved jurisdiction over payment of $500 million of dividends from CenterPoint Energy's unearned surplus or capital. Further authorization would be required to make those payments. As of December 31, 2004, we had a retained deficit on our Consolidated Balance Sheets. We recorded an after-tax loss of approximately $214 million in 2004 related to the sale of our remaining interest in Texas Genco. In addition, we recorded an after-tax extraordinary loss of $977 million in 2004 related to the 2004 True-Up Proceeding. Portions of these losses recorded in periods prior to the fourth quarter of 2004 reduced our earnings below the level required for us to continue paying our current quarterly dividends out of current earnings as required under our SEC financing order. However, in May 2004, we received an order from the SEC under the 1935 Act authorizing us to continue to pay our current quarterly dividend in the second and third quarters of 2004 out of capital or unearned surplus in the event we had such losses. We declared a dividend in the fourth quarter of 2004 out of current earnings. 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 there can be no assurance that the SEC would authorize such payments. These losses would delay the timing of our achievement of a ratio of common equity to total capitalization of 30%, as generally required by the SEC under the 1935 Act. Accordingly, we may issue equity and take other actions to achieve a future equity capitalization of 30%. The June 2003 Financing Order also requires that CenterPoint Houston and CERC maintain a ratio of common equity to total capitalization of 30%.

Other Factors Affecting the Upstreaming of Cash from Subsidiaries. CenterPoint Houston's term loan, subject to certain exceptions, limits the application of proceeds from capital markets transactions over $200 million by CenterPoint Houston to repayment of debt existing in November 2002.

CenterPoint Houston will distribute recovery of the true-up components not used to repay CenterPoint Houston's indebtedness to us through the payment of dividends. CenterPoint Houston requires SEC action to approve any dividends in excess of its current and retained earnings. To maintain CenterPoint Houston's capital structure at the appropriate levels, we may reinvest funds in CenterPoint Houston in the form of equity contributions or intercompany loans. Under the orders described under "-- Certain Contractual and Regulatory Limits on Ability to Issue Securities and Pay Dividends on Our Common Stock," CenterPoint Houston's member's equity as a percentage of total capitalization generally must be at least 30%, although the SEC has permitted the percentage to be below this level for other companies taking into account non-recourse securitization debt as a component of capitalization.

CRITICAL ACCOUNTING POLICIES

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

ACCOUNTING FOR RATE REGULATION

SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71), provides that rate-regulated entities account for and report assets and liabilities consistent with the recovery of those incurred costs in rates if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. Application of SFAS No. 71 to the electric generation portion of our business was discontinued as of June 30, 1999. Our Electric Transmission & Distribution business continues to apply SFAS No. 71 which results in our accounting for the regulatory effects of recovery of stranded costs and other regulatory assets resulting from the unbundling of the transmission and distribution business from our electric generation operations in our consolidated financial statements. Certain expenses and revenues subject to utility regulation or rate determination normally reflected in income are deferred on the balance sheet and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. Significant accounting estimates embedded within the application of SFAS No. 71 with respect to our Electric Transmission & Distribution business segment relate to $1.9 billion of recoverable electric generation-related regulatory assets as of December 31, 2004. These costs are recoverable under the provisions of the Texas electric restructuring law. Based on our analysis of the Texas Utility Commission's final order in the 2004 True-Up Proceeding, we recorded an after-tax charge to earnings in 2004 of approximately $977 million to write-down our electric generation-related regulatory assets to their realizable value, which is reflected as an extraordinary loss in the Statements of Consolidated Operations.

IMPAIRMENT OF LONG-LIVED ASSETS AND INTANGIBLES

We review the carrying value of our long-lived assets, including goodwill and identifiable intangibles, whenever events or changes in circumstances indicate that such carrying values may not be recoverable, and annually for goodwill as required by SFAS No. 142, "Goodwill and Other Intangible Assets." No impairment of goodwill was indicated based on our analysis as of January 1, 2004. Unforeseen events and changes in circumstances and market conditions and material differences in the value of long-lived assets and intangibles due to changes in estimates of future cash flows, regulatory matters and operating costs could negatively affect the fair value of our assets and result in an impairment charge.

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

We recorded an after-tax loss of approximately $214 million in 2004 related to the sale of our remaining 81% interest in Texas Genco.

UNBILLED ENERGY REVENUES

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

PENSION AND OTHER RETIREMENT PLANS

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

NEW ACCOUNTING PRONOUNCEMENTS

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

OTHER SIGNIFICANT MATTERS

Pension Plan. As discussed in Note 9(b) to our consolidated financial statements, we maintain a non-contributory pension plan covering substantially all employees. Employer contributions are based on actuarial computations that establish the minimum contribution required under the Employee Retirement Income Security Act of 1974 (ERISA) and the maximum deductible contribution for income tax purposes. At December 31, 2004, the projected benefit obligation exceeded the market value of plan assets by $53 million; however, the market value of the plan assets exceeded the accumulated benefit obligation by $22 million. Changes in interest rates and the market values of the securities held by the plan during 2005 could materially, positively or negatively, change our funded status and affect the level of pension expense and required contributions in 2006 and beyond.

In connection with the sale of our 81% interest in Texas Genco, a separate pension plan was established for Texas Genco on September 1, 2004 and we transferred a net pension liability of approximately $68 million to Texas Genco. In October 2004, Texas Genco received an allocation of assets from our pension plan pursuant to rules and regulations under ERISA.

During 2003 and 2004, we have not been required to make contributions to our pension plan. We have made voluntary contributions of $23 million and $476 million in 2003 and 2004, respectively.

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

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

Pension costs were $35 million, $90 million and $80 million for 2002, 2003 and 2004, respectively. For 2002, a pension benefit of $4 million was recorded related to RRI's participants. Pension benefit for RRI's participants is reflected in the Statement of Consolidated Operations as discontinued operations. In addition, included in the costs for 2002, 2003 and 2004 are $15 million, $17 million and $11 million, respectively, of expense related to Texas Genco participants. Pension expense for Texas Genco participants is reflected in the Statement of Consolidated Operations as discontinued operations.

Additionally, we maintain a non-qualified benefit restoration plan which allows participants to retain the benefits to which they would have been entitled under our non-contributory pension plan except for the federally mandated limits on qualified plan benefits or on the level of compensation on which qualified plan benefits may be calculated. The expense associated with this non-qualified plan was $9 million, $8 million and $6 million in 2002, 2003 and 2004, respectively. Included in the cost for 2002 is $3 million of expense related to RRI's participants, which is reflected in discontinued operations in the Statements of Consolidated Operations.

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

As of December 31, 2004, the expected long-term rate of return on plan assets was 8.5%, a reduction from the 9.0% rate assumed as of December 31, 2003. We believe that our actual asset allocation, on average, will approximate the targeted allocation and the estimated return on net assets. We regularly review our actual asset allocation and periodically rebalance plan assets as appropriate.

As of December 31, 2004, the projected benefit obligation was calculated assuming a discount rate of 5.75%, which is a 0.5% decline from the 6.25% discount rate assumed in 2003. The discount rate was determined by reviewing yields on high-quality bonds that receive one of the two highest ratings given by a recognized rating agency and the expected duration of pension obligations specific to the characteristics of our plan.

Pension expense for 2005, including the benefit restoration plan, is estimated to be $37 million based on an expected return on plan assets of 8.5% and a discount rate of 5.75% as of December 31, 2004. If the expected return assumption were lowered by 0.5% (from 8.5% to 8.0%), 2005 pension expense would increase by approximately $8 million.

Due to significant funding that occurred during 2004, pension plan assets (excluding the unfunded benefit restoration plan) exceed the accumulated benefit obligation, which enabled us to reverse a charge to comprehensive income of $350 million, net of tax. However, if the discount rate were lowered by 0.5% (from 5.75% to 5.25%), the assumption change would increase our projected benefit obligation, accumulated benefit obligation and 2005 pension expense by approximately $106 million, $100 million and $7 million, respectively. In addition, the assumption change would have significant impacts on our Consolidated Balance Sheet by changing the pension asset recorded as of December 31, 2004 of $610 million to a pension liability of $78 million, offset by a charge to comprehensive income in 2004 of $447 million, net of tax.

For the benefit restoration plan, if the discount rate were lowered by 0.5% (from 5.75% to 5.25%), the assumption change would increase our projected benefit obligation, accumulated benefit obligation and 2005 pension expense by approximately $4 million, $3 million, and less than $1 million, respectively. In addition, the assumption change would result in a charge to comprehensive income of approximately $2 million.

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

In October 2004, the American Jobs Creation Act (AJCA) was signed into law. The AJCA made significant changes in the taxation of nonqualified deferred compensation with new Code Section 409A. Non-compliance with Section 409A can result in increased federal income taxes on nonqualified deferred compensation for employees. We are currently analyzing the impact of Section 409A and related guidance issued by the Treasury Department and the Internal Revenue Service, on our non-qualified plans and agreements that provide for deferred compensation. Such plans or agreements may require amendment or modification to comply with the new law.

Quasi-Reorganization. On December 30, 2004, our Board of Directors adopted a plan for an accounting reorganization of the company, to be effective as of January 1, 2005. At the same time, the Manager of CenterPoint Houston adopted a similar plan for CenterPoint Houston. These plans were adopted in order to eliminate the accumulated retained earnings deficit that exists at both companies.

The plan we adopted required: (1) a report to be presented to and reviewed by our Board of Directors on or before February 28, 2005 as to the completion of the valuation analysis of the accounting reorganization and the effects of the accounting reorganization on our financial statements, (2) a determination that the accounting reorganization is in accordance with accounting principles generally accepted in the United States, and (3) that there be no determination by our Board of Directors on or before February 28, 2005 that the accounting reorganization is inconsistent with our regulatory obligations. We are continuing to work to complete the valuation analysis and the effects on our financial statements of the accounting reorganization, and on February 23, 2005, our Board of Directors extended until May 10, 2005 the time for making the determination described in (3) of the preceding sentence.

An accounting reorganization, sometimes called a "quasi-reorganization," allows a company to extinguish a negative retained earnings balance. It involves restating a company's assets and its liabilities to their fair values. The negative balance in the retained earnings account is then brought to zero through a reduction in the other capital accounts, giving the company a "fresh start" with a zero balance in retained earnings. As of December 31, 2004, we had an accumulated retained earnings deficit of approximately $1.7 billion. That deficit stemmed from the accounting effects of (1) the distribution of our ownership interest in RRI to our shareholders in September 2002, (2) the extraordinary loss recorded in connection with the Texas Utility Commission's order related to the 2004 True-Up Proceeding and (3) the loss on discontinued operations that was recorded in connection with our sale of Texas Genco. In addition to eliminating the accumulated deficit in retained earnings and restating assets and liabilities to fair value, if a quasi-reorganization were implemented, we and CenterPoint Houston would be required to implement any accounting standards that have been issued but not yet adopted.

We and CenterPoint Houston are seeking to eliminate the negative retained earnings balance because restrictions contained in the 1935 Act require registered public utility holding companies and their subsidiaries, like us and CenterPoint Houston, to obtain express authorization from the SEC to pay dividends when current or retained earnings are insufficient to do so. Eliminating the negative retained earnings balance will permit current earnings not utilized to pay dividends to more quickly build up a retained earnings balance. Under 1935 Act regulations, we could pay dividends out of this balance during periods when current earnings may not be adequate to do so.

In addition, we have undertaken an obligation under the 1935 Act to achieve a minimum ratio of common equity to total capitalization of thirty percent, which, depending on the results of the restatement of assets and liabilities under the accounting reorganization, could be affected by, and will be taken into consideration by the Board of Directors in evaluating the effects of, the accounting reorganization. We will seek such authority as may be required under the 1935 Act in connection with the quasi-reorganization.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

IMPACT OF CHANGES IN INTEREST RATES AND ENERGY COMMODITY PRICES

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

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

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

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

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

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

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

INTEREST RATE RISK

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

Our floating-rate obligations aggregated $2.8 billion and $1.5 billion at December 31, 2003 and 2004, respectively. If the floating interest rates were to increase by 10% from December 31, 2004 rates, our combined interest expense would increase by a total of $2 million each month in which such increase continued.

At December 31, 2003 and 2004, we had outstanding fixed-rate debt (excluding indexed debt securities) and trust preferred securities aggregating $8.1 billion and $7.4 billion, respectively, in principal amount and having a fair value of $8.6 billion and $8.1 billion, respectively. These instruments are fixed-rate and, therefore, do not expose us to the risk of loss in earnings due to changes in market interest rates (please read Note 8 to our consolidated financial statements). However, the fair value of these instruments would increase by approximately $350 million if interest rates were to decline by 10% from their levels at December 31, 2004. In general, such an increase in fair value would impact earnings and cash flows only if we were to reacquire all or a portion of these instruments in the open market prior to their maturity.

As discussed in Note 6 to our consolidated financial statements, upon adoption of SFAS No. 133 effective January 1, 2001, the ZENS obligation was bifurcated into a debt component and a derivative component. The debt component of $107 million at December 31, 2004 is a fixed-rate obligation and, therefore, does not expose us to the risk of loss in earnings due to changes in market interest rates. However, the fair value of the debt component would increase by approximately $17 million if interest rates were to decline by 10% from levels at December 31, 2004. Changes in the fair value of the derivative component, $342 million at December 31, 2004, are recorded in our Statements of Consolidated Operations and, therefore, we are exposed to changes in the fair value of the derivative component as a result of changes in the underlying risk-free interest rate. If the risk-free interest rate were to increase by 10% from December 31, 2004 levels, the fair value of the derivative component would increase by approximately $6 million, which would be recorded as an unrealized loss in our Statements of Consolidated Operations.

CenterPoint Houston, as collection agent for the nuclear decommissioning charge assessed on its transmission and distribution customers, contributed $2.9 million in both 2003 and 2004 to trusts established to fund Texas Genco's share of the decommissioning costs for the South Texas Project. The securities held by the trusts for decommissioning costs had an estimated fair value of $216 million as of December 31, 2004, of which approximately 36% were debt securities that subject Texas Genco to risk of loss of fair value with movements in market interest rates. If interest rates were to increase by 10% from their levels at December 31, 2004, the fair value of the fixed-rate debt securities would decrease by approximately $1 million. Any unrealized gains or losses are accounted for by Texas Genco as a long-term asset/liability as Texas Genco will not benefit from any gains, and losses will be recovered through the rate-making process.

EQUITY MARKET VALUE RISK

We are exposed to equity market value risk through our ownership of 21.6 million shares of TW Common, which we hold to facilitate our ability to meet our obligations under the ZENS. Please read Note 6 to our consolidated financial statements for a discussion of the effect of adoption of SFAS No. 133 on our ZENS obligation and our historical accounting treatment of our ZENS obligation. A decrease of 10% from the December 31, 2004 market value of TW Common would result in a net loss of approximately $4 million, which would be recorded as a loss in our Statements of Consolidated Operations.

As discussed above under "-- Interest Rate Risk," CenterPoint Houston contributes to trusts established to fund Texas Genco's share of the decommissioning costs for the South Texas Project, which held approximately 64% of total assets in equity securities as of December 31, 2004. The equity securities expose Texas Genco to losses in fair value. If the market prices of the individual equity securities were to decrease by 10% from their levels at December 31, 2004, the resulting loss to Texas Genco in fair value of these securities would be approximately $14 million. Currently, the risk of an economic loss is mitigated as discussed above under "-- Interest Rate Risk."

COMMODITY PRICE RISK FROM NON-TRADING ACTIVITIES

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

We use derivative instruments as economic hedges to offset the commodity exposure inherent in our businesses. The stand-alone commodity risk created by these instruments, without regard to the offsetting effect of the underlying exposure these instruments are intended to hedge, is described below. We measure the commodity risk of our Non-Trading Energy Derivatives using a sensitivity analysis. The sensitivity analysis performed on our Non-Trading Energy Derivatives measures the potential loss in earnings based on a hypothetical 10% movement in energy prices. A decrease of 10% in the market prices of energy commodities from their December 31, 2003 levels would have decreased the fair value of our Non-Trading Energy Derivatives by $50 million. A decrease of 10% in the market prices of energy commodities from their

December 31, 2004 levels would have decreased the fair value of our Non-Trading Energy Derivatives by $46 million.

The above analysis of the Non-Trading Energy Derivatives utilized for hedging purposes does not include the favorable impact that the same hypothetical price movement would have on our physical purchases and sales of natural gas to which the hedges relate. Furthermore, the Non-Trading Energy Derivative portfolio is managed to complement the physical transaction portfolio, reducing overall risks within limits. Therefore, the adverse impact to the fair value of the portfolio of Non-Trading Energy Derivatives held for hedging purposes associated with the hypothetical changes in commodity prices referenced above would be offset by a favorable impact on the underlying hedged physical transactions, assuming:

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

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

- as applicable, anticipated underlying transactions settle as expected.

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

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of CenterPoint Energy, Inc. and subsidiaries (the "Company") as of December 31, 2003 and 2004, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audit also includes the financial statement schedules listed in the Index at Item 15(a)(2). These financial statements and the financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CenterPoint Energy, Inc. and subsidiaries at December 31, 2003 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

As discussed in Note 3 to the consolidated financial statements and pursuant to a plan to sell this subsidiary, the Company has presented its electric generating operations as discontinued operations in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

DELOITTE & TOUCHE LLP

Houston, Texas
March 15, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment, included in the accompanying Annual Report on Internal Control Over Financial Reporting, that CenterPoint Energy, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2004 for the Company and our report dated March 15, 2005 expressed an unqualified opinion on those financial statements and financial statement schedules and included an explanatory paragraph regarding the Company's presentation of its electric generating operations as discontinued operations.

DELOITTE & TOUCHE LLP

Houston, Texas
March 15, 2005

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

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

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control -- Integrated Framework, our management has concluded that our internal control over financial reporting was effective as of December 31, 2004.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an audit report on our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 which is included herein on page 69.

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED OPERATIONS

YEAR ENDED DECEMBER 31,	2002	2003	2004
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
REVENUES	$ 6,437,505	$7,789,681	$8,510,428
EXPENSES:			
Natural gas	2,953,871	4,297,914	5,524,451
Operation and maintenance	1,242,472	1,334,271	1,276,892
Depreciation and amortization	457,608	465,571	489,642
Taxes other than income taxes	343,811	336,512	355,648
Total	4,997,762	6,434,268	7,646,633
OPERATING INCOME	1,439,743	1,355,413	863,795
OTHER INCOME (EXPENSE):			
Gain (loss) on Time Warner investment	(499,704)	105,820	31,592
Gain (loss) on indexed debt securities	480,027	(96,473)	(20,232)
Interest and other finance charges	(711,812)	(741,087)	(777,300)
Return on true-up balance	--	--	226,324
Other, net	45,955	(9,838)	19,842
Total	(685,534)	(741,578)	(519,774)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EXTRAORDINARY LOSS	754,209	613,835	344,021
Income Tax Expense	(272,246)	(205,064)	(138,306)
INCOME FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY LOSS	481,963	408,771	205,715
DISCONTINUED OPERATIONS:			
Income from RRI, net of tax	99,465	--	--
Income (loss) from Other Operations, net of tax	246	(2,674)	--
Income (loss) from Texas Genco, net of tax	(113,136)	138,658	294,027
Minority interest on income from RRI	(17,308)	--	--
Minority interest on income from Texas Genco	--	(47,646)	(61,394)
Loss on disposal of RRI	(4,371,464)	--	--
Loss on disposal of Other Operations, net of tax	--	(13,442)	--
Loss on disposal of Texas Genco, net of tax	--	--	(365,716)
Total	(4,402,197)	74,896	(133,083)
INCOME (LOSS) BEFORE EXTRAORDINARY LOSS	(3,920,234)	483,667	72,632
Extraordinary Loss, net of tax	--	--	(977,336)
NET INCOME (LOSS)	$(3,920,234)	$ 483,667	$ (904,704)
BASIC EARNINGS PER SHARE:			
Income from Continuing Operations	$ 1.62	$ 1.35	$ 0.67
Discontinued Operations, net of tax	(14.78)	0.24	(0.43)
Extraordinary Loss, net of tax	--	--	(3.18)
Net Income (Loss)	$ (13.16)	$ 1.59	$ (2.94)
DILUTED EARNINGS PER SHARE:			
Income from Continuing Operations	$ 1.61	$ 1.24	$ 0.61
Discontinued Operations, net of tax	(14.69)	0.22	(0.37)
Extraordinary Loss, net of tax	--	--	(2.72)
Net Income (Loss)	$ (13.08)	$ 1.46	$ (2.48)

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(IN THOUSANDS OF DOLLARS)		
Net income (loss) attributable to common shareholders.....	$(3,920,234)	$483,667	$(904,704)
Other comprehensive income (loss), net of tax:			
Minimum pension liability adjustment (net of tax of $223,060, $25,467 and $197,397)......................	(414,254)	47,296	366,594
Net deferred gain (loss) from cash flow hedges (net of tax of $25,192, $15,405 and $30,740).................	(69,615)	21,973	59,104
Reclassification of deferred loss (gain) from cash flow hedges realized in net income (net of tax of $13,539, $3,588 and $3,478)..................................	39,705	9,015	(7,140)
Reclassification of deferred gain from de-designation of cash flow hedges to over/under recovery of gas cost (net of tax of $36,766)..............................	--	--	(68,280)
Other comprehensive income (loss) from discontinued operations (net of tax of $86,787, $366 and $1,924)..	161,176	680	(3,573)
Other comprehensive income (loss).........................	(282,988)	78,964	346,705
Comprehensive income (loss)...............................	$(4,203,222)	$562,631	$(557,999)

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2003	DECEMBER 31, 2004
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 86,922	$ 164,645
Investment in Time Warner common stock	389,302	420,882
Accounts receivable, net	566,260	741,715
Accrued unbilled revenues	395,351	576,252
Inventory	243,235	252,134
Non-trading derivative assets	45,897	50,219
Taxes receivable	228,746	--
Current assets of discontinued operations	301,765	513,768
Prepaid expense and other current assets	99,153	116,909
Total current assets	2,356,631	2,836,524
PROPERTY, PLANT AND EQUIPMENT, NET	8,084,924	8,186,393
OTHER ASSETS:		
Goodwill, net	1,740,510	1,740,510
Other intangibles, net	59,111	58,068
Regulatory assets	4,930,793	3,349,944
Non-trading derivative assets	11,273	17,682
Non-current assets of discontinued operations	3,942,296	1,051,158
Other	335,552	921,678
Total other assets	11,019,535	7,139,040
TOTAL ASSETS	$21,461,090	$18,161,957
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 63,135	$ --
Current portion of long-term debt	160,792	1,835,988
Indexed debt securities derivative	321,352	341,575
Accounts payable	588,883	868,023
Taxes accrued	154,916	609,025
Interest accrued	164,521	151,365
Non-trading derivative liabilities	8,036	26,323
Regulatory liabilities	186,239	225,158
Accumulated deferred income taxes, net	280,836	260,958
Current liabilities of discontinued operations	332,125	448,974
Other	276,392	419,811
Total current liabilities	2,537,227	5,187,200
OTHER LIABILITIES:		
Accumulated deferred income taxes, net	2,231,066	2,415,143
Unamortized investment tax credits	61,197	53,690
Non-trading derivative liabilities	3,330	6,413
Benefit obligations	818,061	440,110
Regulatory liabilities	1,358,030	1,081,370
Non-current liabilities of discontinued operations	1,277,760	420,393
Other	457,255	259,120
Total other liabilities	6,206,699	4,676,239
LONG-TERM DEBT	10,777,934	7,193,016
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
MINORITY INTEREST IN DISCONTINUED OPERATIONS	178,673	--
SHAREHOLDERS' EQUITY	1,760,557	1,105,502
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$21,461,090	$18,161,957

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CASH FLOWS

YEAR ENDED DECEMBER 31,	2002	2003	2004
	(IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$(3,920,234)	$ 483,667	$ (904,704)
Discontinued operations, net of tax	4,402,197	(74,896)	133,083
Extraordinary loss, net of tax	--	--	977,336
Income from continuing operations and cumulative effect of accounting change	481,963	408,771	205,715
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	457,608	465,571	489,642
Deferred income taxes	346,777	508,749	264,914
Amortization of deferred financing costs	112,835	140,638	92,454
Investment tax credit	(5,225)	(7,431)	(7,507)
Unrealized loss (gain) on Time Warner investment	499,704	(105,820)	(31,592)
Unrealized gain (loss) on indexed debt securities	(480,027)	96,473	20,232
Changes in other assets and liabilities:			
Accounts receivable and unbilled revenues, net	(217,965)	(109,861)	(269,323)
Inventory	29,741	(47,587)	(8,899)
Taxes receivable	(67,659)	(161,087)	34,888
Accounts payable	134,442	77,319	284,120
Fuel cost over (under) recovery/surcharge	250,191	25,420	25,212
Interest and taxes accrued	72,620	37,381	81,190
Net regulatory assets and liabilities	(1,062,130)	(772,604)	(519,830)
Clawback payment from RRI	--	--	176,600
Non-trading derivatives, net	(144,478)	2,913	(40,464)
Pension contribution	--	(22,700)	(476,000)
Other current assets	(38,130)	(37,100)	(17,772)
Other current liabilities	(63,813)	(23,638)	(26,562)
Other assets	(87,721)	29,048	79,760
Other liabilities	200,053	106,869	4,157
Other, net	36,434	38,547	20,047
Net cash provided by operating activities	455,220	649,871	380,982
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(566,162)	(496,392)	(530,227)
Proceeds from sale of Time Warner investment	43,419	--	--
Proceeds from sale of Texas Genco	--	--	2,231,000
Other, net	9,442	(8,037)	8,419
Net cash provided by (used in) investing activities	(513,301)	(504,429)	1,709,192
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings, net	668,386	(284,000)	(63,000)
Long-term revolving credit facility, net	--	(2,400,500)	(1,205,500)
Proceeds from long-term debt	1,320,723	3,796,529	229,050
Payments of long-term debt	(696,218)	(1,210,548)	(943,045)
Debt issuance costs	(196,830)	(239,978)	(13,882)
Payment of common stock dividends	(324,682)	(122,206)	(122,881)
Proceeds from issuance of common stock, net	12,994	9,349	12,211
Redemption of indexed debt securities	(45,085)	--	--
Other, net	(16,525)	17,079	--
Net cash provided by (used in) financing activities	722,763	(434,275)	(2,107,047)
NET CASH PROVIDED BY (USED IN) DISCONTINUED OPERATIONS	(378,586)	72,051	94,596
NET INCREASE (DECREASE) IN CASH			

AND CASH EQUIVALENTS........ 286,096 (216,782) 77,723
CASH AND CASH EQUIVALENTS AT BEGINNING OF
YEAR.............. 17,608 303,704 86,922 ----------- --
--------- ----------- CASH AND CASH EQUIVALENTS AT END
OF YEAR.................... $ 303,704 $ 86,922 $
164,645 =========== =========== ===========
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Cash
Payments:
Interest...
$ 632,987 $ 762,613 $ 758,665 Income taxes
(refunds).................................. (27,977)
(197,915) (123,603)

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

	2002		2003		2004	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
	(IN THOUSANDS OF DOLLARS AND SHARES)					
PREFERENCE STOCK, NONE OUTSTANDING	--	$ --	--	$ --	--	$ --
CUMULATIVE PREFERRED STOCK, $0.01 PAR VALUE; AUTHORIZED 20,000,000 SHARES, NONE OUTSTANDING	--	--	--	--	--	--
COMMON STOCK, $0.01 PAR VALUE; AUTHORIZED 1,000,000,000 SHARES						
Balance, beginning of year	302,944	3,029	305,017	3,050	306,297	3,063
Issuances related to benefit and investment plans	2,073	21	1,280	13	1,748	17
Balance, end of year	305,017	3,050	306,297	3,063	308,045	3,080
ADDITIONAL PAID-IN-CAPITAL						
Balance, beginning of year	--	3,894,272	--	3,046,043	--	2,868,416
Issuances related to benefit and investment plans	--	11,866	--	(31,364)	--	22,919
Loss on issuance of subsidiaries' stock	--	(12,835)	--	--	--	--
Distribution of RRI	--	(847,200)	--	--	--	--
Distribution of Texas Genco	--	--	--	(146,263)	--	--
Other	--	(60)	--	--	--	--
Balance, end of year	--	3,046,043	--	2,868,416	--	2,891,335
UNEARNED ESOP STOCK						
Balance, beginning of year	(7,070)	(131,888)	(4,916)	(78,049)	(912)	(2,842)
Issuances related to benefit plan	2,154	53,839	4,004	75,207	912	2,842
Balance, end of year	(4,916)	(78,049)	(912)	(2,842)	--	--
RETAINED EARNINGS (DEFICIT)						
Balance, beginning of year		3,176,533		(1,062,083)		(700,033)
Net income (loss)		(3,920,234)		483,667		(904,704)
Common stock dividends -- $1.07 per share in 2002 and $0.40 per share in 2003 and 2004		(318,382)		(121,617)		(122,834)
Balance, end of year		(1,062,083)		(700,033)		(1,727,571)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)						
Balance, end of year:						
Minimum pension liability adjustment		(419,909)		(372,613)		(6,019)
Net deferred loss from cash flow hedges		(66,422)		(35,434)		(51,750)
Other comprehensive loss from discontinued operations		(680)		--		(3,573)
Total accumulated other comprehensive loss, end of year		(487,011)		(408,047)		(61,342)
Total Shareholders' Equity		$ 1,421,950		$ 1,760,557		$ 1,105,502

See Notes to the Company's Consolidated Financial Statements

(1) BACKGROUND AND BASIS OF PRESENTATION

(a) BACKGROUND

CenterPoint Energy, Inc. (CenterPoint Energy or the Company) is a public utility holding company, created on August 31, 2002 as part of a corporate restructuring of Reliant Energy, Incorporated (Reliant Energy) that implemented certain requirements of the 1999 Texas Electric Choice Law (Texas electric restructuring law) described below. In December 2000, Reliant Energy transferred a significant portion of its unregulated businesses to Reliant Resources, Inc., now named Reliant Energy, Inc. (RRI), which, at the time, was a wholly owned subsidiary of Reliant Energy.

On September 30, 2002, following RRI's initial public offering of approximately 20% of its common stock in May 2001, CenterPoint Energy distributed all of the shares of RRI common stock owned by CenterPoint Energy to its common shareholders on a pro-rata basis (the RRI Distribution).

CenterPoint Energy is the successor to Reliant Energy for financial reporting purposes under the Securities Exchange Act of 1934. The Company's operating subsidiaries own and operate electric transmission and distribution facilities, natural gas distribution facilities, interstate pipelines and natural gas gathering, processing and treating facilities. CenterPoint Energy is a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended (1935 Act). The 1935 Act and related rules and regulations impose a number of restrictions on the activities of the Company and those of its subsidiaries. The 1935 Act, among other things, limits the ability of the 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.

As of December 31, 2004, the Company's indirect wholly owned subsidiaries included:

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

- CenterPoint Energy Resources Corp. (CERC Corp., and, together with its subsidiaries, CERC), which owns gas distribution systems. The operations of its local distribution companies are conducted through three unincorporated divisions: Houston Gas, Minnesota Gas and Southern Gas Operations. In 2004, the naming conventions of CERC's three unincorporated divisions were changed in an effort to increase brand recognition. CenterPoint Energy Arkla and the portion of CenterPoint Energy Entex (Entex) located outside of the metropolitan Houston area were renamed Southern Gas Operations. The metropolitan Houston portion of Entex was renamed Houston Gas, and CenterPoint Energy Minnegasco was renamed Minnesota Gas. Through wholly owned subsidiaries, CERC owns two interstate natural gas pipelines and gas gathering systems, provides various ancillary services, and offers variable and fixed price physical natural gas supplies to commercial and industrial customers and natural gas distributors.

In July 2004, the Company announced its agreement to sell its majority owned subsidiary, Texas Genco Holdings, Inc. (Texas Genco), to Texas Genco LLC (formerly known as GC Power Acquisition LLC), an entity owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco distributed $2.231 billion in cash to the Company. Texas Genco's principal remaining asset is its ownership interest in a nuclear generating facility. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to the Company of $700 million, is expected to close during the first half of 2005, following receipt of approval from the Nuclear Regulatory Commission (NRC).

(b) BASIS OF PRESENTATION

The consolidated financial statements have been prepared to reflect the effect of the RRI Distribution on the CenterPoint Energy financial statements. The consolidated financial statements present the RRI businesses (Wholesale Energy, European Energy, Retail Energy and related corporate costs) as discontinued operations, in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144).

In 2003, the Company sold all of its remaining Latin America operations. The consolidated financial statements present these Latin America operations as discontinued operations in accordance with SFAS No. 144.

In November 2003, the Company sold its district cooling services business in the Houston central business district and related complementary energy services to district cooling customers and others. The consolidated financial statements present these operations as discontinued operations in accordance with SFAS No. 144.

The Company recorded an after-tax loss of $214 million in 2004 related to the sale of Texas Genco discussed in Note 3. In addition, as a result of this transaction, any future earnings of Texas Genco will be offset by an increase in the loss. The consolidated financial statements present these operations as discontinued operations in accordance with SFAS No. 144.

The Company's reportable business segments include the following: Electric Transmission & Distribution, Natural Gas Distribution, Pipelines and Gathering and Other Operations. The electric transmission and distribution function (CenterPoint Houston) is reported in the Electric Transmission & Distribution business segment. Natural Gas Distribution consists of intrastate natural gas sales to, and natural gas transportation and distribution for, residential, commercial, industrial and institutional customers and non-rate regulated retail gas marketing operations for commercial and industrial customers. Pipelines and Gathering includes the interstate natural gas pipeline operations and the natural gas gathering and pipeline services businesses. Other Operations consists primarily of other corporate operations which support all of the Company's business operations. The generation operations of CenterPoint Energy's former integrated electric utility (Texas Genco) were previously reported in the Electric Generation business segment, but have been reclassified as discontinued operations in these financial statements as discussed above.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) RECLASSIFICATIONS AND USE OF ESTIMATES

In addition to the items discussed in Note 3, some amounts from the previous years have been reclassified to conform to the 2004 presentation of financial statements. These reclassifications do not affect net income.

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

(b) PRINCIPLES OF CONSOLIDATION

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

(c) REVENUES

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

(d) LONG-LIVED ASSETS AND INTANGIBLES

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

	ESTIMATED USEFUL LIVES (YEARS)	DECEMBER 31, 2003	DECEMBER 31, 2004
		(IN MILLIONS)	
Electric transmission & distribution	5-75	$6,085	$6,245
Natural gas distribution	5-50	2,316	2,494
Pipelines and gathering	5-75	1,722	1,767
Other property	3-40	446	457
Total		10,569	10,963
Accumulated depreciation and amortization		(2,484)	(2,777)
Property, plant and equipment, net		$8,085	$8,186

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

	DECEMBER 31, 2003 CARRYING AMOUNT	DECEMBER 31, 2003 ACCUMULATED AMORTIZATION	DECEMBER 31, 2004 CARRYING AMOUNT	DECEMBER 31, 2004 ACCUMULATED AMORTIZATION
	(IN MILLIONS)			
Land Use Rights	$55	$(12)	$55	$(12)
Other	20	(4)	21	(6)
Total	$75	$(16)	$76	$(18)

The Company recognizes specifically identifiable intangibles, including land use rights and permits, when specific rights and contracts are acquired. The Company has no intangible assets with indefinite lives recorded as of December 31, 2004 other than goodwill discussed below. The Company amortizes other acquired intangibles on a straight-line basis over the lesser of their contractual or estimated useful lives that range from 40 to 75 years for land rights and 4 to 25 years for other intangibles.

Amortization expense for other intangibles for 2002, 2003 and 2004 was $2 million in each year. Estimated amortization expense for the five succeeding fiscal years is as follows (in millions):

2005	$ 2
2006	2
2007	3
2008	3
2009	3
Total	$13

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

	DECEMBER 31, 2003 AND 2004
Natural Gas Distribution	$1,085
Pipelines and Gathering	601
Other Operations	55
Total	$1,741

The Company completed its annual evaluation of goodwill for impairment as of January 1, 2004 and no impairment was indicated.

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

As a result of the Company's decision to sell its interest in Texas Genco in July 2004, the Company recorded an after-tax loss of approximately $253 million in the third quarter of 2004. In the fourth quarter of 2004, the Company reduced the expected loss on the sale of its interest in Texas Genco by $39 million to $214 million. For further discussion, see Note 3.

(e) REGULATORY ASSETS AND LIABILITIES

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

The following is a list of regulatory assets/liabilities reflected on the Company's Consolidated Balance Sheets as of December 31, 2003 and 2004:

	DECEMBER 31, 2003	DECEMBER 31, 2004
	(IN MILLIONS)	
Recoverable electric generation-related regulatory assets	$3,226	$1,946
Securitized regulatory asset	682	647
Unamortized loss on reacquired debt	80	80
Estimated removal costs	(647)	(677)
Other long-term regulatory assets/liabilities	46	47
Total	$3,387	$2,043

If events were to occur that would make the recovery of these assets and liabilities no longer probable, the Company would be required to write-off or write-down these regulatory assets and liabilities. During 2004, the Company wrote-off net regulatory assets of $1.5 billion in response to the Texas Utility Commission's order on CenterPoint Houston's final true-up application. For further discussion of regulatory assets, see Note 4.

The Company's rate-regulated businesses recognize removal costs as a component of depreciation expense in accordance with regulatory treatment. As of December 31, 2003 and 2004, these removal costs of $647 million and $677 million, respectively, are classified as regulatory liabilities in the Consolidated Balance Sheets. The Company has also identified other asset retirement obligations that cannot be estimated because the assets associated with the retirement obligations have an indeterminate life.

(f) DEPRECIATION AND AMORTIZATION EXPENSE

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

The following table presents depreciation and other amortization expense for 2002, 2003 and 2004.

	YEAR ENDED DECEMBER 31, 2002	2003	2004
	(IN MILLIONS)		
Depreciation expense	$387	$403	$415
Other amortization expense	71	63	75
Total depreciation and amortization expense	$458	$466	$490

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

Allowance for funds used during construction (AFUDC) represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction. Although AFUDC increases both utility plant and earnings, it is realized in cash through depreciation provisions included in rates for subsidiaries that apply SFAS No. 71. Interest and AFUDC for subsidiaries that apply SFAS No. 71 are capitalized as a component of projects under construction and will be amortized over the assets' estimated useful lives. During 2002, 2003 and 2004, the Company capitalized interest and AFUDC of $5 million, $4 million and $4 million, respectively.

(h) INCOME TAXES

The Company files a consolidated federal income tax return and follows a policy of comprehensive interperiod income tax allocation. The Company uses the liability method of accounting for deferred income taxes and measures deferred income taxes for all significant income tax temporary differences. Investment tax credits were deferred and are being amortized over the estimated lives of the related property. For additional information regarding income taxes, see Note 10.

(i) ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are net of an allowance for doubtful accounts of $31 million and $30 million at December 31, 2003 and 2004, respectively. The provision for doubtful accounts in the Company's Statements of Consolidated Operations for 2002, 2003 and 2004 was $26 million, $24 million and $27 million, respectively.

In connection with CERC's November 2002 amendment and extension of its $150 million receivables facility, CERC Corp. formed a bankruptcy remote subsidiary for the sole purpose of buying receivables created by CERC and selling those receivables to an unrelated third-party. This transaction was accounted for as a sale of receivables under the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," (SFAS No. 140) and, as a result, the related receivables are excluded from the Consolidated Balance Sheets. The bankruptcy remote subsidiary purchases receivables with cash and subordinated notes. In July 2003, the subordinated notes owned by CERC were pledged to a gas supplier to secure obligations incurred in connection with the purchase of gas by CERC. Effective June 25, 2003, CERC reduced the purchase limit under the receivables facility from $150 million to $100 million. As of December 31, 2003, CERC had utilized $100 million of its receivables facility.

In the first quarter of 2004, CERC replaced the receivables facility with a $250 million committed one-year receivables facility. The bankruptcy remote subsidiary continues to buy CERC's receivables and sell them to an unrelated third-party, which transactions are accounted for as a sale of receivables under SFAS No. 140. As of December 31, 2004, CERC had utilized $181 million of its receivables facility.

The average outstanding balances on the receivables facilities were $16 million, $100 million and $190 million in 2002, 2003 and 2004, respectively. Sales of receivables were approximately $0.2 billion, $1.2 billion and $2.4 billion in 2002, 2003 and 2004, respectively.

(j) INVENTORY

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

DECEMBER 31,	2003	2004
	(IN MILLIONS)	
Materials and supplies	$ 83	$ 78
Natural gas	160	174
Total inventory	$243	$252

(k) INVESTMENT IN OTHER DEBT AND EQUITY SECURITIES

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

As of December 31, 2003 and 2004, Texas Genco held debt and equity securities in its nuclear decommissioning trust, which is reported at its fair value of $189 million and $216 million, respectively, in the Company's Consolidated Balance Sheets in non-current assets of discontinued operations. Any unrealized losses or gains are accounted for as a non-current asset/liability of discontinued operations as Texas Genco will not benefit from any gains, and losses will be recovered through the rate-making process.

As of December 31, 2003 and 2004, the Company held an investment in Time Warner Inc. common stock, which was classified as a "trading" security. For information regarding this investment, see Note 6.

(l) ENVIRONMENTAL COSTS

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

(m) STATEMENTS OF CONSOLIDATED CASH FLOWS

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

(n) NEW ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 46 "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research No. 51" (FIN 46). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. On December 24, 2003, the FASB issued a revision to FIN 46 (FIN 46-R). For special-purpose entities (SPE's) created before February 1, 2003, the Company applied the provisions of FIN 46 or FIN 46-R as of December 31, 2003. FIN 46-R is effective for all other entities for financial periods ending after March 15, 2004. The Company has subsidiary trusts that have Mandatorily Redeemable Preferred Securities outstanding. The trusts were determined to be variable interest entities under FIN 46-R and the Company also determined that it is not the primary beneficiary of the trusts. As of December 31, 2003, the Company deconsolidated the trusts and instead reports its junior subordinated debentures due to the trusts as long-term debt. The Company also evaluated two purchase power contracts with qualifying facilities as defined in the Public Utility Regulatory Policies Act of 1978 related to its former Electric Generation business segment. The Company concluded it was not required to consolidate the entities that own the qualifying facilities.

On May 19, 2004, the FASB issued a FASB Staff Position (FSP) addressing the appropriate accounting and disclosure requirements for companies that sponsor a postretirement health care plan that provides prescription drug benefits. The new guidance from the FASB was deemed necessary as a result of the 2003 Medicare prescription law, which includes a federal subsidy for qualifying companies. FSP 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP 106-2), requires that the effects of the federal subsidy be considered an actuarial gain and treated like similar gains and losses and requires certain disclosures for employers that sponsor postretirement health care plans that provide prescription drug benefits. The FASB's related existing guidance, FSP 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," was superseded upon the effective date of FSP 106-2. The Company adopted FSP 106-2 prospectively in July 2004 with no material effect on its results of operations, financial condition or cash flows.

In its October 13, 2004 meeting, the FASB ratified the consensus reached by the Emerging Issues Task Force (EITF) at its September 29-30, 2004 meeting on EITF Issue No. 04-8, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings Per Share" (EITF 04-8), that requires certain contingently convertible debt instruments with a market price trigger to be treated the same as traditional convertible debt instruments for earnings per share (EPS) purposes. The contingently convertible debt instruments are taken into consideration in the calculation of diluted EPS using the "if-converted" method. The Company issued contingently convertible debt instruments in 2003. The Company's $575 million contingently convertible notes are included in the calculation of diluted earnings per share pursuant to EITF 04-8. The Company's $255 million contingently convertible notes are not included in the calculation of diluted earnings per share because the terms of this debt instrument were modified prior to December 31, 2004 to provide for only cash settlement of the principal amount upon conversion as required by EITF 04-8. The Company adopted EITF 04-8 effective December 31, 2004. The impact on the Company's diluted EPS from continuing operations for the years ended December 31, 2003 and 2004 was a decrease of $0.10 per share and $0.05 per share, respectively.

On October 22, 2004, the American Jobs Creation Act (AJCA) was signed into law. The AJCA makes several sweeping changes to U.S. taxpayers engaged in cross-border or manufacturing businesses, and some of the provisions of the AJCA have retroactive effective dates. The Company presently estimates that the reduction in federal income tax related to relief for manufacturers of domestic goods will inure to Texas Genco, which is reported as discontinued operations as of December 31, 2004. Accordingly, this effect would be reflected on Texas Genco's future financial statements when it will not be a part of the Company. On December 21, 2004, the FASB issued FSP 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004," that provides accounting guidance on how companies should account for the effects of the AJCA. In this FSP, the FASB concludes that the tax relief (special tax deduction for domestic manufacturing) from this legislation should be accounted for as a "special deduction" instead of a tax rate reduction. The guidance in this FSP had no material effect on the Company's financial position as of December 31, 2004.

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), "Share-Based Payment" (SFAS No. 123). SFAS No. 123 requires that the compensation costs relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued at the grant date. The Company will be required to adopt SFAS No. 123 in the third quarter of 2005 using the modified prospective method as defined in the statement. The Company does not anticipate that the adoption of SFAS No. 123 will have a material impact on its results of operations, financial condition or cash flows.

(o) STOCK-BASED INCENTIVE COMPENSATION

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), and SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure -- an Amendment of SFAS No. 123," the Company applies the guidance contained in APB Opinion No. 25 and discloses the required pro-forma effect on net income of the fair value based method of accounting for stock compensation. The weighted average fair values at date of grant for CenterPoint Energy options granted during 2002, 2003 and 2004 were $1.40, $1.66 and $1.86, respectively. The fair values were estimated using the Black-Scholes option valuation model with the following assumptions:

	2002	2003	2004
Expected life in years	5	5	5
Interest rate	2.83%	2.62%	3.02%
Volatility	48.95%	52.60%	27.23%
Expected common stock dividend	$ 0.64	$ 0.40	$ 0.40

Pro-forma information for 2002, 2003 and 2004 is provided to take into account the amortization of stock-based compensation to expense on a straight-line basis over the vesting period. Had compensation costs been determined as prescribed by SFAS No. 123, the Company's net income and earnings per share would have been as follows:

	2002	2003	2004
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)		
Net income (loss) as reported	$(3,920)	$ 484	$ (905)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(9)	(10)	(4)
Pro-forma net income (loss)	$(3,929)	$ 474	$ (909)
Basic Earnings Per Share:			
As reported	$(13.16)	$1.59	$(2.94)
Pro-forma	$(13.19)	$1.58	$(2.95)
Diluted Earnings Per Share:			
As reported	$(13.08)	$1.46	$(2.48)
Pro-forma	$(13.11)	$1.45	$(2.49)

See Note 9 for further discussion of stock-based incentive compensation.

(p) PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS

The Company sponsors pension and other retirement plans in various forms covering all employees who meet eligibility requirements. The Company uses several statistical and other factors which attempt to anticipate future events in calculating the expense and liability related to its plans. These factors include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases as estimated by management, within certain guidelines. In addition, the Company's actuarial consultants use subjective factors such as withdrawal and mortality rates to estimate these factors. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension expense recorded. For further discussion, see Note 9.

(3) DISCONTINUED OPERATIONS AND QUASI-REORGANIZATION

RRI. On September 30, 2002, CenterPoint Energy distributed to its shareholders its 83% ownership interest in RRI by means of a tax-free spin-off in the form of a dividend. Holders of CenterPoint Energy common stock on the record date received 0.788603 shares of RRI common stock for each share of CenterPoint Energy stock that they owned on the record date. The RRI Distribution was recorded in the third quarter of 2002.

As a result of the RRI Distribution, CenterPoint Energy recorded a non-cash loss on disposal of discontinued operations of $4.4 billion in 2002. This loss represents the excess of the carrying value of CenterPoint Energy's net investment in RRI over the market value of RRI's common stock at the time of the RRI Distribution. The consolidated financial statements reflect the reclassifications necessary to present RRI as discontinued operations for all periods presented in accordance with SFAS No. 144.

RRI's revenues included in discontinued operations for the nine months ended September 30, 2002 were $9.5 billion as reported in RRI's Annual Report on Form 10-K/A, Amendment No. 1, filed with the Securities and Exchange Commission (SEC) on May 1, 2003. These amounts have been restated to reflect RRI's adoption of EITF Issue No. 02-3, "Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities." Income from these discontinued operations for the nine months ended September 30, 2002 is reported net of income tax expense of $284 million.

Latin America. In February 2003, the Company sold its interest in Argener, a cogeneration facility in Argentina, for $23 million. The carrying value of this investment was approximately $11 million as of December 31, 2002. The Company recorded an after-tax gain of $7 million from the sale of Argener in the first quarter of 2003. In April 2003, the Company sold its final remaining investment in Argentina, a 90 percent interest in Empresa Distribuidora de Electricidad de Santiago del Estero S.A. The Company recorded an after-tax loss of $3 million in the second quarter of 2003 related to its Latin America operations. The consolidated financial statements reflect the reclassifications necessary to present these operations as discontinued operations for all periods presented in accordance with SFAS No. 144.

Revenues related to the Company's Latin America operations included in discontinued operations for the years ended December 31, 2002 and 2003 were $15 million and $2 million, respectively. Income from these discontinued operations for each of the years ended December 31, 2002 and 2003 is reported net of income tax expense of $2 million.

CenterPoint Energy Management Services, Inc. As discussed in Note 1, in November 2003, the Company completed the sale of a component of its Other Operations business segment, CenterPoint Energy Management Services, Inc. (CEMS), that provides district cooling services in the Houston central business district and related complementary energy services to district cooling customers and others. The Company recorded an after-tax loss of $1 million from the sale of CEMS in the fourth quarter of 2003. The Company recorded an after-tax loss in discontinued operations of $16 million ($25 million pre-tax) during the second quarter of 2003 to record the impairment of the long-lived asset based on the impending sale and to record one-time employee termination benefits. The consolidated financial statements reflect the reclassifications necessary to present these CEMS operations as discontinued operations for all periods presented in accordance with SFAS No. 144.

Revenues related to CEMS included in discontinued operations for the years ended December 31, 2002 and 2003 were $9 million and $10 million, respectively. Income from these discontinued operations for the years ended December 31, 2002 and 2003 is reported net of income tax benefit of $1 million and $2 million, respectively.

Texas Genco. As discussed in Note 1, in July 2004, the Company announced its agreement to sell Texas Genco to Texas Genco LLC. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Texas Genco's principal remaining asset is its ownership interest in the South Texas Project Electric Generating Station, a nuclear generating facility (South Texas Project). The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to the Company of $700 million, is expected to close during the first half of 2005, following receipt of approval from the NRC. The Company recorded an after-tax loss of $214 million in 2004 related to the sale of Texas Genco. In addition, as a result of this transaction, any future earnings of Texas Genco will be offset by an increase in the loss. The consolidated financial statements present these operations as discontinued operations for all periods presented in accordance with SFAS No. 144.

The following table summarizes the components of the income (loss) from discontinued operations of Texas Genco for each of the years ended December 2002, 2003 and 2004:

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(IN MILLIONS)		
Texas Genco net income (loss) as reported	$ (93)	$250	$ (99)
Texas Genco loss on sale of fossil assets, net of tax(1)	--	--	426
Texas Genco net income (loss) as adjusted for loss on sale of fossil assets	(93)	250	327
General corporate overhead reclassification, net of tax(2)	18	18	13
Interest expense reclassification, net of tax(3)	(38)	(129)	(46)
Income (loss) from discontinued operations of Texas Genco, net of tax	(113)	139	294
Minority interest in discontinued operations of Texas Genco	--	(48)	(61)
Income (loss) from discontinued operations of Texas Genco, net of tax and minority interest	(113)	91	233
Loss on sale of Texas Genco, net of tax	--	--	(214)
Loss offsetting Texas Genco's 2004 earnings, net of tax	--	--	(152)
Loss on disposal of Texas Genco, net of tax	--	--	(366)
Total Discontinued Operations of Texas Genco	$(113)	$ 91	$(133)

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

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

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

Revenues related to Texas Genco included in discontinued operations for the years ended December 31, 2002, 2003 and 2004 were $1.5 billion, $2.0 billion and $2.1 billion, respectively. Income from these discontinued operations for the years ended December 31, 2002, 2003 and 2004 is reported net of income tax (expense) benefit of $63 million, $(71) million and $(166) million, respectively.

Summarized balance sheet information as of December 31, 2003 and 2004 related to discontinued operations of Texas Genco is as follows:

	DECEMBER 31, 2003	DECEMBER 31, 2004
	(IN MILLIONS)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 45	$ 43
Restricted cash	--	390
Accounts receivable, principally trade	82	28
Other current assets	175	53
Total current assets	302	514
NON-CURRENT ASSETS:		
Funds held for purchase of additional interest in South Texas Project	--	191
Other non-current assets	3,942	860
Total non-current assets	3,942	1,051
TOTAL ASSETS	4,244	1,565
CURRENT LIABILITIES:		
Accounts payable, principally trade	109	17
Payable to minority shareholders	--	390
Other current liabilities	223	42
Total current liabilities	332	449
OTHER LONG-TERM LIABILITIES(1)	1,278	420
TOTAL LIABILITIES	1,610	869
MINORITY INTEREST	179	--
NET ASSETS OF DISCONTINUED OPERATIONS	$2,455	$ 696

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(1) Deferred taxes of $758 million recorded as of December 31, 2003 were reversed upon the completion of the first step of the sale of Texas Genco. Taxes payable resulting from the sale will be paid by the Company, and are included in current liabilities as of December 31, 2004.

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

Texas Genco owns a 30.8% interest in the South Texas Project, which consists of two 1,250 MW nuclear generating units and bears a corresponding 30.8% share of capital and operating costs associated with the project. The South Texas Project is owned as a tenancy in common among Texas Genco and three other co-owners, with each owner retaining its undivided ownership interest in the two generating units and the electrical output from those units. Texas Genco is severally liable, but not jointly liable, for the expenses and liabilities of the South Texas Project. Texas Genco and the three other co-owners organized the STP Nuclear Operating Company (STPNOC) to operate and maintain the South Texas Project. STPNOC is managed by a board of directors comprised of one director appointed by each of the four co-owners, along with the chief executive officer of STPNOC. Texas Genco's share of direct expenses of the South Texas Project is included in discontinued operations in the Statements of Consolidated Operations. As of December 31, 2003 and 2004, Texas Genco's total utility plant for the South Texas Project was $431 million and $436 million, respectively (net of $2.2 billion and $2.3 billion accumulated depreciation, respectively, which includes an impairment loss recorded in 1999 of $745 million). As of December 31, 2003 and 2004, Texas Genco's investment in nuclear fuel was $40 million (net of $316 million amortization) and $34 million (net of $334 million amortization), respectively. These assets are included in non-current assets of discontinued operations in the Consolidated Balance Sheets.

In September 2004, a subsidiary of Texas Genco, Texas Genco, LP (Genco LP), signed an agreement to purchase a portion of AEP Texas Central Company's (AEP) 25.2% interest in the South Texas Project for approximately $174 million. Once the purchase is complete, Genco LP will own an additional 13.2% interest in the South Texas Project for a total of 44%, or approximately 1,100 MW. This purchase agreement was entered into pursuant to Genco LP's right of first refusal to purchase this interest when AEP announced its agreement to sell this interest to a third-party. In addition to AEP's ownership interest and Genco LP's current 30.8% ownership, the 2,500 MW nuclear plant is currently 28%-owned by City Public Service of San Antonio (CPS) and 16%-owned by Austin Energy. CPS is expected to purchase AEP's remaining 12% ownership interest under its right of first refusal. The sale is subject to approval by the NRC. Texas Genco expects to fund the purchase of its share of AEP's interest, including reimbursements of draws under letters of credit, with existing cash balances that have been provided to cash collateralize the letters of credit as described below and, if necessary, cash expected to be generated through operations. If CPS were to fail to purchase the 12% interest it has agreed to acquire, Texas Genco would purchase AEP's entire 25.2% interest in the South Texas Project, in which case Texas Genco would need approximately $158 million of additional cash. The Company expects this transaction will be completed by the end of the second quarter of 2005.

In December 2004, prior to the consummation of the sale of Texas Genco's coal, lignite and gas-fired generation assets to Texas Genco LLC, the $250 million revolving credit facility of Genco LP was terminated and the then outstanding letters of credit aggregating $182 million issued under the facility in favor of AEP relating to the right of first refusal were cash collateralized at 105% of their face amount. In February 2005, Genco LP also established a $75 million term loan facility under which borrowings may be made for working capital purposes at LIBOR plus 50 basis points. Two drawings aggregating $75 million may be made under the facility which matures on the earlier of August 2005 or the closing of the final step of the Texas Genco sale. An initial draw of $59 million was made in February 2005. This facility is secured by a lien on Texas Genco's equity and partnership interests in its subsidiaries and cash collateral accounts described above.

Quasi-Reorganization. On December 30, 2004, the Board of Directors of the Company adopted a plan for an accounting reorganization of the Company, to be effective as of January 1, 2005. At the same time, the Manager of CenterPoint Houston adopted a similar plan for CenterPoint Houston. These plans were adopted in order to eliminate the accumulated retained earnings deficit that exists at both companies.

The plan adopted by the Company required: (1) a report to be presented to and reviewed by the Company's Board of Directors on or before February 28, 2005 as to the completion of the valuation analysis of the accounting reorganization and the effects of the accounting reorganization on the Company's financial statements, (2) a determination that the accounting reorganization is in accordance with accounting principles generally accepted in the United States, and (3) that there be no determination by the Company's Board of Directors on or before February 28, 2005 that the accounting reorganization is inconsistent with the Company's regulatory obligations. The Company is continuing to work to complete the valuation analysis and the effects on the Company's financial statements of the accounting reorganization, and on February 23, 2005, the Company's Board of Directors extended until May 10, 2005 the time for making the determination described in (3) of the preceding sentence.

An accounting reorganization, sometimes called a "quasi-reorganization," allows a company to extinguish a negative retained earnings balance. It involves restating a company's assets and its liabilities to their fair values. The negative balance in the retained earnings account is then brought to zero through a reduction in the other capital accounts, giving the company a "fresh start" with a zero balance in retained earnings. As of December 31, 2004, the Company had an accumulated retained earnings deficit of approximately $1.7 billion. That deficit stemmed from the accounting effects of (1) the Company's distribution of its ownership interest in RRI to its shareholders in September 2002, (2) the extraordinary loss recorded in connection with the Texas Utility Commission's order related to the 2004 True-Up Proceeding (defined below) and (3) the loss on discontinued operations that was recorded in connection with the Company's sale of Texas Genco. In addition to eliminating the accumulated deficit in retained earnings and restating assets and liabilities to fair value, if a quasi-reorganization were implemented, the Company and CenterPoint Houston would be required to implement any accounting standards that have been issued but not yet adopted.

The Company and CenterPoint Houston are seeking to eliminate the negative retained earnings balance because restrictions contained in the 1935 Act require registered public utility holding companies and their subsidiaries, like the Company and CenterPoint Houston, to obtain express authorization from the SEC to pay dividends when current or retained earnings are insufficient to do so. Eliminating the negative retained earnings balance will permit current earnings not utilized to pay dividends to more quickly build up a retained earnings balance. Under 1935 Act regulations, the Company could pay dividends out of this balance during periods when current earnings may not be adequate to do so.

In addition, the Company has undertaken an obligation under the 1935 Act to achieve a minimum ratio of common equity to total capitalization of thirty percent, which, depending on the results of the restatement of assets and liabilities under the accounting reorganization, could be affected by, and will be taken into consideration by the Board of Directors in evaluating the effects of, the accounting reorganization. The Company will seek such authority as may be required under the 1935 Act in connection with the quasi-reorganization.

(4) REGULATORY MATTERS

(a) 2004 TRUE-UP PROCEEDING

In March 2004, CenterPoint Houston filed the final true-up application required by the Texas electric restructuring law with the Public Utility Commission of Texas (Texas Utility Commission) (2004 True-Up Proceeding). CenterPoint Houston's requested true-up balance was $3.7 billion, excluding interest and net of the retail clawback from RRI described below. In June, July and September 2004, the Texas Utility Commission conducted hearings on, and held public meetings addressing, CenterPoint Houston's true-up application. In December 2004, the Texas Utility Commission approved a final order in CenterPoint Houston's true-up proceeding (2004 Final Order) 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. As a result of the 2004 Final Order, the Company wrote-off net regulatory assets of $1.5 billion and recorded a related income tax benefit of $526 million, resulting in an after-tax charge of $977 million, which is reflected as an extraordinary loss in the Company's Statements of Consolidated Operations. The Company recorded an expected loss of $894 million in the third quarter of 2004 and increased this amount by $83 million in the fourth quarter of 2004 based on the Company's assessment of the amounts ultimately recoverable. 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 Company has recorded as a regulatory asset a return of $374 million on the true-up balance for the period from January 1, 2002 through December 31, 2004 as allowed by the Texas Utility Commission's 2004 Final Order. The Company, under the 2004 Final Order, will continue to accrue a return until the true-up balance is recovered by the Company, either from rate payers or through a securitization offering as discussed below. The rate of return is based on CenterPoint Houston's cost of capital, established in the Texas Utility Commission's final order issued in October 2001 (2001 Final Order), which is derived from CenterPoint Houston's cost to finance assets and an allowance for earnings on shareholders' investment. Accordingly, in accordance with SFAS No. 92, "Regulated Enterprises -- Accounting for Phase-in Plans." the rate of return has been bifurcated into components representing a return of costs to finance assets and an allowance for earnings on shareholders' investment. The component representing a return of costs to finance assets of $226 million has been recognized in the fourth quarter of 2004 and is included in other income in the Company's Statements of Consolidated Operations. The component representing a return of costs to finance assets will continue to be recognized as earned going forward. The component representing an allowance for earnings on shareholders' investment of $148 million has been deferred and will be recognized as it is collected through rates in the future.

In November 2004, RRI paid $177 million to the Company, representing the "retail clawback" determined by the Texas Utility Commission in the 2004 True-Up Proceeding. The Texas electric restructuring law requires the Texas Utility Commission to determine the retail clawback if the formerly integrated utility's affiliated retail electric provider retained more than 40 percent of its residential price-to-beat customers within the utility's service area as of January 1, 2004 (offset by new customers added outside the service territory). That retail clawback is a credit against the stranded costs the utility is entitled to recover and was reflected in the $2.3 billion recovery authorized. Under the terms of a master separation agreement between RRI and the Company, RRI agreed to pay the Company the amount of the retail clawback determined by the Texas Utility Commission. The payment was used by the Company to reduce outstanding indebtedness.

The Texas electric restructuring law provides for the use of special purpose entities to issue transition bonds for the economic value of generation-related regulatory assets and stranded costs. These transition bonds will be amortized over a period not to exceed 15 years through non-bypassable transition charges. In October 2001, a special purpose subsidiary of CenterPoint Houston issued $749 million of transition bonds to securitize certain generation-related regulatory assets. These transition bonds have a final maturity date of September 15, 2015 and are non-recourse to the Company and its subsidiaries other than to the special purpose issuer. Payments on the transition bonds are made solely out of funds from non-bypassable transition charges.

In December 2004, CenterPoint Houston filed for approval of a financing order to issue transition bonds to securitize its true-up balance. On March 9, 2005, the Texas Utility Commission issued a financing order allowing CenterPoint Houston to securitize approximately $1.8 billion and requiring that the benefit of certain deferred taxes be reflected as a reduction in the competition transition charge. The Company anticipates that a new special purpose subsidiary of CenterPoint Houston will issue bonds in one or more series through an underwritten offering. Depending on market conditions and the impact of possible appeals of the financing order, among other factors, the Company anticipates completing such an offering in 2005.

In January 2005, CenterPoint Houston filed an application for a competition transition charge to recover its true-up balance. CenterPoint Houston will adjust the amount sought through that charge to the extent that it is able to securitize any of such amount. Under the Texas Utility Commission's rules, the unrecovered true-up balance to be recovered through the competition transition charge earns a return until fully recovered.

In the 2001 Final Order, the Texas Utility Commission established the transmission and distribution rates that became effective in January 2002. Based on its 2001 revision of the 1998 stranded cost estimates, the Texas Utility Commission determined that CenterPoint Houston had over-mitigated its stranded costs by redirecting transmission and distribution depreciation and by accelerating depreciation of generation assets as provided under its 1998 transition plan and the Texas electric restructuring law. In the 2001 Final Order, CenterPoint Houston was required to reverse the amount of redirected depreciation and accelerated depreciation taken for regulatory purposes as allowed under the 1998 transition plan and the Texas electric restructuring law. In accordance with the 2001 Final Order, CenterPoint Houston recorded a regulatory liability to reflect the prospective refund of the accelerated depreciation, and in January 2002 CenterPoint Houston began paying excess mitigation credits, which were to be paid over a seven-year period with interest at 7 1/2% per annum. The annual payment of excess mitigation credits is approximately $264 million. In its December 2004 final order in the 2004 True-Up Proceeding, the Texas Utility Commission found that CenterPoint Houston did, in fact, have stranded costs (as originally estimated in 1998). Despite this ruling, the Texas Utility Commission denied CenterPoint Houston recovery of approximately $180 million of the interest portion of the excess mitigation credits already paid by CenterPoint Houston and refused to terminate future excess mitigation credits. In January 2005, CenterPoint Houston filed a writ of mandamus petition with the Texas Supreme Court asking that court to order the Texas Utility Commission to terminate immediately the payment of all excess mitigation credits and to ensure full recovery of all excess mitigation credits. Although CenterPoint Houston believes it has meritorious arguments, a writ of mandamus is an extraordinary remedy and no prediction can be made as to the ultimate outcome or timing of the mandamus petition. If the Supreme Court denies CenterPoint Houston's mandamus petition, it will continue to pursue this issue through regular appellate mechanisms. On March 1, 2005, a non-unanimous settlement was filed in Docket No. 30774, which involves the adjustment of RRI's Price-to-Beat. Under the terms of that settlement, the excess mitigation credits being paid by CenterPoint Houston would be terminated as of April 29, 2005. The Texas Utility Commission approved the settlement on March 9, 2005.

(b) FINAL FUEL RECONCILIATION

On March 4, 2004, an Administrative Law Judge (ALJ) issued a Proposal for Decision (PFD) relating to CenterPoint Houston's final fuel reconciliation. CenterPoint Houston reserved $117 million, including $30 million of interest, in the fourth quarter of 2003 reflecting the ALJ's recommendation. On April 15, 2004, the Texas Utility Commission affirmed the PFD's finding in part, reversed in part, and remanded one issue back to the ALJ. On May 28, 2004, the Texas Utility Commission approved a settlement of the remanded issue and issued a final order which reduced the disallowance. As a result of the final order, the Company reversed $23 million, including $8 million of interest, of the $117 million reserve recorded in the fourth quarter of 2003. The results of the Texas Utility Commission's final decision are a component of the 2004 True-Up Proceeding. The Company has appealed certain portions of the Texas Utility Commission's final order involving a disallowance of approximately $67 million relating to the final fuel reconciliation plus interest of $10 million. Briefs on this issue were filed on January 5, 2005, and a hearing on this issue is scheduled for April 22, 2005.

(c) RATE CASES

In 2004, the City of Houston, 28 other cities and the Railroad Commission of Texas (Railroad Commission) approved a settlement that increased Houston Gas' base rate and service charge revenues by approximately $14 million annually.

In February 2004, the Louisiana Public Service Commission (LPSC) approved a settlement that increased Southern Gas Operations' base rate and service charge revenues in its South Louisiana Division by approximately $2 million annually.

In July 2004, Minnesota Gas filed an application for a general rate increase of $22 million with the Minnesota Public Utilities Commission (MPUC). Minnesota Gas and the Minnesota Department of Commerce have agreed to a settlement of all issues, including an annualized increase in the amount of $9 million, subject to approval by the MPUC. A final decision on this rate relief request is expected from the MPUC in the second quarter of 2005. Interim rates of $17 million on an annualized basis became effective on October 1, 2004, subject to refund.

In July 2004, the LPSC approved a settlement that increased Southern Gas Operations' base rate and service charge revenues in its North Louisiana Division by approximately $7 million annually.

In October 2004, Southern Gas Operations filed an application for a general rate increase of approximately $3 million with the Railroad Commission for rate relief in the unincorporated areas of its Beaumont, East Texas and South Texas Divisions. The Railroad Commission staff has begun its review of the request, and a decision is anticipated in April 2005.

In November 2004, Southern Gas Operations filed an application for a general rate increase of approximately $34 million with the Arkansas Public Service Commission (APSC). The APSC staff has begun its review of the request, and a decision is anticipated in the second half of 2005.

In December 2004, the Oklahoma Corporation Commission approved a settlement that increased Southern Gas Operations' base rate and service charge revenues by approximately $3 million annually.

(d) CITY OF TYLER, TEXAS DISPUTE

In July 2002, the City of Tyler, Texas, asserted that Southern Gas Operations had overcharged residential and small commercial customers in that city for gas costs under supply agreements in effect since 1992. That dispute has been referred to the Railroad Commission by agreement of the parties for a determination of whether Southern Gas Operations has properly charged and collected for gas service to its residential and commercial customers in its Tyler distribution system in accordance with lawful filed tariffs during the period beginning November 1, 1992, and ending October 31, 2002. In December 2004, the Railroad Commission conducted a hearing on the matter and is expected to issue a ruling in March or April of 2005. In a parallel action now in the Court of Appeals in Austin, Southern Gas Operations is challenging the scope of the Railroad Commission's inquiry which goes beyond the issue of whether Southern Gas Operations had properly followed its tariffs to include a review of Southern Gas Operations' historical gas purchases. The Company believes such a review is not permitted by law and is beyond what the parties requested in the joint petition that initiated the proceeding at the Railroad Commission. The Company believes that all costs for Southern Gas Operations' Tyler distribution system have been properly included and recovered from customers pursuant to Southern Gas Operations' filed tariffs.

(5) DERIVATIVE INSTRUMENTS

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

(a) NON-TRADING ACTIVITIES

Cash Flow Hedges. To reduce the risk from market fluctuations associated with purchased gas costs, the Company enters into energy derivatives in order to hedge certain expected purchases and sales of natural gas (non-trading energy derivatives). The Company applies hedge accounting for its non-trading energy derivatives utilized in non-trading activities only if there is a high correlation between price movements in the derivative and the item designated as being hedged. The Company analyzes its physical transaction portfolio to determine its net exposure by delivery location and delivery period. Because the Company's physical transactions with similar delivery locations and periods are highly correlated and share similar risk exposures, the Company facilitates hedging for customers by aggregating physical transactions and subsequently entering into non-trading energy derivatives to mitigate exposures created by the physical positions.

During 2004, hedge ineffectiveness of $0.4 million was recognized in earnings from derivatives that are designated and qualify as Cash Flow Hedges, and in 2003 and 2002, no hedge ineffectiveness was recognized. No component of the derivative instruments' gain or loss was excluded from the assessment of effectiveness. If it becomes probable that an anticipated transaction will not occur, the Company realizes in net income the deferred gains and losses recognized in accumulated other comprehensive loss. Once the anticipated transaction occurs, the accumulated deferred gain or loss recognized in accumulated other comprehensive loss is reclassified and included in the Company's Statements of Consolidated Operations under the caption "Natural Gas." Cash flows resulting from these transactions in non-trading energy derivatives are included in the Statements of Consolidated Cash Flows in the same category as the item being hedged. As of December 31, 2004, the Company expects $5 million in accumulated other comprehensive income to be reclassified into net income during the next twelve months.

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

Other Derivative Financial Instruments. The Company also has natural gas contracts which are derivatives which are not hedged. Load following services that the Company offers its natural gas customers create an inherent tendency to be either long or short natural gas supplies relative to customer purchase commitments. The Company measures and values all of its volumetric imbalances on a real time basis to minimize its exposure to commodity price and volume risk. The aggregate Value at Risk (VaR) associated with these operations is calculated daily and averaged $0.2 million with a high of $1 million during 2004. The Company does not engage in proprietary or speculative commodity trading. Unhedged positions are accounted for by adjusting the carrying amount of the contracts to market and recognizing any gain or loss in operating income, net. During 2004, the Company recognized net gains related to unhedged positions amounting to $7 million and as of December 31, 2004 had recorded short-term risk management assets and liabilities of $4 million and $5 million, respectively, included in other current assets and other current liabilities, respectively.

Interest Rate Swaps. As of December 31, 2003, the Company had an outstanding interest rate swap with a notional amount of $250 million to fix the interest rate applicable to floating-rate short-term debt. This swap, which expired in January 2004, did not qualify as a cash flow hedge under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), and was marked to market in the Company's Consolidated Balance Sheets with changes in market value reflected in interest expense in the Statements of Consolidated Operations.

During 2002, the Company settled forward-starting interest rate swaps having an aggregate notional amount of $1.5 billion at a cost of $156 million, which was recorded in other comprehensive income and is being amortized into interest expense over the life of the designated fixed-rate debt. Amortization of amounts deferred in accumulated other comprehensive income for 2003 and 2004 was $12 million and $25 million, respectively. As of December 31, 2004, the Company expects $31 million in accumulated other comprehensive income to be reclassified into net income during the next twelve months.

Embedded Derivative. The Company's $575 million of convertible senior notes, issued May 19, 2003, and $255 million of convertible senior notes, issued December 17, 2003 (see Note 8), contain contingent interest provisions. The contingent interest component is an embedded derivative as defined by SFAS No. 133, and accordingly, must be split from the host instrument and recorded at fair value on the balance sheet. The value of the contingent interest components was not material at issuance or at December 31, 2004.

(b) CREDIT RISKS

In addition to the risk associated with price movements, credit risk is also inherent in the Company's non-trading derivative activities. Credit risk relates to the risk of loss resulting from non-performance of contractual obligations by a counterparty. The following table shows the composition of the non-trading derivative assets of the Company as of December 31, 2003 and 2004 (in millions):

	DECEMBER 31, 2003		DECEMBER 31, 2004	
	INVESTMENT GRADE(1)(2)	TOTAL	INVESTMENT GRADE(1)(2)	TOTAL(3)
Energy marketers	$24	$35	$10	$17
Financial institutions	21	21	50	50
Other	--	1	1	
Total	$45	$57	$61	$68

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

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

(3) The $17 million non-trading derivative asset includes a $6 million asset due to trades with Reliant Energy Services, Inc. (Reliant Energy Services), an affiliate until the date of the RRI Distribution. As of December 31, 2004, Reliant Energy Services did not have an investment grade rating.

(c) GENERAL POLICY

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

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

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

(a) ORIGINAL INVESTMENT IN TIME WARNER SECURITIES

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

(b) ZENS

In September 1999, the Company issued its 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) having an original principal amount of $1.0 billion. ZENS are exchangeable for cash equal to the market value of a specified number of shares of TW common. The Company pays interest on the ZENS at an annual rate of 2% plus the amount of any quarterly cash dividends paid in respect of the shares of TW Common attributable to the ZENS. The principal amount of ZENS is subject to being increased to the extent that the annual yield from interest and cash dividends on the reference shares of TW Common is less than 2.309%. At December 31, 2004, ZENS having an original principal amount of $840 million and a contingent principal amount of $851 million were outstanding and were exchangeable, at the option of the holders, for cash equal to 95% of the market value of 21.6 million shares of TW Common deemed to be attributable to the ZENS. At December 31, 2004, the market value of such shares was approximately $421 million, which would provide an exchange amount of $476 for each $1,000 original principal amount of ZENS. At maturity, the holders of the ZENS will receive in cash the higher of the original principal amount of the ZENS (subject to adjustment as discussed above) or an amount based on the then-current market value of TW Common, or other securities distributed with respect to TW Common.

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

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

Upon adoption of SFAS No. 133 effective January 1, 2001, the ZENS obligation was bifurcated into a debt component and a derivative component (the holder's option to receive the appreciated value of TW Common at maturity). The derivative component was valued at fair value and determined the initial carrying value assigned to the debt component ($121 million) as the difference between the original principal amount of the ZENS ($1 billion) and the fair value of the derivative component at issuance ($879 million). Effective January 1, 2001 the debt component was recorded at its accreted amount of $122 million and the derivative component was recorded at its fair value of $788 million, as a current liability. Subsequently, the debt component accretes through interest charges at 17.5% annually up to the minimum amount payable upon maturity of the ZENS in 2029 (approximately $915 million) which reflects exchanges and adjustments to maintain a 2.309% annual yield, as discussed above. Changes in the fair value of the derivative component are recorded in the Company's Statements of Consolidated Operations. During 2002, 2003 and 2004, the Company recorded a loss of $500 million, a gain of $106 million and a gain of $31 million, respectively, on the Company's investment in TW Common. During 2002, 2003 and 2004, the Company recorded a gain of $480 million, a loss of $96 million and a loss of $20 million, respectively, associated with the fair value of the derivative component of the ZENS obligation. Changes in the fair value of the TW Common held by the Company are expected to substantially offset changes in the fair value of the derivative component of the ZENS.

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

	TW INVESTMENT	DEBT COMPONENT OF ZENS	DERIVATIVE COMPONENT OF ZENS
Balance at December 31, 2001	$ 827	$123	$ 730
Accretion of debt component of ZENS	--	1	--
Gain on indexed debt securities	--	--	(480)
Loss on TW Common	(500)	--	--
Liquidation of TW Common	(43)	--	--
Liquidation of ZENS, net of gain	--	(20)	(25)
Balance at December 31, 2002	284	104	225
Accretion of debt component of ZENS	--	1	--
Loss on indexed debt securities	--	--	96
Gain on TW Common	106	--	--
Balance at December 31, 2003	390	105	321
Accretion of debt component of ZENS	--	2	--
Loss on indexed debt securities	--	--	20
Gain on TW Common	31	--	--
Balance at December 31, 2004	$ 421	$107	$ 341

(7) EQUITY

(a) CAPITAL STOCK

At December 31, 2004, CenterPoint Energy has 1,020,000,000 authorized shares of capital stock, composed of 1,000,000,000 shares of $0.01 par value common stock and 20,000,000 shares of $0.01 par value preferred stock.

The Company's sale of its interest in Texas Genco described in Notes 1 and 3 resulted in an after-tax loss of approximately $214 million in 2004. In addition, the Company recorded an after-tax extraordinary loss of $977 million in 2004 related to the 2004 True-Up Proceeding. Portions of these losses recorded in periods prior to the fourth quarter of 2004 reduced the Company's earnings below the level required for the Company to continue paying its current quarterly dividends out of current earnings as required under the Company's SEC financing order. However, in May 2004, the Company received an order from the SEC under the 1935 Act authorizing it to continue to pay its current quarterly dividend in the second and third quarters of 2004 out of capital or unearned surplus in the event the Company had such losses. The Company declared a dividend in the fourth quarter out of current earnings. If the Company's 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 there can be no assurance that the SEC would authorize such payments.

(b) SHAREHOLDER RIGHTS PLAN

The Company has a Shareholder Rights Plan that states that each share of its common stock includes one associated preference stock purchase right (Right) which entitles the registered holder to purchase from the Company a unit consisting of one-thousandth of a share of Series A Preference Stock. The Rights, which expire on December 11, 2011, are exercisable upon some events involving the acquisition of 20% or more of the Company's outstanding common stock. Upon the occurrence of such an event, each Right entitles the holder to receive common stock with a current market price equal to two times the exercise price of the Right. At anytime prior to becoming exercisable, the Company may repurchase the Rights at a price of $0.005 per Right. There are 700,000 shares of Series A Preference Stock reserved for issuance upon exercise of the Rights.

(8) LONG-TERM DEBT AND SHORT-TERM BORROWINGS

	DECEMBER 31, 2003		DECEMBER 31, 2004	
	LONG-TERM	CURRENT(1)	LONG-TERM	CURRENT(1)
	(IN MILLIONS)			
Short-term borrowings:				
Revolving credit facility		$ 63		$ --
Long-term debt:				
CenterPoint Energy:				
ZENS(2)	$ --	105	$ --	107
Senior notes 5.875% to 7.25% due 2008 to 2015	600	--	600	--
Convertible senior notes 2.875% to 3.75% due 2023 to 2024	830	--	830	--
Pollution control bonds 5.60% to 6.70% due 2012 to 2027(3)	380	--	151	--
Pollution control bonds 4.70% to 8.00% due 2011 to 2030(4)	1,046	--	1,046	--
Loans due 2006(5)	1,450	10	239	--
Junior subordinated debentures payable to affiliate 8.257% due 2037(6)	747	--	103	--
CenterPoint Houston:				
First mortgage bonds 9.15% due 2021	102	--	102	--
Series 2001-1 Transition Bonds 3.84% to 5.63% due 2005 to 2013	676	41	629	47
Term loan, LIBOR plus 9.75%, due 2005(7)	1,310	--	--	1,310
General mortgage bonds 5.60% to 6.95% due 2013 to 2033	1,262	--	1,262	--
Pollution control bonds 3.625% to 5.60% due 2012 to 2027(8)	--	--	229	--
CERC Corp.:				
Convertible subordinated debentures 6.00% due 2012	74	--	69	6
Senior notes 5.95% to 8.90% due 2005 to 2014	2,251	--	1,923	325
Junior subordinated debentures payable to affiliate 6.25% due 2026(6)	6	--	6	--
Other	46	5	5	41
Unamortized discount and premium(9)	(2)	--	(1)	--
Total long-term debt	10,778	161	7,193	1,836
Total borrowings	$10,778	$224	$7,193	$1,836

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(1) Includes amounts due or exchangeable within one year of the date noted.

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

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

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

(5) Classified as long-term debt because of the termination dates of the facilities under which the funds were borrowed.

(6) The junior subordinated debentures were issued to subsidiary trusts in connection with the issuance by those trusts of preferred securities. The trust preferred securities were deconsolidated effective December 31, 2003 pursuant to the adoption of FIN 46. This resulted in the junior subordinated debentures held by the trusts being reported as long-term debt. For further discussion, see Note 2(n).

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

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

(9) Debt acquired in business acquisitions is adjusted to fair market value as of the acquisition date. Included in long-term debt is additional unamortized premium related to fair value adjustments of long-term debt of $6 million and $5 million at December 31, 2003 and 2004, respectively, which is being amortized over the respective remaining term of the related long-term debt.

(a) SHORT-TERM BORROWINGS

Credit Facilities. As of December 31, 2003, CERC Corp. had a revolving credit facility that provided for an aggregate of $200 million in committed credit. As of December 31, 2003, $63 million was borrowed under the CERC Corp. revolving credit. This facility terminated in March 2004. The weighted average interest rate on short-term borrowings at December 31, 2003 was 5.0%, excluding facility fees and other fees paid in connection with the arrangement of the bank facilities.

(b) LONG-TERM DEBT

As of December 31, 2004, CERC Corp. had a revolving credit facility that provided for an aggregate of $250 million in committed credit. The revolving credit facility terminates on March 23, 2007. Fully-drawn rates for borrowings under this facility, including the facility fee, are LIBOR plus 150 basis points based on current credit ratings and the applicable pricing grid. As of December 31, 2004, such credit facility was not utilized.

In February 2004, $56 million aggregate principal amount of collateralized 5.6% pollution control bonds due 2027 and $44 million aggregate principal amount of 4.25% collateralized insurance-backed pollution control bonds due 2017 were issued on behalf of CenterPoint Houston. The pollution control bonds are collateralized by general mortgage bonds of CenterPoint Houston with principal amounts, interest rates and maturities that match the pollution control bonds. The proceeds were used to extinguish two series of 6.7% collateralized pollution control bonds with an aggregate principal amount of $100 million issued on behalf of CenterPoint Energy. CenterPoint Houston's 6.7% first mortgage bonds which collateralized CenterPoint Energy's payment obligations under the refunded pollution control bonds were retired in connection with the extinguishment of the refunded pollution control bonds. CenterPoint Houston's 6.7% notes payable to CenterPoint Energy were also cancelled upon the extinguishment of the refunded pollution control bonds.

In March 2004, $45 million aggregate principal amount of 3.625% collateralized insurance-backed pollution control bonds due 2012 and $84 million aggregate principal amount of 4.25% collateralized insurance-backed pollution control bonds due 2017 were issued on behalf of CenterPoint Houston. The pollution control bonds are collateralized by general mortgage bonds of CenterPoint Houston with principal amounts, interest rates and maturities that match the pollution control bonds. The proceeds were used to extinguish two series of 6.375% collateralized pollution control bonds with an aggregate principal amount of $45 million and one series of 5.6% collateralized pollution control bonds with an aggregate principal amount of

$84 million issued on behalf of CenterPoint Energy. CenterPoint Houston's 6.375% and 5.6% first mortgage bonds which collateralized CenterPoint Energy's payment obligations under the refunded pollution control bonds were retired in connection with the extinguishment of the refunded pollution control bonds. CenterPoint Houston's 6.375% and 5.6% notes payable to CenterPoint Energy were also cancelled upon the extinguishment of the refunded pollution control bonds.

On December 15, 2004, the Company permanently reduced its three-year credit facility to $750 million from $2.34 billion. The credit facility was composed of a $1.425 billion revolving credit facility (LIBOR plus 300 basis points), which has been permanently reduced to $750 million, and a $915 million term loan (LIBOR plus 350 basis points), which was repaid and retired on December 15, 2004. As a result of the term loan repayment and the permanent reduction of the revolving credit facility, the Company expensed $15 million of unamortized loan costs in the fourth quarter of 2004 that were associated with these facilities.

In March 2005, the Company replaced its $750 million revolving credit facility with a $1 billion five-year revolving credit facility. Borrowings may be made under the facility at LIBOR plus 100 basis points based on current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings any time more than 50% of the facility is utilized. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered.

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

CenterPoint Houston also established a $1.31 billion credit facility in March 2005. This facility is available to be utilized only to refinance CenterPoint Houston's $1.31 billion term loan maturing in November 2005 in the event that proceeds from the issuance of transition bonds are not sufficient to repay such term loan. Drawings may be made under this credit facility until November 2005, at which time any outstanding borrowings are converted to term loans maturing in November 2007. Net proceeds from the issuance of transition bonds and certain new net indebtedness for borrowed money issued by CenterPoint Houston in excess of $200 million must be used to repay borrowings under the new facility. Based on CenterPoint Houston's current credit ratings, borrowings under the facility can be made at LIBOR plus 75 basis points. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. Any drawings under this facility must be secured by CenterPoint Houston's general mortgage bonds in the same principal amount and bearing the same interest rate as such drawings.

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

In March 2005, the Company filed a registration statement relating to an offer to exchange its 3.75% convertible senior notes due 2023 for a new series of 3.75% convertible senior notes due 2023. This registration statement has not yet been declared effective by the SEC. The Company expects to conduct the exchange offer in response to the guidance set forth in EITF 04-8. Under that guidance, because settlement of the principal portion of new notes will be made in cash rather than stock, exchanging new notes for old notes will allow the Company to exclude the portion of the conversion value of the new notes attributable to their principal amount from its computation of diluted earnings per share from continuing operations. See Note 2(n) for further discussion of the Company's adoption of EITF 04-8 and the impact on diluted earnings per share related to these securities.

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

Proceeds from the issuance of the convertible senior notes were used to redeem, in January 2004, $250 million liquidation amount of the 8.125% trust preferred securities issued by HL&P Capital Trust I. Pending such use, the net proceeds were used to repay a portion of the outstanding borrowings under the

Company's revolving credit facility. See Note 2(n) for further discussion of the Company's adoption of EITF 04-8 and the impact on diluted earnings per share related to these securities.

Junior Subordinated Debentures (Trust Preferred Securities). In February 1997, two Delaware statutory business trusts created by CenterPoint Energy (HL&P Capital Trust I and HL&P Capital Trust II) issued to the public (a) $250 million aggregate amount of preferred securities and (b) $100 million aggregate amount of capital securities, respectively. In February 1999, a Delaware statutory business trust created by CenterPoint Energy (REI Trust I) issued $375 million aggregate amount of preferred securities to the public. Each of the trusts used the proceeds of the offerings to purchase junior subordinated debentures issued by CenterPoint Energy having interest rates and maturity dates that correspond to the distribution rates and the mandatory redemption dates for each series of preferred securities or capital securities. As discussed in Note 2(n), upon the Company's adoption of FIN 46, the amount of outstanding junior subordinated debentures discussed above was included in long-term debt as of December 31, 2003 and 2004.

The preferred securities issued by HL&P Capital Trust I having an aggregate liquidation amount of $250 million were redeemed at 100% of their aggregate liquidation amount in January 2004. The preferred securities issued by REI Trust I having an aggregate liquidation amount of $375 million were redeemed at 100% of their aggregate liquidation amount in December 2004.

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

The preferred securities and capital securities are mandatorily redeemable upon the repayment of the related series of junior subordinated debentures at their stated maturity or earlier redemption. Subject to some limitations, CenterPoint Energy has the option of deferring payments of interest on the junior subordinated debentures. During any deferral or event of default, CenterPoint Energy may not pay dividends on its capital stock. As of December 31, 2004, no interest payments on the junior subordinated debentures had been deferred.

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

TRUST	AGGREGATE LIQUIDATION AMOUNTS AS OF DECEMBER 31, 2003	AGGREGATE LIQUIDATION AMOUNTS AS OF DECEMBER 31, 2004	DISTRIBUTION RATE/ INTEREST RATE	MANDATORY REDEMPTION DATE/ MATURITY DATE	JUNIOR SUBORDINATED DEBENTURES
	(IN MILLIONS)				
REI Trust I............	$375	$ --	7.20%	March 2048	7.20% Junior Subordinated Debentures
HL&P Capital Trust I...	$250	$ --	8.125%	March 2046	8.125% Junior Subordinated Deferrable Interest Debentures Series A
HL&P Capital Trust II...................	$100	$100	8.257%	February 2037	8.257% Junior Subordinated Deferrable Interest Debentures Series B

In June 1996, a Delaware statutory business trust created by CERC Corp. (CERC Trust) issued $173 million aggregate amount of convertible preferred securities to the public. CERC Trust used the proceeds of the offering to purchase convertible junior subordinated debentures issued by CERC Corp. having an interest rate and maturity date that correspond to the distribution rate and mandatory redemption date of the convertible preferred securities. The convertible junior subordinated debentures represent CERC Trust's sole asset and its entire operations. CERC Corp. considers its obligation under the Amended and Restated Declaration of Trust, Indenture and Guaranty Agreement relating to the convertible preferred securities, taken together, to constitute a full and unconditional guarantee by CERC Corp. of CERC Trust's obligations with respect to the convertible preferred securities. As discussed in Note 2(n), upon the Company's adoption of FIN 46, the amount of outstanding junior subordinated debentures discussed above was included in long-term debt as of December 31, 2003 and 2004.

The convertible preferred securities are mandatorily redeemable upon the repayment of the convertible junior subordinated debentures at their stated maturity or earlier redemption. Effective January 7, 2003, the convertible preferred securities are convertible at the option of the holder into $33.62 of cash and 2.34 shares of CenterPoint Energy common stock for each $50 of liquidation value. As of December 31, 2003 and 2004, the liquidation amount of convertible preferred securities outstanding was $0.4 and $0.3 million, respectively. The securities, and their underlying convertible junior subordinated debentures, bear interest at 6.25% and mature in June 2026. Subject to some limitations, CERC Corp. has the option of deferring payments of interest on the convertible junior subordinated debentures. During any deferral or event of default, CERC Corp. may not pay dividends on its common stock to CenterPoint Energy. As of December 31, 2004, no interest payments on the convertible junior subordinated debentures had been deferred.

Maturities. The Company's maturities of long-term debt, capital leases and sinking fund requirements, excluding the ZENS obligation, are $1.7 billion in 2005, $215 million in 2006, $66 million in 2007, $572 million in 2008 and $80 million in 2009. The 2005 amount is net of the portion of a sinking fund payment that will be satisfied with debt that had been acquired and retired as of December 31, 2004.

Liens. As of December 31, 2004, CenterPoint Houston's assets were subject to liens securing approximately $253 million of first mortgage bonds. Sinking or improvement fund and replacement fund requirements on the first mortgage bonds may be satisfied by certification of property additions. Sinking fund and replacement fund requirements for 2002, 2003 and 2004 have been satisfied by certification of property additions. The replacement fund requirement to be satisfied in 2005 is approximately $147 million, and the sinking fund requirement to be satisfied in 2005 is approximately $3 million. The Company expects CenterPoint Houston to meet these 2005 obligations by certification of property additions. At December 31, 2004, CenterPoint Houston's assets were also subject to liens securing approximately $3.3 billion of general mortgage bonds which are junior to the liens of the first mortgage bonds.

(c) RECEIVABLES FACILITY

On January 21, 2004, CERC replaced its $100 million receivables facility with a $250 million receivables facility. As of December 31, 2004, CERC had $181 million outstanding under its receivables facility. In January 2005, the facility was extended to January 2006 and temporarily increased, for the period from January 2005 to June 2005, to $375 million to provide additional liquidity to CERC during the peak heating season of 2005, in view of recent levels of, and volatility in, gas prices.

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

(a) INCENTIVE COMPENSATION PLANS

The Company has long-term incentive compensation plans (LICPs) that provide for the issuance of stock-based incentives, including performance-based shares, performance-based units, restricted shares and stock options to directors, officers and key employees. A maximum of approximately 37 million shares of CenterPoint Energy common stock may be issued under these plans.

Performance-based shares, performance-based units and restricted shares are granted to employees without cost to the participants. The performance shares and units vest three years after the grant date based upon the performance of the Company over a three-year cycle, except as discussed below. The restricted shares vest at various times ranging from one-year to the end of a three-year period. Upon vesting, the shares are issued to the plan participants.

During 2002, 2003 and 2004, the Company recorded compensation expense of $2 million, $9 million and $8 million, respectively, related to performance-based shares, performance-based units and restricted share grants. Included in these amounts is a compensation benefit of $1 million recorded in 2002 related to RRI's participants. Amounts for RRI's and Texas Genco's participants are reflected in discontinued operations in the Statements of Consolidated Operations.

The following table summarizes the Company's performance-based units, performance-based shares and restricted share grant activity for the years 2002 through 2004:

	NUMBER OF PERFORMANCE-BASED UNITS	NUMBER OF PERFORMANCE-BASED SHARES	NUMBER OF RESTRICTED SHARES
Outstanding at December 31, 2001	83,670	626,090	208,562
Granted	--	451,050	--
Canceled	(5,625)	(176,258)	(41,892)
Released to participants	(120)	(447,060)	(78,768)
Outstanding at December 31, 2002	77,925	453,822	87,902
Granted	--	840,920	583,613
Shares converted at Texas Genco Distribution	--	25,746	23,219
Canceled	(29,515)	(43,386)	(14,240)
Released to participants	(1,441)	(7,042)	(113,056)
Outstanding at December 31, 2003	46,969	1,270,060	567,438
Granted	38,200	--	255,800
Canceled	(39)	(88,905)	(40,128)
Released to participants	(47,930)	(12,642)	(14,363)
Outstanding at December 31, 2004	37,200	1,168,513	768,747
Weighted average fair value granted for 2002		$ 12.00	$ --
Weighted average fair value granted for 2003		$ 5.70	$ 5.83
Weighted average fair value granted for 2004		$ --	$ 10.95

The maximum value associated with the performance-based units granted in 2004 was $150 per unit.

Effective with the RRI Distribution which occurred on September 30, 2002, the Company's compensation committee authorized the conversion of outstanding CenterPoint Energy performance-based shares for the performance cycle ending December 31, 2002 to a number of restricted shares of CenterPoint Energy's common stock equal to the number of performance-based shares that would have vested if the performance objectives for the performance cycle were achieved at the maximum level for substantially all shares. These restricted shares vested if the participant holding the shares remained employed with the Company or with RRI and its subsidiaries through December 31, 2002. On the date of the RRI Distribution, holders of these restricted shares received shares of RRI common stock in the same manner as other holders of CenterPoint

Energy common stock, but these shares of common stock were subject to the same vesting schedule, as well as to the terms and conditions of the plan under which the original performance shares were granted. Thus, following the RRI Distribution, employees who held performance-based shares under the LICP for the performance cycle ending December 31, 2002 held restricted shares of CenterPoint Energy common stock and restricted shares of RRI common stock, which vested following continuous employment through December 31, 2002.

Effective with the RRI Distribution, the Company converted all outstanding CenterPoint Energy stock options granted prior to the initial public offering of RRI common stock in May 2001 (RRI Offering) to a combination of adjusted CenterPoint Energy stock options and RRI stock options. For the converted stock options, the sum of the intrinsic value of the CenterPoint Energy stock options immediately prior to the record date of the RRI Distribution equaled the sum of the intrinsic values of the adjusted CenterPoint Energy stock options and the RRI stock options granted immediately after the record date of the RRI Distribution. As such, RRI employees who do not work for the Company hold stock options of the Company. Both the number and the exercise price of all outstanding CenterPoint Energy stock options that were granted on or after the RRI Offering and prior to the RRI Distribution were adjusted to maintain the total intrinsic value of the grants.

During January 2003, due to the Texas Genco Distribution, the Company granted additional CenterPoint Energy shares to participants with performance-based and restricted shares that had not yet vested as of the record date of December 20, 2002. These additional shares are subject to the same vesting schedule and the terms and conditions of the plan under which the original shares were granted. Also in connection with this distribution, both the number and the exercise price of all outstanding CenterPoint Energy stock options were adjusted to maintain the total intrinsic value of the stock option grants.

Under the Company's plans, stock options generally become exercisable in one-third increments on each of the first through third anniversaries of the grant date. The exercise price is the average of the high and low sales price of the common stock on the New York Stock Exchange on the grant date. The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees" (APB Opinion No. 25), and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized for these fixed stock options.

The following table summarizes stock option activity related to the Company for the years 2002 through 2004:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 2001	9,828,471	$28.34
Options granted	3,115,399	7.12
Options converted at RRI Distribution	742,636	29.01
Options exercised	(71,273)	20.59
Options canceled	(1,155,351)	16.11
Outstanding at December 31, 2002	12,459,882	18.26
Options granted	2,217,546	5.69
Options converted at Texas Genco Distribution	751,867	17.21
Options exercised	(80,750)	6.44
Options canceled	(275,408)	16.40
Outstanding at December 31, 2003	15,073,137	15.59
Options granted	2,028,000	10.92
Options exercised	(580,624)	6.16
Options canceled	(361,418)	11.99
Outstanding at December 31, 2004	16,159,095	$15.42
Options exercisable at December 31, 2002	6,854,910	$19.78
Options exercisable at December 31, 2003	10,285,689	$18.09
Options exercisable at December 31, 2004	12,076,730	$17.82

Exercise prices for CenterPoint Energy stock options outstanding held by Company employees ranged from $4.78 to $32.26. The following tables provide information with respect to outstanding CenterPoint Energy stock options held by the Company's employees on December 31, 2004:

Ranges of Exercise Prices:	OPTIONS OUTSTANDING	AVERAGE EXERCISE PRICE	REMAINING AVERAGE CONTRACTUAL LIFE (YEARS)
$4.78-$10.00	4,212,025	$6.10	7.2
$10.01-$15.00	5,737,414	12.93	5.1
$15.01-$20.00	3,079,571	18.06	2.2
$20.01-$30.00	708,162	22.99	3.5
$30.01-$32.26	2,421,923	31.96	5.4
Total	16,159,095	15.42	5.1

The following table provides information with respect to CenterPoint Energy stock options exercisable at December 31, 2004:

	OPTIONS EXERCISABLE	AVERAGE EXERCISE PRICE
Ranges of Exercise Prices:		
$4.78-$10.00	2,070,960	$6.23
$10.01-$15.00	3,796,114	13.96
$15.01-$20.00	3,079,571	18.06
$20.01-$30.00	708,162	22.99
$30.01-$32.26	2,421,923	31.96
Total	12,076,730	17.82

See Note 2(o) for disclosure of the pro-forma effect on net income of the fair value based method of accounting for stock compensation.

(b) PENSION AND POSTRETIREMENT BENEFITS

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

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

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

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

	YEAR ENDED DECEMBER 31,					
	2002		2003		2004	
	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS
	(IN MILLIONS)					
Service cost	$ 32	$ 5	$ 37	$ 4	$ 40	$ 4
Interest cost	104	32	102	31	102	31
Expected return on plan assets	(126)	(13)	(92)	(11)	(103)	(13)
Net amortization	16	13	43	13	37	13
Curtailment	--	--	--	--	--	17
Benefit enhancement	9	3	--	--	4	2
Settlement	--	(18)	--	--	--	--
Net periodic cost	$ 35	$ 22	$ 90	$ 37	$ 80	$ 54
Above amounts reflect the following net periodic cost (benefit) related to discontinued operations	$ 11	$ (9)	$ 17	$ 4	$ 11	$ 20

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

	DECEMBER 31,					
	2002		2003		2004	
	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS
Discount rate	7.25%	7.25%	6.75%	6.75%	6.25%	6.25%
Expected return on plan assets	9.5%	9.5%	9.0%	9.0%	9.0%	8.5%
Rate of increase in compensation levels	4.1%	--	4.1%	--	4.1%	--

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

The following table displays the change in the benefit obligation, the fair value of plan assets and the amounts included in the Company's Consolidated Balance Sheets as of December 31, 2003 and 2004 for the Company's pension and postretirement benefit plans:

	DECEMBER 31,			
	2003		2004	
	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS
	(IN MILLIONS)			
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation, beginning of year	$1,550	$ 479	$1,692	$ 518
Service cost	37	4	40	4
Interest cost	102	31	102	31
Participant contributions	--	8	--	6
Benefits paid	(142)	(43)	(124)	(42)
Plan amendments	4	(5)	--	(20)
Divestitures	--	--	(165)	--
Actuarial loss	141	44	161	36
Curtailment, benefit enhancement and settlement	--	--	4	2
Benefit obligation, end of year	$1,692	$ 518	$1,710	$ 535
CHANGE IN PLAN ASSETS				
Plan assets, beginning of year	$1,054	$ 131	$1,194	$ 150
Employer contributions	23	34	476	27
Participant contributions	--	8	--	6
Benefits paid	(142)	(43)	(124)	(42)
Divestitures	--	--	(40)	--
Actual investment return	259	20	151	15
Plan assets, end of year	$1,194	$ 150	$1,657	$ 156
RECONCILIATION OF FUNDED STATUS				
Funded status	$ (498)	$(368)	$ (53)	$(379)
Unrecognized actuarial loss	733	63	714	96
Unrecognized prior service cost	(71)	49	(51)	14
Unrecognized transition (asset) obligation	--	79	--	65
Net amount recognized	$ 164	$(177)	$ 610	$(204)
AMOUNTS RECOGNIZED IN BALANCE SHEETS				
Benefit obligations	$ (395)	$(177)	$ 610	$(204)
Accumulated other comprehensive income	559	--	--	--
Prepaid (accrued) benefit cost	$ 164	$(177)	$ 610	$(204)

DECEMBER 31,	2003		2004	
	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS
	(IN MILLIONS)			
ACTUARIAL ASSUMPTIONS				
Discount rate	6.25%	6.25%	5.75%	5.75%
Expected return on plan assets	9.0%	8.5%	8.5%	8.0%
Rate of increase in compensation levels	4.1%	--	4.6%	--
Healthcare cost trend rate assumed for the next year	--	10.50%	--	9.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	--	5.5%	--	5.5%
Year that the rate reaches the ultimate trend rate	--	2011	--	2011

DECEMBER 31,	2003		2004	
	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS
	(IN MILLIONS)			
ADDITIONAL INFORMATION				
Accumulated benefit obligation	$1,589	$518	$1,635	$535
Change in minimum liability included in other comprehensive income	(64)	--	(559)	--
Measurement date used to determine plan obligations and assets	December 31, 2003	December 31, 2003	December 31, 2004	December 31, 2004

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

	1% INCREASE	1% DECREASE
	(IN MILLIONS)	
Effect on total of service and interest cost	$ 2	$ 2
Effect on the postretirement benefit obligation	39	33

The following table displays the weighted-average asset allocations as of December 31, 2003 and 2004 for the Company's pension and postretirement benefit plans:

DECEMBER 31,	2003		2004	
	PENSION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	POSTRETIREMENT BENEFITS
Domestic equity securities	60%	41%	57%	34%
International equity securities	15	9	15	11
Debt securities	22	48	26	54
Real estate	3	--	2	--
Cash	--	2	--	1
Total	100%	100%	100%	100%

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

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

	PENSION BENEFITS	POSTRETIREMENT BENEFITS
Domestic equity securities	45-55%	28-38%
International equity securities	7-13%	5-15%
Debt securities	20-30%	52-62%
Real estate	0-5%	--
Cash	0-2%	0-2%

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

Equity securities for the pension plan include CenterPoint Energy common stock in the amounts of $44 million (3.7% of total pension plan assets) as of December 31, 2003. The pension plan did not include any holdings of CenterPoint Energy common stock as of December 31, 2004.

Although funding for the Company's pension and postretirement plans was not required during 2004, the Company contributed $56 million to its pension plan in September 2004 and $420 million in December 2004, which effectively brought the Company's pension plan assets and accumulated benefit obligation into balance and increased shareholders' equity by $350 million as a result of the elimination of the related minimum benefit liability. Additionally, the Company contributed $27 million to its postretirement benefits plan in 2004.

Contributions to the pension plan are not required in 2005; however, the Company expects to make a contribution. The Company expects to contribute approximately $29 million to its postretirement benefits plan in 2005.

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

	PENSION BENEFITS	POSTRETIREMENT BENEFITS
	(IN MILLIONS)	
2005	$108	$ 38
2006	112	40
2007	114	42
2008	118	44
2009	120	46
2010-2014	627	240

In connection with the Company's sale of its 81% interest in Texas Genco as discussed in Note 3, a separate pension plan was established for Texas Genco on September 1, 2004 and the Company transferred a net pension liability of approximately $68 million to Texas Genco. In October 2004, Texas Genco received an allocation of assets from the Company's pension plan pursuant to rules and regulations under the Employee Retirement Income Security Act of 1974.

In addition to the non-contributory pension plans discussed above, the Company maintains a non-qualified benefit restoration plan which allows participants to retain the benefits to which they would have been entitled under the Company's non-contributory pension plan except for the federally mandated limits on qualified plan benefits or on the level of compensation on which qualified plan benefits may be calculated. The expense associated with this non-qualified plan was $9 million, $8 million and $6 million in 2002, 2003 and 2004, respectively. Included in the net benefit cost in 2002 is $3 million of expense related to RRI's participants, which is reflected in discontinued operations in the Statements of Consolidated Operations. The accrued benefit liability for the non-qualified pension plan was $75 million and $69 million at December 31, 2003 and 2004, respectively. In addition, these accrued benefit liabilities include the recognition of minimum liability adjustments of $15 million as of December 31, 2003 and $10 million as of December 31, 2004, which are reported as a component of other comprehensive income, net of income tax effects.

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

	DECEMBER 31,					
	2003			2004		
	PENSION BENEFITS	RESTORATION BENEFITS	POSTRETIREMENT BENEFITS	PENSION BENEFITS	RESTORATION BENEFITS	POSTRETIREMENT BENEFITS
	(IN MILLIONS)					
Accumulated benefit obligation.........	$1,589	$75	$518	$1,635	$69	$535
Projected benefit obligation.........	1,692	77	518	1,710	81	535
Plan assets..........	1,194	--	150	1,657	--	156

(C) SAVINGS PLAN

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

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

During the first quarter 2004, the Company repaid the balance on the ESOP loan. As a result, the Company's matching requirements during 2004 were satisfied, in part, through the allocation of the remaining 911,847 ESOP shares held by the plan and by cash contributions.

As a result of the ESOP, the savings plan has significant holdings of CenterPoint Energy common stock. As of December 31, 2004, an aggregate of 27,565,537 shares of CenterPoint Energy's common stock were held by the savings plan, which represented 26% of its investments. Given the concentration of the investments in CenterPoint Energy's common stock, the savings plan and its participants have market risk related to this investment.

The Company's savings plan benefit expense was $47 million, $38 million and $40 million in 2002, 2003 and 2004, respectively. Included in these amounts is

$6 million of savings plan benefit expense for 2002 related to RRI's participants, and $9 million, $7 million and $6 million of savings plan benefit expense for 2002, 2003 and 2004, respectively, related to Texas Genco participants. Amounts for RRI's and Texas Genco's participants are reflected as discontinued operations in the Statements of Consolidated Operations.

(D) POSTEMPLOYMENT BENEFITS

Net postemployment benefit costs for former or inactive employees, their beneficiaries and covered dependents, after employment but before retirement (primarily healthcare and life insurance benefits for participants in the long-term disability plan) were $12 million, $10 million and $8 million in 2002, 2003 and 2004, respectively. Included in these amounts are $1 million for each of the years 2002, 2003, and 2004 related to Texas Genco participants, which is reflected in discontinued operations in the Statements of Consolidated Operations.

The Company's postemployment obligation is presented as a liability in the Consolidated Balance Sheets under the caption "Benefit Obligations."

(E) OTHER NON-QUALIFIED PLANS

The Company has non-qualified deferred compensation plans that provide benefits payable to directors, officers and certain key employees or their designated beneficiaries at specified future dates, upon termination, retirement or death. Benefit payments are made from the general assets of the Company. During 2002, 2003 and 2004, the Company recorded benefit expense relating to these programs of $11 million, $13 million and $9 million, respectively. Included in "Benefit Obligations" in the accompanying Consolidated Balance Sheets at December 31, 2003 and 2004 was $127 million and $121 million, respectively, relating to deferred compensation plans. Included in "Non-Current Liabilities of Discontinued Operations in the accompanying Consolidated Balance Sheets at December 31, 2003 and 2004 was $4 million and $3 million, respectively, relating to deferred compensation plans for Texas Genco participants.

(F) CHANGE OF CONTROL AGREEMENTS AND OTHER EMPLOYEE MATTERS

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

As of December 31, 2004, approximately 31% of the Company's employees are subject to collective bargaining agreements. Four of these agreements, covering approximately 9% of the Company's employees, have expired or will expire in 2005.

(10) INCOME TAXES

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

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(IN MILLIONS)		
Current:			
Federal	$(78)	$(301)	$(130)
State	9	5	11
Total current	(69)	(296)	(119)
Deferred:			
Federal	330	487	264
State	11	14	(6)
Total deferred	341	501	258
Income tax expense	$272	$205	$139

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

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(IN MILLIONS)		
Income from continuing operations before income taxes and extraordinary loss	$754	$614	$344
Federal statutory rate	35%	35%	35%
Income taxes at statutory rate	264	215	120
Net addition (reduction) in taxes resulting from:			
State income taxes, net of valuation allowances and federal income tax benefit	13	12	3
Capital loss benefit	(72)	--	--
Amortization of investment tax credit	(5)	(8)	(8)
Excess deferred taxes	(3)	(4)	(4)
Valuation allowance, capital loss	72	--	--
Deferred tax asset write-off	--	--	19
Increase in tax reserve	--	--	7
Other, net	3	(10)	2
Total	8	(10)	19
Income tax expense	$272	$205	$139
Effective rate	36.1%	33.4%	40.4%

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

	DECEMBER 31,	
	2003	2004
	(IN MILLIONS)	
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	$ 9	$ 13
Regulatory liabilities	65	79
Non-trading derivative assets, net	20	28
Total current deferred tax assets	94	120
Non-current:		
Employee benefits	288	--
Disallowed plant cost, net	18	--
Operating loss carryforwards	141	30
Contingent liabilities associated with discontinuance of SFAS No. 71	74	--
Foreign exchange gains	16	16
Deferred gas costs	--	69
Other	119	82
Valuation allowance	(73)	(20)
Total non-current deferred tax assets	583	177
Total deferred tax assets, net	677	297
Deferred tax liabilities:		
Current:		
Unrealized gain on indexed debt securities	284	287
Unrealized gain on Time Warner investments	91	94
Total current deferred tax liabilities	375	381
Non-current:		
Depreciation	1,717	1,709
Regulatory assets, net	1,016	748
Employee benefits	--	38
Other	81	97
Total non-current deferred tax liabilities	2,814	2,592
Total deferred tax liabilities	3,189	2,973
Accumulated deferred income taxes, net	$2,512	$2,676

CenterPoint Energy's consolidated federal income tax returns have been audited and settled through the 1996 tax year. The 1997 through 2003 consolidated federal income tax returns are currently under audit.

Tax Attribute Carryforwards. At December 31, 2004, the Company has $327 of state net operating loss carryforwards. The losses are available to offset future state taxable income through the year 2023.

Substantially all of the state loss carryforwards will expire between 2012 and 2020. A valuation allowance has been established against approximately 33% of the state net operating loss carryforwards.

The valuation allowance reflects a net decrease of $10 million and $53 million in 2003 and 2004, respectively. These net changes resulted from a reassessment of the Company's future ability to use federal and state capital loss carryforwards and state tax net operating loss carryforwards.

Tax Refunds. In 2003 and 2004, the Company received refunds from the Internal Revenue Service (IRS) of $203 million and $163 million, respectively, related to federal tax net operating losses and capital losses generated in 2002 and 2003. Of the 2002 amount, $8 million related to refunds generated from the carryback of the federal capital loss.

Tax Contingencies. With the conclusion of the federal income tax audit for the years 1997 through 2000, the Company adjusted its prior years' federal income tax reserve, along with certain previously recorded deferred tax assets, resulting in net additional tax expense in the fourth quarter of 2004 of $26 million. In addition, as of December 31, 2004, $42 million of federal tax reserve has been reclassified to current tax liability.

In the 1997 through 2000 audit, the IRS disallowed all deductions for original issue discount (OID) relating to the Company's ZENS and 7% Automatic Common Exchange Securities (ACES). It is the contention of the IRS that (1) those instruments, in combination with our long position in TW Common, constitute a straddle under Section 1092 and 246 of the Code and (2) the indebtedness underlying those instruments was incurred to carry the TW Common. If the IRS prevails on both of these positions, all OID (including interest actually paid) on the ZENS and ACES would not be currently deductible, but would instead be added to the Company's basis in the TW Common it holds. The capitalization of OID to the TW Common basis would have the effect of recharacterizing ordinary interest deductions to capital losses or reduced capital gains.

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

Although the Company is protesting the contention of the IRS, the Company has established a tax reserve for this issue of $79 million. The Company has also reserved for other significant tax items including issues relating to acquisitions, capital cost recovery and certain positions taken with respect to state tax filings. The total amount reserved for the other items is approximately $31 million.

(11) COMMITMENTS AND CONTINGENCIES

(a) FUEL COMMITMENTS

Fuel commitments, excluding Texas Genco, include natural gas contracts related to the Company's natural gas distribution operations, which have various quantity requirements and durations that are not classified as non-trading derivatives assets and liabilities in the Company's Consolidated Balance Sheets as of December 31, 2004 as these contracts meet the SFAS No. 133 exception to be classified as "normal purchases contracts" or do not meet the definition of a derivative. Minimum payment obligations for natural gas supply contracts are approximately $807 million in 2005, $401 million in 2006, $193 million in 2007, $29 million in 2008 and $1 million in 2009.

(b) LEASE COMMITMENTS

The following table sets forth information concerning the Company's obligations, excluding Texas Genco, under non-cancelable long-term operating leases at December 31, 2004, which primarily consist of rental agreements for building space, data processing equipment and vehicles (in millions):

2005	$ 25
2006	21
2007	18
2008	14
2009	6
2010 and beyond	26
Total	$110

Total lease expense for all operating leases was $36 million, $35 million and $32 million during 2002, 2003 and 2004, respectively.

(c) LEGAL, ENVIRONMENTAL AND OTHER REGULATORY MATTERS

Legal Matters

RRI Indemnified Litigation

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

Electricity and Gas Market Manipulation Cases. A large number of lawsuits have been filed against numerous market participants and remain pending in both federal and state courts in California and Nevada in connection with the operation of the electricity and natural gas markets in California and certain other western states in 2000-2001, a time of power shortages and significant increases in prices. These lawsuits, many of which have been filed as class actions, are based on a number of legal theories, including violation of state and federal antitrust laws, laws against unfair and unlawful business practices, the federal Racketeer Influenced Corrupt Organization Act, false claims statutes and similar theories and breaches of contracts to supply power to governmental entities. Plaintiffs in these lawsuits, which include state officials and governmental entities as well as private litigants, are seeking a variety of forms of relief, including recovery of compensatory damages (in some cases in excess of $1 billion), a trebling of compensatory damages and punitive damages, injunctive relief, restitution, interest due, disgorgement, civil penalties and fines, costs of suit, attorneys' fees and divestiture of assets. To date, some of these complaints have been dismissed by the trial court and are on appeal, several of which dismissals have been affirmed by the appellate courts, but most of the lawsuits remain in early procedural stages. The Company's former subsidiary, RRI, was a participant in the California markets, owning generating plants in the state and participating in both electricity and natural gas trading in that state and in western power markets generally. RRI, some of its subsidiaries and, in some cases, corporate officers of some of those companies have been named as defendants in these suits.

The Company or its predecessor, Reliant Energy, have been named in approximately 30 of these lawsuits, which were instituted between 2001 and 2004 and are pending in California state courts in Alameda County, Los Angeles County, San Francisco County, San Mateo County and San Diego County, in Nevada state court in Clark County, in federal district courts in San Francisco, San Diego, Los Angeles, Fresno, Sacramento and Nevada and before the Ninth Circuit Court of Appeals. However, the Company, CenterPoint Houston and Reliant Energy were not participants in the electricity or natural gas markets in California. The Company and Reliant Energy have been dismissed from certain of the lawsuits, either voluntarily by the plaintiffs or by order of the court and the Company believes it is not a proper defendant in the remaining cases and will continue to seek dismissal from such remaining cases. On July 6, 2004 and on October 12, 2004, the Ninth Circuit affirmed the Company's removal to federal district court of two electric cases brought by the California Attorney General and affirmed the federal court's dismissal of these cases based upon the filed rate doctrine and federal preemption.

Other Class Action Lawsuits. Fifteen class action lawsuits filed in May, June and July 2002 on behalf of purchasers of securities of RRI and/or Reliant Energy have been consolidated in federal district court in Houston. RRI and certain of its former and current executive officers are named as defendants. The consolidated complaint also names RRI , Reliant Energy, the underwriters of the initial public offering of RRI's common stock in May 2001 (RRI Offering), and RRI's and Reliant Energy's independent auditors as defendants. The consolidated amended complaint seeks monetary relief purportedly on behalf of purchasers of common stock of Reliant Energy or RRI during certain time periods ranging from February 2000 to May 2002, and purchasers of common stock that can be traced to the RRI Offering. The plaintiffs allege, among other things, that the defendants misrepresented their revenues and trading volumes by engaging in round-trip trades and improperly accounted for certain structured transactions as cash-flow hedges, which resulted in earnings from these transactions being accounted for as future earnings rather than being accounted for as earnings in fiscal year 2001. In January 2004 the trial judge dismissed the plaintiffs' allegations that the defendants had engaged in fraud, but claims based on alleged misrepresentations in the registration statement issued in the RRI Offering remain. In June 2004, the plaintiffs filed a motion for class certification, which the court granted in February 2005. The defendants have appealed the court's order certifying the class.

In February 2003, a lawsuit was filed by three individuals in federal district court in Chicago against CenterPoint Energy and certain former officers of RRI for alleged violations of federal securities laws. The plaintiffs in this lawsuit allege that the defendants violated federal securities laws by issuing false and misleading statements to the public, and that the defendants made false and misleading statements as part of an alleged scheme to artificially inflate trading volumes and revenues. In addition, the plaintiffs assert claims of fraudulent and negligent misrepresentation and violations of Illinois consumer law. In January 2004 the trial judge ordered dismissal of plaintiffs' claims on the ground that they did not set forth a claim. The plaintiffs filed an amended complaint in March 2004, which the defendants asked the court to dismiss. On August 18, 2004, the court granted the defendants' motion to dismiss with prejudice.

In May 2002, three class action lawsuits were filed in federal district court in Houston on behalf of participants in various employee benefits plans sponsored by Reliant Energy. Two of the lawsuits have been dismissed without prejudice. Reliant Energy and certain current and former members of its benefits committee are the remaining defendants in the third lawsuit. That lawsuit alleges that the defendants breached their fiduciary duties to various employee benefits plans, directly or indirectly sponsored by Reliant Energy, in violation of the Employee Retirement Income Security Act of 1974. The plaintiffs allege that the defendants permitted the plans to purchase or hold securities issued by Reliant Energy when it was imprudent to do so, including after the prices for such securities became artificially inflated because of alleged securities fraud engaged in by the defendants. The complaint seeks monetary damages for losses suffered on behalf of the plans and a putative class of plan participants whose accounts held Reliant Energy or RRI securities, as well as restitution. In July 2004, another class action suit was filed in federal court on behalf of the Reliant Energy Savings Plan and a class consisting of participants in that plan against Reliant Energy and the Reliant Energy Benefits Committee. The allegations and the relief sought in the new suit are substantially similar to those in the previously pending suit; however, the new suit also alleges that Reliant Energy and its Benefits Committee breached their fiduciary duties to the Savings Plan and its participants by investing plan funds in

Reliant Energy stock when Reliant Energy or its subsidiaries were allegedly manipulating the California energy market. On October 14, 2004, the plaintiff voluntarily dismissed the newly filed lawsuit.

In October 2002, a derivative action was filed in the federal district court in Houston against the directors and officers of the Company. The complaint set forth claims for breach of fiduciary duty, waste of corporate assets, abuse of control and gross mismanagement. Specifically, the shareholder plaintiff alleged that the defendants caused the Company to overstate its revenues through so-called "round trip" transactions. The plaintiff also alleged breach of fiduciary duty in connection with the spin-off of RRI and the RRI Offering. The complaint sought monetary damages on behalf of the Company as well as equitable relief in the form of a constructive trust on the compensation paid to the defendants. The Company's board of directors investigated that demand and similar allegations made in a June 28, 2002 demand letter sent on behalf of a Company shareholder. The second letter demanded that the Company take several actions in response to alleged round-trip trades occurring in 1999, 2000, and 2001. In June 2003, the board determined that these proposed actions would not be in the best interests of the Company. In March 2003, the court dismissed this case on the grounds that the plaintiff did not make an adequate demand on the Company before filing suit. Thereafter, the plaintiff sent another demand asserting the same claims.

The Company believes that none of the lawsuits described under Other Class Action Lawsuits has merit because, among other reasons, the alleged misstatements and omissions were not material and did not result in any damages to the plaintiffs.

Other Legal Matters

Texas Antitrust Actions. In July 2003, Texas Commercial Energy filed in federal court in Corpus Christi, Texas a lawsuit against Reliant Energy, the Company and CenterPoint Houston, as successors to Reliant Energy, Genco LP, RRI, Reliant Energy Solutions, LLC, several other RRI subsidiaries and a number of other participants in the Electric Reliability Council of Texas (ERCOT) power market. The plaintiff, a retail electricity provider with the ERCOT market, alleged that the defendants conspired to illegally fix and artificially increase the price of electricity in violation of state and federal antitrust laws and committed fraud and negligent misrepresentation. The lawsuit sought damages in excess of $500 million, exemplary damages, treble damages, interest, costs of suit and attorneys' fees. The plaintiff's principal allegations had previously been investigated by the Texas Utility Commission and found to be without merit. In June 2004, the federal court dismissed the plaintiff's claims and in July 2004, the plaintiff filed a notice of appeal. The Company is vigorously contesting the appeal. The ultimate outcome of this matter cannot be predicted at this time.

In February 2005, Utility Choice Electric filed in federal court in Houston, Texas a lawsuit against the Company, CenterPoint Houston, CenterPoint Energy Gas Services, Inc., CenterPoint Energy Alternative Fuels, Inc., Genco LP and a number of other participants in the ERCOT power market. The plaintiff, a retail electricity provider with the ERCOT market, alleged that the defendants conspired to illegally fix and artificially increase the price of electricity in violation of state and federal antitrust laws, intentionally interfered with prospective business relationships and contracts, and committed fraud and negligent misrepresentation. The plaintiff's principal allegations had previously been investigated by the Texas Utility Commission and found to be without merit. The Company intends to vigorously defend the case. The ultimate outcome of this matter cannot be predicted at this time.

Municipal Franchise Fee Lawsuits. In February 1996, the cities of Wharton, Galveston and Pasadena (Three Cities) filed suit in state district court in Harris County, Texas for themselves and a proposed class of all similarly situated cities in Reliant Energy's electric service area, against Reliant Energy and Houston Industries Finance, Inc. (formerly a wholly owned subsidiary of the Company's predecessor, Reliant Energy) alleging underpayment of municipal franchise fees. The plaintiffs claimed that they were entitled to 4% of all receipts of any kind for business conducted within these cities over the previous four decades. After a jury trial involving the Three Cities' claims (but not the class of cities), the trial court entered a judgment on the Three Cities' breach of contract claims for $1.7 million, including interest, plus an award of $13.7 million in legal fees. It also decertified the class. Following this ruling, 45 cities filed individual suits against Reliant Energy in the District Court of Harris County.

On February 27, 2003, a state court of appeals in Houston rendered an opinion reversing the judgment against the Company and rendering judgment that the Three Cities take nothing by their claims. The court of appeals held that all of the Three Cities' claims were barred by the jury's finding of laches, a defense similar to the statute of limitations, due to the Three Cities' having unreasonably delayed bringing their claims during the more than 30 years since the alleged wrongs began. The court also held that the Three Cities were not entitled to recover any attorneys' fees. The Three Cities filed a petition for review to the Texas Supreme Court, which declined to hear the case. Thus, the Three Cities' claims have been finally resolved in the Company's favor, but the individual claims of the 45 cities remain pending in the same court.

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

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

Gas Cost Recovery Litigation. In October 2002, a suit was filed in state district court in Wharton County, Texas against the Company, CERC, Entex Gas Marketing Company, and certain non-affiliated companies alleging fraud, violations of the Texas Deceptive Trade Practices Act, violations of the Texas Utilities Code, civil conspiracy and violations of the Texas Free Enterprise and Antitrust Act with respect to rates charged to certain consumers of natural gas in the State of Texas. Subsequently the plaintiffs added as defendants CenterPoint Energy Marketing Inc., CenterPoint Energy Gas Transmission Company, United Gas, Inc., Louisiana Unit Gas Transmission Company, CenterPoint Energy Pipeline Services, Inc., and CenterPoint Energy Trading and Transportation Group, Inc. The plaintiffs allege that defendants inflated the prices charged to certain consumers of natural gas. In February 2003, a similar suit was filed in state court in Caddo Parish, Louisiana against CERC with respect to rates charged to a purported class of certain consumers of natural gas and gas service in the State of Louisiana. In February 2004, another suit was filed in state court in Calcasieu Parish, Louisiana against CERC seeking to recover alleged overcharges for gas or gas services allegedly provided by Southern Gas Operations to a purported class of certain consumers of natural gas and gas service without advance approval by the LPSC. In October 2004, a similar case was filed in district court in Miller County, Arkansas against the Company, CERC, Entex Gas Marketing Company, CenterPoint Energy Gas Transmission Company, CenterPoint Energy Field Services, CenterPoint Energy Pipeline Services, Inc., Mississippi River Transmission Corp. and other non-affiliated companies alleging fraud, unjust enrichment and civil conspiracy with respect to rates charged to certain consumers of natural gas in at least the states of Arkansas, Louisiana, Mississippi, Oklahoma and Texas. At the time of the filing of each of the Caddo and Calcasieu Parish cases, the plaintiffs in those cases filed petitions with the LPSC relating to the same alleged rate overcharges. The Caddo and Calcasieu Parish cases have been stayed pending the resolution of the respective proceedings by the LPSC. The plaintiffs in the Miller County case seek class certification, but the proposed class has not been certified. In November 2004, the Miller County case was removed to federal district court in Texarkana, Arkansas. In February 2005, the Wharton County case was removed to federal district court in Houston, Texas, and in March 2005, the plaintiffs in the Wharton County case moved to dismiss the case and agreed not to refile the claims asserted unless the Miller County case is not certified as a class action or is later decertified. The range of relief sought by the plaintiffs in these cases includes injunctive and declaratory relief, restitution for the alleged overcharges, exemplary damages or trebling of actual damages, civil penalties and attorney's fees. In these cases, the Company, CERC and their affiliates deny that they have overcharged any of their customers for natural gas and believe that the amounts recovered for purchased gas have been in accordance with what is permitted by state regulatory authorities. The Company and CERC do not anticipate that the outcome of these matters will have a material impact on the financial condition or results of operations of either the Company or CERC.

Texas Genco Shareholder Litigation. On July 23, 2004, two plaintiffs, both Texas Genco shareholders, filed virtually identical lawsuits in Harris County, Texas district court. These suits, purportedly brought on behalf of holders of Texas Genco common stock, name Texas Genco and each of that company's directors as defendants. Both plaintiffs allege, among other things, self-dealing and breach of fiduciary duty by the defendants in entering into the July 2004 agreement to sell Texas Genco. As part of their allegations of self-dealing, both plaintiffs claim that the board of directors of Texas Genco is controlled by CenterPoint Energy, that the defendants improperly concealed results of Texas Genco's results of operations for the second quarter of 2004 until after the transaction agreement was announced and that, in order to aid CenterPoint Energy, the Texas Genco board only searched for acquirers who would offer all-cash consideration. Plaintiffs seek to enjoin the transaction or, alternatively, rescind the transaction and/or recover damages in the event that the transaction is consummated. In August 2004, the cases were consolidated in state district court in Harris County, Texas. Although the defendants continue to deny liability, in February 2005, all parties entered into a Memorandum of Understanding to settle the lawsuit based upon supplemental disclosures made by Texas Genco and the extension of the deadline for the exercise of shareholder dissenters' rights. The settlement is subject to the parties' preparation of a stipulation of settlement and court approval of the settlement.

ENVIRONMENTAL MATTERS

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

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

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

At December 31, 2004, CERC had accrued $18 million for remediation of certain Minnesota sites. At December 31, 2004, the estimated range of possible remediation costs for these sites was $7 million to $42 million based on remediation continuing for 30 to 50 years. The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites to be remediated, the participation of other potentially responsible parties (PRP), if any, and the remediation methods used. CERC has utilized an environmental expense tracker mechanism in its rates in Minnesota to recover estimated costs in excess of insurance recovery. As of December 31, 2004, CERC has collected or accrued $13 million from insurance companies and ratepayers to be used for future environmental remediation.

In addition to the Minnesota sites, the United States Environmental Protection Agency and other regulators have investigated MGP sites that were owned or operated by CERC or may have been owned by one of its former affiliates. CERC has not been named by these agencies as a PRP for any of those sites. CERC has been named as a defendant in lawsuits under which contribution is sought for the cost to remediate former MGP sites based on the previous ownership of such sites by former affiliates of CERC or its divisions. The Company is investigating details regarding these sites and the range of environmental expenditures for potential remediation. However, CERC believes it is not liable as a former owner or operator of those sites under the Comprehensive Environmental, Response, Compensation and Liability Act of 1980, as amended, and applicable state statutes, and is vigorously contesting those suits.

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

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

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

OTHER PROCEEDINGS

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

TEXAS GENCO MATTERS

Nuclear Insurance. Texas Genco and the other owners of the South Texas Project maintain nuclear property and nuclear liability insurance coverage as required by law and periodically review available limits and coverage for additional protection. The owners of the South Texas Project currently maintain $2.75 billion in property damage insurance coverage, which is above the legally required minimum, but is less than the total amount of insurance currently available for such losses.

Under the Price Anderson Act, the maximum liability to the public of owners of nuclear power plants was $10.8 billion as of December 31, 2004. Owners are required under the Price Anderson Act to insure their liability for nuclear incidents and protective evacuations. Texas Genco and the other owners currently maintain the required nuclear liability insurance and participate in the industry retrospective rating plan under which the owners of the South Texas Project are subject to maximum retrospective assessments in the aggregate per incident of up to $100.6 million per reactor. The owners are jointly and severally liable at a rate not to exceed $10 million per reactor per year per incident.

There can be no assurance that all potential losses or liabilities associated with the South Texas Project will be insurable, or that the amount of insurance will be sufficient to cover them. Any substantial losses not covered by insurance would have a material effect on Texas Genco's financial condition, results of operations and cash flows.

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

Genco by the Texas Utility Commission and the NRC relating to Texas Genco's nuclear decommissioning trusts. Texas Genco and CenterPoint Houston have each appointed two members to the Nuclear Decommissioning Trust Investment Committee which establishes the investment policy of the trusts and oversees the investment of the trusts' assets. The securities held by the trusts for decommissioning costs had an estimated fair value of $216 million as of December 31, 2004, of which approximately 36% were fixed-rate debt securities and the remaining 64% were equity securities. In May 2004, an outside consultant estimated Texas Genco's portion of decommissioning costs to be approximately $456 million. While the funding levels currently exceed minimum NRC requirements, no assurance can be given that the amounts held in trust will be adequate to cover the actual decommissioning costs of the South Texas Project. Such costs may vary because of changes in the assumed date of decommissioning and changes in regulatory requirements, technology and costs of labor, materials and equipment. Pursuant to the Texas electric restructuring law, costs associated with nuclear decommissioning that were not recovered as of January 1, 2002, will continue to be subject to cost-of-service rate regulation and will be charged to transmission and distribution customers of CenterPoint Houston or its successor.

(12) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, investments in debt and equity securities classified as "available-for-sale" and "trading" in accordance with SFAS No. 115, and short-term borrowings are estimated to be approximately equivalent to carrying amounts and have been excluded from the table below. The fair values of non-trading derivative assets and liabilities are equivalent to their carrying amounts in the Consolidated Balance Sheets at December 31, 2003 and 2004 and have been determined using quoted market prices for the same or similar instruments when available or other estimation techniques (see Note 5). Therefore, these financial instruments are stated at fair value and are excluded from the table below.

	DECEMBER 31, 2003		DECEMBER 31, 2004	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(IN MILLIONS)			
Financial liabilities:				
Long-term debt (excluding capital leases).....	$10,820	$11,325	$8,913	$9,601

(13) EARNINGS PER SHARE

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

	FOR THE YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(IN MILLIONS, EXCEPT PER SHARE AND SHARE AMOUNTS)		
Basic EPS calculation:			
Income from continuing operations before extraordinary loss	$ 482	$ 409	$ 205
Income (loss) from discontinued operations, net of tax	(4,402)	75	(133)
Extraordinary loss, net of tax	--	--	(977)
Net income (loss)	$ (3,920)	$ 484	$ (905)
Weighted average shares outstanding	297,997,000	303,867,000	307,185,000
Basic EPS:			
Income from continuing operations before extraordinary loss	$ 1.62	$ 1.35	$ 0.67
Income (loss) from discontinued operations, net of tax	(14.78)	0.24	(0.43)
Extraordinary loss, net of tax	--	--	(3.18)
Net income (loss)	$ (13.16)	$ 1.59	$ (2.94)
Diluted EPS calculation:			
Net income (loss)	$ (3,920)	$ 484	$ (905)
Plus: Income impact of assumed conversions:			
Interest on 3 1/4% contingently convertible senior notes	--	9	14
Interest on 6 1/4% convertible trust preferred securities	--	--	--
Total earnings effect assuming dilution	$ (3,920)	$ 493	$ (891)
Weighted average shares outstanding	297,997,000	303,867,000	307,185,000
Plus: Incremental shares from assumed conversions(1)			
Stock options	846,000	851,000	1,203,000
Restricted stock	784,000	1,484,000	1,447,000
3 1/4% convertible senior notes	--	30,745,000	49,655,000
6 1/4% convertible trust preferred securities	17,000	18,000	16,000
Weighted average shares assuming dilution	299,644,000	336,965,000	359,506,000
Diluted EPS:			
Income from continuing operations before extraordinary loss	$ 1.61	$ 1.24	$ 0.61
Income (loss) from discontinued operations, net of tax	(14.69)	0.22	(0.37)
Extraordinary loss, net of tax	--	--	(2.72)
Net income (loss)	$ (13.08)	$ 1.46	$ (2.48)

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(1) Options to purchase 9,709,272, 10,106,673 and 11,892,508 shares were outstanding for the years ended December 31, 2002, 2003 and 2004, respectively, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares for the respective years.

The Company's $575 million contingently convertible notes are included in the calculation of diluted earnings per share pursuant to EITF 04-8. The Company's $255 million contingently convertible notes are not included in the calculation of diluted earnings per share because the terms of this debt instrument were modified prior to December 31, 2004 to provide for only cash settlement of the principal amount upon conversion as required by EITF 04-8. Diluted earnings per share for 2003 has been restated for the adoption of EITF 04-8 effective December 31, 2004. See Note 2(n) for further discussion of the Company's adoption of EITF 04-8.

(14) UNAUDITED QUARTERLY INFORMATION

The consolidated financial statements have been prepared to reflect the effect of the RRI Distribution, the sale of the Company's remaining Latin America operations, the sale of CEMS and the sale of Texas Genco as described in Note 3. Accordingly, the consolidated financial statements present the RRI and Texas Genco businesses and the Company's Latin America and CEMS operations as discontinued operations, in accordance with SFAS No. 144.

Summarized quarterly financial data is as follows:

	YEAR ENDED DECEMBER 31, 2003			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)			
Revenues	$2,548	$1,517	$1,608	$2,117
Operating income	369	290	418	278
Income from continuing operations	122	93	147	47
Discontinued operations, net of tax	47	(30)	35	23
Net income	$ 169	$ 63	$ 182	$ 70
Basic earnings per share:(1)				
Income from continuing operations	$ 0.40	$ 0.31	$ 0.48	$ 0.15
Discontinued operations, net of tax	0.16	(0.10)	0.12	0.08
Net income	$ 0.56	$ 0.21	$ 0.60	$ 0.23
Diluted earnings per share:(1)				
Income from continuing operations	$ 0.40	$ 0.29	$ 0.42	$ 0.14
Discontinued operations, net of tax	0.16	(0.09)	0.10	0.07
Net income	$ 0.56	$ 0.20	$ 0.52	$ 0.21

	YEAR ENDED DECEMBER 31, 2004			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)			
Revenues	$2,527	$1,699	$ 1,667	$2,617
Operating income	240	186	207	231
Income (loss) from continuing operations	29	(3)	17	162
Discontinued operations, net of tax	45	60	(259)	21
Extraordinary loss, net of tax	--	--	(894)	(83)
Net income (loss)	$ 74	$ 57	$(1,136)	$ 100
Basic earnings per share:(1)				
Income (loss) from continuing operations	$ 0.09	$(0.01)	$ 0.05	$ 0.53
Discontinued operations, net of tax	0.15	0.20	(0.84)	0.07
Extraordinary loss, net of tax	--	--	(2.90)	(0.27)
Net income (loss)	$ 0.24	$ 0.19	$ (3.69)	$ 0.33
Diluted earnings per share:(1)				
Income (loss) from continuing operations	$ 0.09	$(0.01)	$ 0.05	$ 0.46
Discontinued operations, net of tax	0.13	0.20	(0.83)	0.06
Extraordinary loss, net of tax	--	--	(2.88)	(0.23)
Net income (loss)	$ 0.22	$ 0.19	$ (3.66)	$ 0.29

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(1) Quarterly earnings per common share are based on the weighted average number of shares outstanding during the quarter, and the sum of the quarters may not equal annual earnings per common share. The Company's $575 million contingently convertible notes are not included in the calculation of diluted earnings per share during the first three quarters of 2004 as they were anti-dilutive due to lower income from continuing operations in these periods. However, the $575 million contingently convertible notes are included in the calculation of diluted earnings per share for the fourth quarter of 2004 and the year ended December 31, 2004 as they are dilutive.

(15) REPORTABLE BUSINESS SEGMENTS

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

The Company's reportable business segments include the following: Electric Transmission & Distribution, Natural Gas Distribution, Pipelines and Gathering and Other Operations. The electric transmission and distribution function (CenterPoint Houston) is reported in the Electric Transmission & Distribution business segment. Natural Gas Distribution consists of intrastate natural gas sales to, and natural gas transportation and distribution for, residential, commercial, industrial and institutional customers and non-rate regulated retail gas marketing operations for commercial and industrial customers. Pipelines and Gathering includes the interstate natural gas pipeline operations and the natural gas gathering and pipeline services businesses. Other Operations consists primarily of other corporate operations which support all of the Company's business operations. Reportable business segments presented herein do not include the operations of RRI which are presented as discontinued operations within these consolidated financial statements. The Company's Latin America operations and its energy management services business, which were previously reported in the Other Operations business segment, are presented as discontinued operations within these consolidated financial statements. Additionally, the Company's generation operations, which were previously reported in the Electric Generation business segment, are presented as discontinued operations within these consolidated financial statements.

Long-lived assets include net property, plant and equipment, net goodwill and other intangibles and equity investments in unconsolidated subsidiaries. The Company accounts for intersegment sales as if the sales were to third parties, that is, at current market prices.

Financial data for business segments and products and services are as follows:

	ELECTRIC TRANSMISSION & DISTRIBUTION	NATURAL GAS DISTRIBUTION	PIPELINES AND GATHERING	OTHER OPERATIONS	DISCONTINUED OPERATIONS	RECONCILING ELIMINATIONS	CONSOLIDATED
	(IN MILLIONS)						
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002:							
Revenues from external customers(1).............	$2,222(2)	$3,953(3)	$ 255(4)	$ 8	$ --	$ --	$ 6,438
Intersegment revenues.......	--	7	119	22	--	(148)	--
Depreciation and amortization.............	271	126	41	20	--	--	458
Operating income (loss).....	1,096	198	153	(7)	--	--	1,440
Total assets................	9,321	4,428	2,500	1,345	4,594	(1,553)	20,635
Expenditures for long-lived assets....................	261	196	70	39	--	--	566
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003:							
Revenues from external customers(1).............	$2,124(2)	$5,406(3)	$ 244(4)	$ 16	$ --	$ --	$ 7,790
Intersegment revenues.......	--	29	163	12	--	(204)	--
Depreciation and amortization.............	270	136	40	20	--	--	466
Operating income (loss).....	1,020	202	158	(25)	--	--	1,355
Total assets................	10,387	4,661	2,519	1,746	4,244	(2,096)	21,461
Expenditures for long-lived assets....................	218	199	66	14	--	--	497
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004:							
Revenues from external customers................	$1,521(2)	$6,681(3)	$ 306(4)	$ 2	$ --	$ --	$ 8,510
Intersegment revenues.......	--	3	145	5	--	(153)	--
Depreciation and amortization.............	284	143	44	19	--	--	490
Operating income (loss).....	494	222	180	(32)	--	--	864
Total assets................	8,783	4,798	2,637	2,794(5)	1,565	(2,415)	18,162
Expenditures for							

long-lived assets.................... 235 197 73 25 -- -- 530

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(1) Revenues from external customers for the Electric Transmission & Distribution business segment include ECOM revenues of $697 million and $661 million for 2002 and 2003, respectively.

(2) Sales to subsidiaries of RRI in 2002, 2003 and 2004 represented approximately $820 million, $948 million and $882 million, respectively, of CenterPoint Houston's transmission and distribution revenues. RRI has been presented as discontinued operations in these consolidated financial statements.

(3) Sales to Texas Genco in 2002, 2003 and 2004 represented approximately $26 million, $28 million and $20 million, respectively, of the Natural Gas Distribution business segment's revenues from external customers. Texas Genco has been presented as discontinued operations in these consolidated financial statements.

(4) Sales to Texas Genco in 2002, 2003 and 2004 represented approximately $2 million, $3 million and $2 million, respectively, of the Pipelines and Gathering business segment's revenues from external customers. Texas Genco has been presented as discontinued operations in these consolidated financial statements.

(5) Included in total assets of Other Operations as of December 31, 2004 is a pension asset of $610 million. See Note 9 for further discussion.

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(IN MILLIONS)		
Revenues by Products and Services:			
Electric delivery sales	$1,525	$1,463	$1,521
ECOM revenue	697	661	--
Retail gas sales	3,858	5,311	6,583
Gas transport	255	244	306
Energy products and services	103	111	100
Total	$6,438	$7,790	$8,510

(16) SUBSEQUENT EVENT

On January 26, 2005, the Company's 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, the Company's 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 the Company's ability to pay a regular dividend during the second quarter of this year. Due to the limitations imposed under the 1935 Act, the Company may declare and pay dividends only from earnings in the specific quarter in which the dividend is paid, absent specific authorization from the Securities and Exchange Commission. As a result of the seasonal nature of the Company's utility businesses, the second quarter historically provides the smallest contribution to the Company's annual earnings, while the first quarter generally provides a significant contribution to the Company's annual earnings.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2004 to provide assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

"Management's Annual Report on Internal Control over Financial Reporting" appears on page 70 of this annual report on Form 10-K. There has been no change in our internal controls over financial reporting that occurred during the three months ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

The information called for by Item 10, to the extent not set forth in "Executive Officers" in Item 1, is or will be set forth in the definitive proxy statement relating to CenterPoint Energy's 2005 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 10 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is or will be set forth in the definitive proxy statement relating to CenterPoint Energy's 2005 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 11 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by Item 12 is or will be set forth in the definitive proxy statement relating to CenterPoint Energy's 2005 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 12 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item 13 is or will be set forth in the definitive proxy statement relating to CenterPoint Energy's 2005 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 13 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by Item 14 is or will be set forth in the definitive proxy statement relating to CenterPoint Energy's 2005 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 14 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements.

(a)(2) Financial Statement Schedules for the Three Years Ended December 31, 2004.

The following schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements:

III, IV and V.

(a)(3) Exhibits.

See Index of Exhibits beginning on page 140, which index also includes the management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(b)(10)(iii) of Regulation S-K.

CENTERPOINT ENERGY

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)

STATEMENTS OF OPERATIONS

	FOR THE PERIOD SEPTEMBER 1, 2002 THROUGH DECEMBER 31, 2002	FOR THE YEAR ENDED DECEMBER 31, 2003	FOR THE YEAR ENDED DECEMBER 31, 2004
	(IN THOUSANDS)		
Equity Income (Losses) of Subsidiaries......	$ (4,907)	$850,394	$ 707,047
Interest Income from Subsidiaries...........	29,878	63,266	21,568
Loss on Disposal of Subsidiary..............	(4,371,464)	--	(365,716)
Loss on Indexed Debt Securities.............	(7,964)	(96,473)	(20,232)
Operation and Maintenance Expenses..........	(5,793)	(12,944)	(21,042)
Depreciation and Amortization...............	(5,978)	(14,029)	(311)
Taxes Other than Income.....................	(6,024)	(5,091)	(186)
Interest Expense to Subsidiaries............	(31,198)	(93,100)	(79,590)
Interest Expense............................	(188,027)	(393,717)	(303,493)
Income Tax Benefit..........................	64,916	185,361	134,587
Extraordinary Loss, net of tax..............	--	--	(977,336)
Net Income (Loss)...........................	$(4,526,561)	$483,667	$(904,704)

See CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)
BALANCE SHEETS

	DECEMBER 31, 2003	DECEMBER 31, 2004
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 21,617	$ --
Notes receivable -- affiliated companies	201,887	125,680
Accounts receivable -- affiliated companies	89,835	29,855
Other assets	13,675	2,141
Total current assets	327,014	157,676
PROPERTY, PLANT AND EQUIPMENT, NET	111,533	5,567
OTHER ASSETS:		
Investment in subsidiaries	8,655,214	6,031,696
Notes receivable -- affiliated companies	443,090	321,288
Accumulated deferred tax asset	213,858	--
Other assets	125,115	675,360
Total other assets	9,437,277	7,028,344
TOTAL ASSETS	$9,875,824	$7,191,587
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable -- affiliated companies	$ 6,018	$ 126,790
Current portion of long-term debt	119,564	107,065
Indexed debt securities derivative	321,352	341,575
Accounts payable:		
Affiliated companies	79,647	36,773
Other	13,362	5,267
Taxes accrued	594,476	810,699
Interest accrued	41,246	25,660
Other	32,277	15,171
Total current liabilities	1,207,942	1,469,000
OTHER LIABILITIES:		
Accumulated deferred tax liabilities	--	432,918
Benefit obligations	603,845	54,260
Notes payable -- affiliated companies	1,677,720	1,167,089
Other	314,366	97,536
Total non-current liabilities	2,595,931	1,751,803
LONG-TERM DEBT	4,311,394	2,865,282
SHAREHOLDERS' EQUITY:		
Common stock	3,063	3,080
Additional paid-in capital	2,868,416	2,891,335
Retained deficit	(700,033)	(1,727,571)
Unearned ESOP stock	(2,842)	--
Accumulated other comprehensive loss	(408,047)	(61,342)
Total shareholders' equity	1,760,557	1,105,502
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$9,875,824	$7,191,587

See CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)
STATEMENTS OF CASH FLOWS

	FOR THE PERIOD SEPTEMBER 1, 2002 THROUGH DECEMBER 31, 2002	FOR THE YEAR ENDED DECEMBER 31, 2003	FOR THE YEAR ENDED DECEMBER 31, 2004
	(IN THOUSANDS)		
Net income (loss)	$(4,526,561)	$ 483,667	$ (904,704)
Loss on disposal of subsidiary	4,371,464	--	365,716
Extraordinary loss, net of tax	--	--	977,336
Adjusted income (loss)	(155,097)	483,667	438,348
Non-cash items included in net income (loss):			
Equity losses (income) of subsidiaries	4,907	(850,394)	(707,047)
Deferred income tax expense (benefit)	(52,117)	65,778	155,405
Depreciation and amortization	5,978	14,029	311
Amortization of debt issuance costs	32,649	112,046	70,428
Loss on indexed debt securities	7,964	96,473	20,232
Changes in working capital:			
Accounts receivable to affiliates, net	39,540	89,076	(6,253)
Accounts payable	(1,302)	4,493	(1,025)
Other current assets	(6,571)	(3,478)	(5,111)
Other current liabilities	(101,273)	(42,631)	(290,434)
Common stock dividends received from subsidiaries	57,645	121,695	177,264
Pension contribution	--	(22,700)	(476,000)
Other	(12,681)	95,447	52,836
Net cash provided by (used in) operating activities	(180,358)	163,501	(571,046)
INVESTING ACTIVITIES:			
Proceeds from sale of Texas Genco	--	--	2,231,000
Investment in subsidiaries	(181,654)	32,832	19,090
Short-term notes receivable from affiliates	(178,127)	290,359	76,207
Long-term notes receivable from affiliates	1,067,280	540,973	191,954
Capital expenditures, net	(4,274)	(6,596)	(5,802)
Net cash provided by investing activities	703,225	857,568	2,512,449
FINANCING ACTIVITIES:			
Changes in short-term borrowings	(21,000)	--	--
Payments on long-term debt	(168,558)	(6,727,055)	(2,093,880)
Proceeds from long-term debt	--	5,778,242	--
Debt issuance costs	(87,798)	(117,641)	(730)
Common stock dividends paid	(48,672)	(122,249)	(122,881)
Short-term notes payable to affiliates	25,177	(31,274)	120,772
Long-term notes payable to affiliates	495	(1,986)	133,699
Net cash used in financing activities	(300,356)	(1,221,963)	(1,963,020)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	222,511	(200,894)	(21,617)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	--	222,511	21,617
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 222,511	$ 21,617	$ --

See CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

SCHEDULE I -- NOTES TO CONDENSED FINANCIAL INFORMATION (PARENT COMPANY)

(1) The condensed parent company financial statements and notes should be read in conjunction with the consolidated financial statements and notes of CenterPoint Energy, Inc. (CenterPoint Energy or the Company) appearing in the Annual Report on Form 10-K. CenterPoint Energy, Inc. is a public utility holding company that became the parent of Reliant Energy, Incorporated (Reliant Energy) and its subsidiaries on August 31, 2002 as part of a corporate restructuring of Reliant Energy (the Restructuring). CenterPoint Energy is a registered public utility holding company under the 1935 Act. Prior to the Restructuring, Reliant Energy was a public utility holding company that was exempt from registration under the 1935 Act. After the Restructuring, an exemption was no longer available for the corporate structure that the Texas Utility Commission required CenterPoint Energy to adopt under the Texas electric restructuring law. CenterPoint Energy did not conduct any activities other than those incident to its formation until September 1, 2002. Accordingly, statements of operations and cash flows would not provide meaningful information and have been omitted for periods prior to September 1, 2002.

(2) As a registered public utility holding company, the Company and its subsidiaries except Texas Genco Holdings, Inc. (Texas Genco) are subject to a comprehensive regulatory scheme imposed by the Securities and Exchange Commission (SEC) in order to protect customers, investors and the public interest. Although the SEC does not regulate rates and charges under the 1935 Act, it does regulate the structure, financing, lines of business and internal transactions of public utility holding companies and their system companies. In order to obtain financing, acquire additional public utility assets or stock, or engage in other significant transactions, CenterPoint Energy is required to obtain approval from the SEC under the 1935 Act.

The Company received an order from the SEC under the 1935 Act on June 30, 2003 and supplemental orders thereafter relating to its financing activities and those of its regulated subsidiaries, as well as other matters. The orders are effective until June 30, 2005. As of December 31, 2004, the orders generally permitted the Company and its regulated subsidiaries to issue securities to refinance indebtedness outstanding at June 30, 2003, and authorized the Company and its regulated subsidiaries to issue certain incremental external debt securities and common and preferred stock through June 30, 2005, without prior authorization from the SEC. Further, the SEC has reserved jurisdiction over the issuance by the Company and its regulated subsidiaries of certain amounts of incremental external debt securities, so that the Company is required to obtain SEC approval prior to issuing those incremental amounts.

The orders require that if the Company or any of its regulated subsidiaries issues any security that is rated by a nationally recognized statistical rating organization (NRSRO), the security to be issued must obtain an investment grade rating from at least one NRSRO and, as a condition to such issuance, all outstanding rated securities of the issuer and of the Company must be rated investment grade by at least one NRSRO. The orders also contain certain requirements for interest rates, maturities, issuance expenses and use of proceeds. Under the orders, the Company's common equity as a percentage of total capitalization must be at least 30%. The SEC has acknowledged that prior to the monetization of Texas Genco and the securitization of the true-up components, the Company's common equity as a percentage of total capitalization is expected to remain less than 30%. In addition, after the securitization, the Company's common equity as a percentage of total capitalization, including securitized debt, is expected to be less than 30%, which the SEC has permitted for other companies.

Effective January 1, 2004, CenterPoint Energy established a service company in order to comply with the 1935 Act. As a result, certain assets and liabilities of the parent company were transferred to the service company, primarily property, plant and equipment, pension and other postemployment benefit assets and obligations and related deferred taxes. These transfers have been excluded from the Statement of Cash Flows for the year ended December 31, 2004 as they represent non-cash transactions.

(3) On September 30, 2002, the Company distributed to its shareholders 240 million shares of Reliant Energy, Inc. (formerly Reliant Resources, Inc.) (RRI) common stock, which represented the Company's approximately 83% ownership interest in RRI, by means of a tax-free spin-off in the form of a dividend.

Holders of CenterPoint Energy common stock on the record date received 0.788603 shares of RRI common stock for each share of CenterPoint Energy stock that they owned on the record date. The total value of the RRI Distribution, after the impairment charge discussed below, was $847 million.

As a result of the spin-off of Reliant Resources, the Company recorded a non-cash loss on disposal of discontinued operations of $4.4 billion in 2002. This loss represented the excess of the carrying value of the Company's net investment in RRI over the market value of RRI's common stock.

(4) The Company distributed approximately 19% of the 80 million outstanding shares of common stock of Texas Genco to its shareholders on January 6, 2003. As a result of the distribution of Texas Genco common stock, the Company recorded a pre-tax impairment charge of $399 million, which was reflected as a regulatory asset in the Consolidated Balance Sheet as of December 31, 2003. This impairment charge represents the excess of the carrying value of the Company's net investment in Texas Genco over the market value of Texas Genco's common stock.

In July 2004, the Company announced its agreement to sell its majority owned subsidiary, Texas Genco, to Texas Genco LLC (formerly known as GC Power Acquisition LLC), an entity owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco distributed $2.231 billion in cash to the Company. Texas Genco's principal remaining asset is its ownership interest in a nuclear generating facility. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to the Company of $700 million, is expected to close during the first half of 2005, following receipt of approval from the Nuclear Regulatory Commission. The Company recorded an after tax loss of $366 million in 2004 related to the sale of Texas Genco.

(5) On December 15, 2004, the Company permanently reduced its three-year credit facility to $750 million from $2.34 billion. The credit facility was composed of a $1.425 billion revolving credit facility (London interbank offered rate (LIBOR) plus 300 basis points), which has been permanently reduced to $750 million, and a $915 million term loan (LIBOR) plus 350 basis points), which was repaid and retired on December 15, 2004. As a result of the term loan repayment and the permanent reduction of the revolving credit facility, the Company expensed $15 million of unamortized loan costs in the fourth quarter of 2004 that were associated with these facilities.

In March 2005, the Company replaced its $750 million revolving credit facility with a $1 billion five-year revolving credit facility. Borrowings may be made under the facility at LIBOR plus 100 basis points based on current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings any time more than 50% of the facility is utilized. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered.

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

In March 2005, the Company filed a registration statement relating to an offer to exchange its 3.75% convertible senior notes due 2023 for a new series of 3.75% convertible senior notes due 2023. This registration statement has not yet been declared effective by the SEC. The Company expects to conduct the exchange offer in response to the guidance set forth in Emerging Issues Task Force No. 04-8, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings Per Share". Under that guidance, because settlement of the principal portion of new notes will be made in cash rather than stock, exchanging new notes for old notes will allow the Company to exclude the portion of the conversion value of the new notes attributable to their principal amount from its computation of diluted earnings per share from continuing operations.

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

(6) On December 30, 2004, the Board of Directors of the Company adopted a plan for an accounting reorganization of the Company, to be effective as of January 1, 2005. This plan was adopted in order to eliminate the accumulated retained earnings deficit that exists.

The plan adopted by the Company required: (1) a report to be presented to and reviewed by the Company's Board of Directors on or before February 28, 2005 as to the completion of the valuation analysis of the accounting reorganization and the effects of the accounting reorganization on the Company's financial statements, (2) a determination that the accounting reorganization is in accordance with accounting principles generally accepted in the United States, and (3) that there be no determination by the Company's Board of Directors on or before February 28, 2005 that the accounting reorganization is inconsistent with the Company's regulatory obligations. The Company is continuing to work to complete the valuation analysis and the effects on the Company's financial statements of the accounting reorganization, and on February 23, 2005, the Company's Board of Directors extended until May 10, 2005 the time for making the determination described in (3) of the preceding sentence.

An accounting reorganization, sometimes called a "quasi-reorganization," allows a company to extinguish a negative retained earnings balance. It involves restating a company's assets and its liabilities to their fair values. The negative balance in the retained earnings account is then brought to zero through a reduction in the other capital accounts, giving the company a "fresh start" with a zero balance in retained earnings. As of December 31, 2004, the Company had an accumulated retained earnings deficit of approximately $1.7 billion. That deficit stemmed from the accounting effects of (1) the Company's distribution of its ownership interest in RRI to its shareholders in September 2002, (2) the extraordinary loss recorded in connection with the Texas Utility Commission's order related to the 2004 True-Up Proceeding (defined below) and (3) the loss on discontinued operations that was recorded in connection with the Company's sale of Texas Genco. Those events stemmed from the Company's response to the Texas electric restructuring law. In addition to eliminating the accumulated deficit in retained earnings and restating assets and liabilities to fair value, if a quasi-reorganization were implemented, the Company and CenterPoint Houston would be required to implement any accounting standards that have been issued but not yet adopted.

The Company is seeking to eliminate the negative retained earnings balance because restrictions contained in the 1935 Act require registered public utility holding companies, like the Company, to obtain express authorization from the SEC to pay dividends when current or retained earnings are insufficient to do so. Eliminating the negative retained earnings balance will permit current earnings not utilized to pay dividends to more quickly build up a retained earnings balance. Under 1935 Act regulations, the Company could pay dividends out of this balance during periods when current earnings may not be adequate to do so.

In addition, the Company has undertaken an obligation under the 1935 Act to achieve a minimum ratio of common equity to total capitalization of thirty percent, which, depending on the results of the restatement of assets and liabilities under the accounting reorganization, could be affected by, and will be taken into consideration by the Board of Directors in evaluating the effects of, the accounting reorganization. The Company will seek such authority as may be required under the 1935 Act in connection with the quasi-reorganization.

CENTERPOINT ENERGY, INC.

SCHEDULE II -- QUALIFYING VALUATION ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2004

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS(1)	DEDUCTIONS FROM RESERVES(2)	BALANCE AT END OF PERIOD
	(IN THOUSANDS)				
Year Ended December 31, 2004:					
Accumulated provisions:					
Uncollectible accounts receivable......................	$30,800	$ 26,829	$ --	$27,591	$30,038
Deferred tax asset valuation allowance.......................	73,248	(67,421)	14,114	--	19,941
Year Ended December 31, 2003:					
Accumulated provisions:					
Uncollectible accounts receivable......................	$24,294	$ 24,037	$ --	$17,531	$30,800
Deferred tax asset valuation allowance.......................	82,929	(9,681)	--	--	73,248
Year Ended December 31, 2002:					
Accumulated provisions:					
Uncollectible accounts receivable......................	$46,047	$ 25,883	$ --	$47,636	$24,294
Deferred tax asset valuation allowance.......................	15,439	67,490	--	--	82,929

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(1) Charges to other accounts represent changes in presentation to reflect state tax attributes net of federal tax benefit as well as to reflect amounts that were netted against related attribute balances in prior years.

(2) Deductions from reserves represent losses or expenses for which the respective reserves were created. In the case of the uncollectible accounts reserve, such deductions are net of recoveries of amounts previously written off.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on the 16th day of March, 2005.

CENTERPOINT ENERGY, INC.
(Registrant)

By: /s/ DAVID M. MCCLANAHAN

David M. McClanahan,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 16, 2005.

SIGNATURE TITLE --------- ----- /s/ DAVID M. MCCLANAHAN President, Chief Executive Officer and Director --- (Principal Executive Officer and Director) David M. McClanahan /s/ GARY L. WHITLOCK Executive Vice President and Chief Financial Officer -- (Principal Financial Officer) Gary L. Whitlock /s/ JAMES S. BRIAN Senior Vice President and Chief Accounting Officer -- (Principal Accounting Officer) James S. Brian /s/ MILTON CARROLL Chairman of the Board of Directors -- Milton Carroll /s/ JOHN

T. CATER
Director -

John T.
Cater /s/
DERRILL
CODY
Director -

Derrill
Cody /s/
O.
HOLCOMBE
CROSSWELL
Director -

------- O.
Holcombe
Crosswell
/s/ THOMAS
F. MADISON
Director -

Thomas F.
Madison
/s/ ROBERT
T.
O'CONNELL
Director -

Robert T.
O'Connell
/s/
MICHAEL E.
SHANNON
Director -

Michael E.
Shannon

CENTERPOINT ENERGY, INC.

EXHIBITS TO THE ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2004

INDEX OF EXHIBITS

Exhibits included with this report are designated by a cross (+); all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated by an asterisk (*) are management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(b)(10)(iii) of Regulation S-K. CenterPoint Energy has not filed the exhibits and schedules to Exhibit 2(b). CenterPoint Energy hereby agrees to furnish supplementally a copy of any schedule omitted from Exhibit 2(b) to the SEC upon request.

SEC FILE OR
EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE --
----- ------
----- ------

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- 2(a) --
Agreement
and Plan of
CenterPoint
Energy's
Form 10-K 1-
31447 2
Merger,
dated as of
October for
the year
ended
December 31,
19, 2001, by
and among
2001 Reliant
Energy,
Incorporated
("Reliant
Energy"),
CenterPoint
Energy, Inc.
("CenterPoint
Energy") and
Reliant
Energy
MergerCo,
Inc. 2(b) --
Transaction
Agreement
dated
CenterPoint
Energy's
Form 8-K 1-
31447 10.1
July 21,
2004 among
dated July
21, 2004
CenterPoint
Energy,
Utility
Holding,
LLC, NN
Houston Sub,
Inc., Texas
Genco
Holdings,
Inc. ("Texas
Genco"), HPC
Merger Sub,
Inc. and GC
Power
Acquisition
LLC 3(a)(1)
-- Amended
and Restated
CenterPoint
Energy's 3-
69502 3.1
Articles of
Incorporation

of
Registration
Statement on
Form
CenterPoint
Energy S-4
3(a)(2) --
Articles of
Amendment to
CenterPoint
Energy's
Form 10-K 1-
31447 3.1.1
Amended and
Restated for
the year
ended
December 31,
Articles of
Incorporation
of 2001
CenterPoint
Energy 3(b)
-- Amended
and Restated
Bylaws
CenterPoint
Energy's
Form 10-K 1-
31447 3.2 of
CenterPoint
Energy for
the year
ended
December 31,
2001 3(c) --
Statement of
Resolution
CenterPoint
Energy's
Form 10-K 1-
31447 3.3
Establishing
Series of
for the year
ended
December 31,
Shares
designated
Series A
2001
Preferred
Stock of
CenterPoint
Energy 4(a)
-- Form of
CenterPoint
Energy
CenterPoint
Energy's 3-
69502 4.1
Stock
Certificate
Registration
Statement on
Form S-4
4(b) --
Rights
Agreement
dated
CenterPoint
Energy's
Form 10-K 1-
31447 4.2
January 1,
2002,
between for
the year
ended
December 31,
CenterPoint
Energy and
2001
JPMorgan
Chase Bank,
as Rights
Agent

SEC FILE OR
EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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4(c) --
Contribution
and
CenterPoint
Energy's
Form 10-K
1-31447 4.3
Registration
Agreement
dated for
the year
ended
December
31,
December
18, 2001
among 2001
Reliant
Energy,
CenterPoint
Energy and
the
Northern
Trust
Company,
trustee
under the
Reliant
Energy,
Incorporated
Master
Retirement
Trust 4(d)
(1) --
Mortgage
and Deed of
Trust,
HL&P's Form
S-7 filed
on August
2-59748
2(b) dated
November 1,
1944 25,
1977
between
Houston
Lighting
and Power
Company
("HL&P")
and Chase
Bank of
Texas,
National
Association
(formerly,
South Texas
Commercial
National
Bank of
Houston),
as Trustee,
as amended
and
supplemented
by 20
Supplemental
Indentures
thereto
4(d)(2) --
Twenty-
First
through
HL&P's Form
10-K for
the year 1-

3187 4(a)
(2)
Fiftieth
Supplemental
ended
December
31, 1989
Indentures
to Exhibit
4(d)(1)
4(d)(3) --
Fifty-First
Supplemental
HL&P's Form
10-Q for
the quarter
1-3187 4(a)
Indenture
to Exhibit
4(d)(1)
ended June
30, 1991
dated as of
March 25,
1991 4(d)
(4) --
Fifty-
Second
through
Fifty-
HL&P's Form
10-Q for
the quarter
1-3187 4
Fifth
Supplemental
ended March
31, 1992
Indentures
to Exhibit
4(d)(1)
each dated
as of March
1, 1992
4(d)(5) --
Fifty-Sixth
and HL&P's
Form 10-Q
for the
quarter 1-
3187 4
Fifty-
Seventh
Supplemental
ended
September
30, 1992
Indentures
to Exhibit
4(d)(1)
each dated
as of
October 1,
1992 4(d)
(6) --
Fifty-
Eighth and
Fifty-Ninth
HL&P's Form
10-Q for
the quarter
1-3187 4
Supplemental
Indentures
to ended
March 31,
1993
Exhibit
4(d)(1)
each dated
as of March
1, 1993
4(d)(7) --
Sixtieth
Supplemental
HL&P's Form
10-Q for
the quarter
1-3187 4
Indenture
to Exhibit
4(d)(1)
ended June
30, 1993
dated as of
July 1,
1993 4(d)
(8) --

Sixty-First
through
HL&P's Form
10-K for
the year 1-
3187 4(a)
(8) Sixty-
Third
Supplemental
ended
December
31, 1993
Indentures
to Exhibit
4(d)(1)
each dated
as of
December 1,
1993 4(d)
(9) --
Sixty-
Fourth and
Sixty-Fifth
HL&P's Form
10-K for
the year 1-
3187 4(a)
(9)
Supplemental
Indentures
to ended
December
31, 1995
Exhibit
4(d)(1)
each dated
as of July
1, 1995

SEC FILE OR
EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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4(e)(1) --
General
Mortgage
Indenture,
CenterPoint
Houston's
Form 10-Q
1-3187 4(j)
(1) dated
as of
October 10,
for the
quarter
ended
September
2002,
between
CenterPoint
30, 2002
Energy
Houston
Electric,
LLC and
JPMorgan
Chase Bank,
as Trustee
4(e)(2) --
First
Supplemental
Indenture
CenterPoint
Houston's
Form 10-Q
1-3187 4(j)
(2) to
Exhibit
4(e)(1),
dated as
for the
quarter
ended
September
of October
10, 2002
30, 2002
4(e)(3) --
Second
Supplemental
CenterPoint
Houston's
Form 10-Q
1-3187 4(j)
(3)
Indenture
to Exhibit
for the
quarter
ended
September
4(e)(1),
dated as of
October 30,
2002 10,
2002 4(e)
(4) --
Third
Supplemental
Indenture
CenterPoint
Houston's
Form 10-Q
1-3187 4(j)
(4) to
Exhibit
4(e)(1),
dated as
for the

quarter
ended
September
of October
10, 2002
30, 2002
4(e)(5) --
Fourth
Supplemental
CenterPoint
Houston's
Form 10-Q
1-3187 4(j)
(5)
Indenture
to Exhibit
for the
quarter
ended
September
4(e)(1),
dated as of
October 30,
2002 10,
2002 4(e)
(6) --
Fifth
Supplemental
Indenture
CenterPoint
Houston's
Form 10-Q
1-3187 4(j)
(6) to
Exhibit
4(e)(1),
dated as
for the
quarter
ended
September
of October
10, 2002
30, 2002
4(e)(7) --
Sixth
Supplemental
Indenture
CenterPoint
Houston's
Form 10-Q
1-3187 4(j)
(7) to
Exhibit
4(e)(1),
dated as
for the
quarter
ended
September
of October
10, 2002
30, 2002
4(e)(8) --
Seventh
Supplemental
CenterPoint
Houston's
Form 10-Q
1-3187 4(j)
(8)
Indenture
to Exhibit
for the
quarter
ended
September
4(e)(1),
dated as of
October 30,
2002 10,
2002 4(e)
(9) --
Eighth
Supplemental
CenterPoint
Houston's
Form 10-Q
1-3187 4(j)
(9)
Indenture
to Exhibit
for the
quarter
ended
September
4(e)(1),
dated as of

October 30,
2002 10,
2002 4(e)
(10) --
Officer's
Certificates
dated
CenterPoint
Energy's
Form 10-K
1-31447
4(e)(10)
October 10,
2002
setting for
the year
ended
December
31, forth
the form,
terms and
2003
provisions
of the
First
through
Eighth
Series of
General
Mortgage
Bonds 4(e)
(11) --
Ninth
Supplemental
Indenture
CenterPoint
Energy's
Form 10-K
1-31447
4(e)(10) to
Exhibit
4(e)(1),
dated as
for the
year ended
December
31, of
November
12, 2002
2002 4(e)
(12) --
Officer's
Certificate
dated
CenterPoint
Energy's
Form 10-K
1-31447
4(e)(12)
November
12, 2002
setting for
the year
ended
December
31, forth
the form,
terms and
2003
provisions
of the
Ninth
Series of
General
Mortgage
Bonds 4(e)
(13) --
Tenth
Supplemental
Indenture
CenterPoint
Energy's
Form 8-K 1-
31447 4.1
to Exhibit
4(e)(1),
dated as
dated March
13, 2003 of
March 18,
2003

SEC FILE OR
EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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4(e)(14) --
Officer's
Certificate
dated
CenterPoint
Energy's
Form 8-K 1-
31447 4.2
March 18,
2003
setting
forth dated
March 13,
2003 the
form, terms
and
provisions
of the
Tenth
Series and
Eleventh
Series of
General
Mortgage
Bonds 4(e)
(15) --
Eleventh
Supplemental
CenterPoint
Energy's
Form 8-K 1-
31447 4.1
Indenture
to Exhibit
dated May
16, 2003
4(e)(1),
dated as of
May 23,
2003 4(e)
(16) --
Officer's
Certificate
dated
CenterPoint
Energy's
Form 8-K 1-
31447 4.2
May 23,
2003
setting
forth dated
May 16,
2003 the
form, terms
and
provisions
of the
Twelfth
Series of
General
Mortgage
Bonds 4(e)
(17) --
Twelfth
Supplemental
CenterPoint
Energy's
Form 8-K 1-
31447 4.2
Indenture
to Exhibit
dated
September
9, 2003
4(e)(1),
dated as of

September
9, 2003
4(e)(18) --
Officer's
Certificate
dated
CenterPoint
Energy's
Form 8-K 1-
31447 4.3
September
9, 2003
setting
dated
September
9, 2003
forth the
form, terms
and
provisions
of the
Thirteenth
Series of
General
Mortgage
Bonds 4(f)
(1) --
Indenture,
dated as of
RERC
Corp.'s
Form 8-K
dated 1-
13265 4.1
February 1,
1998,
between
February 5,
1998
Reliant
Energy
Resources
Corp.
("RERC
Corp.") and
Chase Bank
of Texas,
National
Association,
as Trustee
4(f)(2) --
Supplemental
Indenture
No. 1 RERC
Corp.'s
Form 8-K
dated 1-
13265 4.2
to Exhibit
4(f)(1),
dated as
November 9,
1998 of
February 1,
1998,
providing
for the
issuance of
RERC
Corp.'s 6
1/2%
Debentures
due
February 1,
2008 4(f)
(3) --
Supplemental
Indenture
No. 2 RERC
Corp.'s
Form 8-K
dated 1-
13265 4.1
to Exhibit
4(f)(1),
dated as
November 9,
1998 of
November 1,
1998,
providing
for the
issuance of
RERC
Corp.'s 6
3/8% Term
Enhanced
ReMarketable

Securities
4(f)(4) --
Supplemental
Indenture
No. 3 RERC
Corp.'s
Registration
333-49162
4.2 to
Exhibit
4(f)(1),
dated as
Statement
on Form S-4
of July 1,
2000,
providing
for the
issuance of
RERC
Corp.'s
8.125%
Notes due
2005 4(f)
(5) --
Supplemental
Indenture
No. 4 RERC
Corp.'s
Form 8-K
dated 1-
13265 4.1
to Exhibit
4(f)(1),
dated as
February
21, 2001 of
February
15, 2001,
providing
for the
issuance of
RERC
Corp.'s
7.75% Notes
due 2011

SEC FILE OR EXHIBIT REGISTRATION EXHIBIT NUMBER DESCRIPTION REPORT OR REGISTRATION STATEMENT NUMBER REFERENCE - ------ ---- ------- --- ----------- ----------- ------- --- --------- - --------

4(f)(6) -- Supplemental Indenture No. 5 CenterPoint Energy's Form 8-K 1-31447 4.1 to Exhibit 4(f)(1), dated as dated March 18, 2003 of March 25, 2003, providing for the issuance of CenterPoint Energy Resources Corp.'s ("CERC Corp.'s") 7.875% Senior Notes due 2013

4(f)(7) -- Supplemental Indenture No. 6 CenterPoint Energy's Form 8-K 1-31447 4.2 to Exhibit 4(f)(1), dated as dated April 7, 2003 of April 1, 2003, providing for the issuance of CERC Corp.'s 7.875% Senior Notes due 2013

4(f)(8) -- Supplemental Indenture No. 7 CenterPoint Energy's Form 8-K 1-31447 4.2 to Exhibit 4(f)(1), dated as dated October 29, 2003 of November 3, 2003, providing for the issuance of CERC Corp.'s 5.95% Senior Notes due 2014

4(g)

(1) --
Indenture,
dated as of
May
CenterPoint
Energy's
Form 8-K 1-
31447 4.1
19, 2003,
between
dated May
19, 2003
CenterPoint
Energy and
JPMorgan
Chase Bank,
as Trustee
4(g)(2) --
Supplemental
Indenture
No. 1
CenterPoint
Energy's
Form 8-K 1-
31447 4.2
to Exhibit
4(g)(1),
dated as
dated May
19, 2003 of
May 19,
2003,
providing
for the
issuance of
CenterPoint
Energy's
3.75%
Convertible
Senior
Notes due
2023 4(g)
(3) --
Supplemental
Indenture
No. 2
CenterPoint
Energy's
Form 8-K 1-
31447 4.3
to Exhibit
4(g)(1),
dated as
dated May
19, 2003 of
May 27,
2003,
providing
for the
issuance of
CenterPoint
Energy's
5.875%
Senior
Notes due
2008 and
6.85%
Senior
Notes due
2015 4(g)
(4) --
Supplemental
Indenture
No. 3
CenterPoint
Energy's
Form 8-K 1-
31447 4.2
to Exhibit
4(g)(1),
dated as
dated
September
9, 2003 of
September
9, 2003,
providing
for the
issuance of
CenterPoint
Energy's
7.25%
Senior
Notes due
2010 4(g)
(5) --
Supplemental
Indenture

No. 4 CenterPoint Energy's Form 8-K 1-31447 4.2 to Exhibit 4(g)(1), dated as dated December 10, 2003 of December 17, 2003, providing for the issuance of CenterPoint Energy's 2.875% Convertible Senior Notes due 2024

SEC FILE OR EXHIBIT REGISTRATION EXHIBIT NUMBER DESCRIPTION REPORT OR REGISTRATION STATEMENT NUMBER REFERENCE --- ---- -------- --- --------- ------------- ---------- -- ---------- -- ------- 4(g)(6) -- Supplemental Indenture No. 5 CenterPoint Energy's Form 8-K 1-31447 4.1 to Exhibit 4(g)(1), dated as dated December 9, 2004 of December 13, 2004, as supplemented by Exhibit 4(g)(5), relating to the issuance of CenterPoint Energy's 2.875% Convertible Senior Notes dues 2024 4(h) -- Supplemental Indenture No. 2 CenterPoint Energy's Form 8-K12B 1-31447 4(e) dated as of August 31, 2002, dated August 31, 2002 among CenterPoint Energy, Reliant Energy and JPMorgan Chase Bank (supplementing the Subordinated Indenture dated as of September 1, 1999 under which Reliant Energy's 2% Zero-Premium Exchangeable Subordinated Notes Due 2029 were issued) 4(i) -- Supplemental Indenture No. 3 CenterPoint Energy's Form 8-K12B 1-31447 4(g) dated as of August 31, 2002 dated August 31, 2002 among CenterPoint Energy, REI and The Bank of New York (supplementing the Junior Subordinated

Indenture dated as of February 1, 1997 under which REI's Junior Subordinated Debentures related to 8.257% capital securities issued by HL&P Capital Trust II were issued) 4(j) -- Third Supplemental Indenture CenterPoint Energy's Form 8-K12B 1-31447 4(h) dated as of August 31, 2002 dated August 31, 2002 among CenterPoint Energy, Reliant Energy, RERC and The Bank of New York (supplementing the Indenture dated as of June 15, 1996 under which RERC's 6.25% Convertible Junior Subordinated Debentures were issued) 4(k) -- Second Supplemental CenterPoint Energy's Form 8-K12B 1-31447 4(i) Indenture dated as of August dated August 31, 2002 31, 2002 among CenterPoint Energy, Reliant Energy, RERC and JPMorgan Chase Bank (supplementing the Indenture dated as of March 1, 1987 under which RERC's 6% Convertible Subordinated Debentures due 2012 were issued)

SEC FILE OR EXHIBIT REGISTRATION EXHIBIT NUMBER DESCRIPTION REPORT OR REGISTRATION STATEMENT NUMBER REFERENCE ------- ----------- ------------------------------------ ------------ --------- 4(l) -- Assignment and Assumption CenterPoint Energy's Form 8-K12B 1-31447 4(j) Agreement for the Guarantee dated August 31, 2002 Agreements dated as of August 31, 2002 between CenterPoint Energy and Reliant Energy (relating to the Guarantee Agreement dated as of February 4, 1997 between Reliant Energy and The Bank of New York providing for the guaranty of certain amounts relating to the 8.257% capital securities issued by HL&P Capital Trust II) 4(m) -- Assignment and Assumption CenterPoint Energy's Form 8-K12B 1-31447 4(l) Agreement for the Expense dated August 31, 2002 and Liability Agreements and the Trust Agreements dated as of August 31, 2002 between CenterPoint Energy and Reliant Energy (relating to (i) the Agreement as to Expenses and Liabilities dated as of February 4, 1997 between Reliant Energy and HL&P Capital Trust II and (ii) HL&P Capital Trust

II's Amended
and Restated
Trust
Agreement
dated
February 4,
1997 4(n)(1)
--
$1,310,000,000
Credit
CenterPoint
Energy's Form
10-K 1-31447
4(g)(1)
Agreement,
dated as of
for the year
ended
December 31,
November 12,
2002, among
2002
CenterPoint
Houston and
the banks
named therein
4(n)(2) --
First
Amendment to
Exhibit
CenterPoint
Energy's Form
10-Q 1-31447
10.7 4(n)(1),
dated as of
for the
quarter ended
September
September 3,
2003 30, 2003
4(n)(3) --
Pledge
Agreement,
dated as
CenterPoint
Energy's Form
10-K 1-31447
4(g)(2) of
November 12,
2002 for the
year ended
December 31,
executed in
connection
with 2002
Exhibit 4(n)
(1) 4(o) --
$1,000,000,000
Credit
CenterPoint
Energy's Form
8-K 1-31447
4.1 Agreement
dated as of
March dated
March 7, 2005
7, 2005 among
CenterPoint
Energy and
the banks
named therein

SEC FILE OR EXHIBIT REGISTRATION EXHIBIT NUMBER DESCRIPTION REPORT OR REGISTRATION STATEMENT NUMBER REFERENCE --- ---- -------- --- --------- ------------- ---------- -- ---------- -- ------- +4(p) (1) -- $75,000,000 revolving credit facility dated as of February 3, 2005 among Texas Genco Holdings, Inc., Texas Genco GP, LLC, Texas Genco LP, LLC, Texas Genco, LP and the banks named therein +4(p)(2) -- Pledge Agreement, dated as of February 3, 2005, executed in connection with Exhibit 4(p)(1) 4(q) -- $250,000,000 Credit CenterPoint Energy's Form 8-K 1-31447 4.1 Agreement dated as of March dated March 31, 2004 23, 2004 among CERC and the initial lenders named therein 4(r) -- $200,000,000 Credit CenterPoint Energy's Form 8-K 1-31447 4.2 Agreement dated as of March dated March 7, 2005 7, 2005 among CenterPoint Houston and the banks named therein 4(s) -- $1,310,000,000 Credit CenterPoint Energy's Form 8-K 1-31447 4.3 Agreement dated as of March dated March 7, 2005 7, 2005 among CenterPoint Houston and the banks named therein

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, CenterPoint Energy has not filed as exhibits to this Form 10-K certain long-term debt instruments, including indentures, under which the total amount of securities authorized does not exceed 10% of the total assets of CenterPoint Energy and its subsidiaries on a consolidated basis. CenterPoint Energy hereby agrees to furnish a copy of any such instrument to the SEC upon request.

SEC FILE OR
EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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*10(a)(1) -
- Executive
Benefit
Plan of
HI's Form
10-Q for
the quarter
1-7629
10(a)(1),
Houston
Industries
ended March
31, 1987
10(a)(2),
Incorporated
("HI") and
and First
and Second
10(a)(3)
Amendments
thereto
effective
as of June
1, 1982,
July 1,
1984, and
May 7,
1986,
respectively
*10(a)(2) -
- Third
Amendment
dated
Reliant
Energy's
Form 10-K
for 1-3187
10(a)(2)
September
17, 1999 to
the year
ended
December
31, 2000
Exhibit
10(a)(1)
*10(a)(3) -
-
CenterPoint
Energy
CenterPoint
Energy's
Form 10-Q
1-31447
10.4
Executive
Benefits
Plan, for
the quarter
ended
September
as amended
and
restated
30, 2003
effective
June 18,
2003 *10(b)
(1) --
Executive

Incentive
HI's Form
10-K for
the year 1-
7629 10(b)
Compensation
Plan of HI
ended
December
31, 1991
effective
as of
January 1,
1982 *10(b)
(2) --
First
Amendment
to Exhibit
HI's Form
10-Q for
the quarter
1-7629
10(a) 10(b)
(1)
effective
as of ended
March 31,
1992 March
30, 1992
*10(b)(3) -
- Second
Amendment
to HI's
Form 10-K
for the
year 1-7629
10(b)
Exhibit
10(b)(1)
effective
ended
December
31, 1992 as
of November
4, 1992
*10(b)(4) -
- Third
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(b)
(4) 10(b)
(1)
effective
as of ended
December
31, 1994
September
7, 1994
*10(b)(5) -
- Fourth
Amendment
to HI's
Form 10-K
for the
year 1-3187
10(b)(5)
Exhibit
10(b)(1)
effective
ended
December
31, 1997 as
of August
6, 1997
*10(c)(1) -
- Executive
Incentive
HI's Form
10-Q for
the quarter
1-7629
10(b)(1)
Compensation
Plan of HI
ended March
31, 1987
effective
as of
January 1,
1985 *10(c)
(2) --
First
Amendment
to Exhibit
HI's Form

10-K for
the year 1-
7629 10(b)
(3) 10(c)
(1)
effective
as of ended
December
31, 1988
January 1,
1985 *10(c)
(3) --
Second
Amendment
to HI's
Form 10-K
for the
year 1-7629
10(c)(3)
Exhibit
10(c)(1)
effective
ended
December
31, 1991 as
of January
1, 1985
*10(c)(4) -
- Third
Amendment
to Exhibit
HI's Form
10-Q for
the quarter
1-7629
10(b) 10(c)
(1)
effective
as of ended
March 31,
1992 March
30, 1992

SEC FILE OR
EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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*10(c)(5) -
- Fourth
Amendment
to HI's
Form 10-K
for the
year 1-7629
10(c)(5)
Exhibit
10(c)(1)
effective
ended
December
31, 1992 as
of November
4, 1992
*10(c)(6) -
- Fifth
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(c)
(6) 10(c)
(1)
effective
as of ended
December
31, 1994
September
7, 1994
*10(c)(7) -
- Sixth
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
3187 10(c)
(7) 10(c)
(1)
effective
as of ended
December
31, 1997
August 6,
1997 *10(d)
--
Executive
Incentive
HI's Form
10-Q for
the quarter
1-7629
10(b)(2)
Compensation
Plan of
HL&P ended
March 31,
1987
effective
as of
January 1,
1985 *10(e)
(1) --
Executive
Incentive
HI's Form
10-Q for
the quarter
1-7629
10(b)
Compensation
Plan of HI
as ended
June 30,

1989
amended and
restated on
January 1,
1989 *10(e)
(2) --
First
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(e)
(2) 10(e)
(1)
effective
as of ended
December
31, 1991
January 1,
1989 *10(e)
(3) --
Second
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(c)
Exhibit
10(e)(1)
effective
ended March
31, 1992 as
of March
30, 1992
*10(e)(4) -
- Third
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(c)
(4) 10(e)
(1)
effective
as of ended
December
31, 1992
November 4,
1992 *10(e)
(5) --
Fourth
Amendment
to HI's
Form 10-K
for the
year 1-7629
10(e)(5)
Exhibit
10(e)(1)
effective
ended
December
31, 1994 as
of
September
7, 1994
*10(f)(1) -
- Executive
Incentive
HI's Form
10-K for
the year 1-
7629 10(b)
Compensation
Plan of HI
as ended
December
31, 1990
amended and
restated on
January 1,
1991 *10(f)
(2) --
First
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(f)
(2) 10(f)
(1)
effective
as of ended
December

31, 1991
January 1,
1991 *10(f)
(3) --
Second
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(d)
Exhibit
10(f)(1)
effective
ended March
31, 1992 as
of March
30, 1992
*10(f)(4) -
- Third
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(f)
(4) 10(f)
(1)
effective
as of ended
December
31, 1992
November 4,
1992 *10(f)
(5) --
Fourth
Amendment
to HI's
Form 10-K
for the
year 1-7629
10(f)(5)
Exhibit
10(f)(1)
effective
ended
December
31, 1992 as
of January
1, 1993
*10(f)(6) -
- Fifth
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(f)
(6) 10(f)
(1)
effective
in ended
December
31, 1994
part,
January 1,
1995, and
in part,
September
7, 1994

SEC FILE OR
EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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*10(f)(7) -
- Sixth
Amendment
to Exhibit
HI's Form
10-Q for
the quarter
1-7629
10(a) 10(f)
(1)
effective
as of ended
June 30,
1995 August
1, 1995
*10(f)(8) -
- Seventh
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(a)
Exhibit
10(f)(1)
effective
ended June
30, 1996 as
of January
1, 1996
*10(f)(9) -
- Eighth
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(a)
Exhibit
10(f)(1)
effective
ended June
30, 1997 as
of January
1, 1997
*10(f)(10)
-- Ninth
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
3187 10(f)
(10) 10(f)
(1)
effective
in ended
December
31, 1997
part,
January 1,
1997, and
in part,
January 1,
1998 *10(g)
-- Benefit
Restoration
Plan HI's
Form 10-Q
for the
quarter 1-
7629 10(c)
of HI
effective
as of June
ended March
31, 1987 1,

1985 *10(h)
-- Benefit
Restoration
Plan HI's
Form 10-K
for the
year 1-7629
10(g)(2) of
HI as
amended and
ended
December
31, 1991
restated
effective
as of
January 1,
1988 *10(i)
(1) --
Benefit
Restoration
Plan HI's
Form 10-K
for the
year 1-7629
10(g)(3) of
HI, as
amended and
ended
December
31, 1991
restated
effective
as of July
1, 1991
*10(i)(2) -
- First
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
3187 10(i)
(2) 10(i)
(1)
effective
in ended
December
31, 1997
part,
August 6,
1997, in
part,
September
3, 1997,
and in
part,
October 1,
1997 *10(j)
(1) --
Deferred
Compensation
Plan HI's
Form 10-Q
for the
quarter 1-
7629 10(d)
of HI
effective
as of ended
March 31,
1987
September
1, 1985
*10(j)(2) -
- First
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(d)
(2) 10(j)
(1)
effective
as of ended
December
31, 1990
September
1, 1985
*10(j)(3) -
- Second
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(e)

Exhibit
10(j)(1)
effective
ended March
31, 1992 as
of March
30, 1992
*10(j)(4) -
- Third
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(h)
(4) 10(j)
(1)
effective
as of ended
December
31, 1993
June 2,
1993 *10(j)
(5) --
Fourth
Amendment
to HI's
Form 10-K
for the
year 1-7629
10(h)(5)
Exhibit
10(j)(1)
effective
ended
December
31, 1994 as
of
September
7, 1994
*10(j)(6) -
- Fifth
Amendment
to Exhibit
HI's Form
10-Q for
the quarter
1-7629
10(d) 10(j)
(1)
effective
as of ended
June 30,
1995 August
1, 1995
*10(j)(7) -
- Sixth
Amendment
to Exhibit
HI's Form
10-Q for
the quarter
1-7629
10(b) 10(j)
(1)
effective
as of ended
June 30,
1995
December 1,
1995

SEC FILE OR
EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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*10(j)(8) -
- Seventh
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(b)
Exhibit
10(j)(1)
effective
ended June
30, 1997 as
of January
1, 1997
*10(j)(9) -
- Eighth
Amendment
to HI's
Form 10-K
for the
year 1-3187
10(j)(9)
Exhibit
10(j)(1)
effective
ended
December
31, 1997 as
of October
1, 1997
*10(j)(10)
-- Ninth
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
3187 10(j)
(10) 10(j)
(1)
effective
as of ended
December
31, 1997
September
3, 1997
*10(j)(11)
-- Tenth
Amendment
to Exhibit
CenterPoint
Energy's
Form 10-K
1-31447
10(j)(11)
10(j)(1)
effective
as of for
the year
ended
December
31, January
1, 2001
2002 *10(j)
(12) --
Eleventh
Amendment
to
CenterPoint
Energy's
Form 10-K
1-31447
10(j)(12)
Exhibit
10(j)(1)
effective

for the
year ended
December
31, as of
August 31,
2002 2002
*10(j)(13)
--
CenterPoint
Energy 1985
CenterPoint
Energy's
Form 10-Q
1-31447
10.1
Deferred
Compensation
for the
quarter
ended
September
Plan, as
amended and
30, 2003
restated
effective
January 1,
2003 *10(k)
(1) --
Deferred
Compensation
Plan HI's
Form 10-Q
for the
quarter 1-
7629 10(a)
of HI
effective
as of ended
June 30,
1989
January 1,
1989 *10(k)
(2) --
First
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(e)
(3) 10(k)
(1)
effective
as of ended
December
31, 1989
January 1,
1989 *10(k)
(3) --
Second
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(f)
Exhibit
10(k)(1)
effective
ended March
31, 1992 as
of March
30, 1992
*10(k)(4) -
- Third
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(i)
(4) 10(k)
(1)
effective
as of ended
December
31, 1993
June 2,
1993 *10(k)
(5) --
Fourth
Amendment
to HI's
Form 10-K
for the
year 1-7629
10(i)(5)

Exhibit
10(k)(1)
effective
ended
December
31, 1994 as
of
September
7, 1994
*10(k)(6) -
- Fifth
Amendment
to Exhibit
HI's Form
10-Q for
the quarter
1-7629
10(c) 10(k)
(1)
effective
as of ended
June 30,
1995 August
1, 1995
*10(k)(7) -
- Sixth
Amendment
to Exhibit
HI's Form
10-Q for
the quarter
1-7629
10(c) 10(k)
(1)
effective
ended June
30, 1995
December 1,
1995 *10(k)
(8) --
Seventh
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(c)
Exhibit
10(k)(1)
effective
ended June
30, 1997 as
of January
1, 1997
*10(k)(9) -
- Eighth
Amendment
to HI's
Form 10-K
for the
year 1-3187
10(k)(9)
Exhibit
10(k)(1)
effective
ended
December
31, 1997 in
part
October 1,
1997 and in
part
January 1,
1998 *10(k)
(10) --
Ninth
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
3187 10(k)
(10) 10(k)
(1)
effective
as of ended
December
31, 1997
September
3, 1997

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EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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*10(k)(11)
-- Tenth
Amendment
to Exhibit
CenterPoint
Energy's
Form 10-K
1-31447
10(k)(11)
10(k)(1)
effective
as of for
the year
ended
December
31, January
1, 2001
2002 *10(k)
(12) --
Eleventh
Amendment
to
CenterPoint
Energy's
Form 10-K
1-31447
10(k)(12)
Exhibit
10(k)(1)
effective
for the
year ended
December
31, as of
August 31,
2002 2002
*10(l)(1) -
- Deferred
Compensation
Plan HI's
Form 10-K
for the
year 1-7629
10(d)(3) of
HI
effective
as of ended
December
31, 1990
January 1,
1991 *10(l)
(2) --
First
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(j)
(2) 10(l)
(1)
effective
as of ended
December
31, 1991
January 1,
1991 *10(l)
(3) --
Second
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(g)
Exhibit
10(l)(1)

effective
ended March
31, 1992 as
of March
30, 1992
*10(l)(4) -
- Third
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(j)
(4) 10(l)
(1)
effective
as of ended
December
31, 1993
June 2,
1993 *10(l)
(5) --
Fourth
Amendment
to HI's
Form 10-K
for the
year 1-7629
10(j)(5)
Exhibit
10(l)(1)
effective
ended
December
31, 1993 as
of December
1, 1993
*10(l)(6) -
- Fifth
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(j)
(6) 10(l)
(1)
effective
as of ended
December
31, 1994
September
7, 1994
*10(l)(7) -
- Sixth
Amendment
to Exhibit
HI's Form
10-Q for
the quarter
1-7629
10(b) 10(l)
(1)
effective
as of ended
June 30,
1995 August
1, 1995
*10(l)(8) -
- Seventh
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(d)
Exhibit
10(l)(1)
effective
ended June
30, 1996 as
of December
1, 1995
*10(l)(9) -
- Eighth
Amendment
to HI's
Form 10-Q
for the
quarter 1-
7629 10(d)
Exhibit
10(l)(1)
effective
ended June
30, 1997 as
of January
1, 1997

*10(l)(10)
-- Ninth
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
3187 10(l)
(10) 10(l)
(1)
effective
in part
ended
December
31, 1997
August 6,
1997, in
part
October 1,
1997, and
in part
January 1,
1998 *10(l)
(11) --
Tenth
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
3187 10(i)
(11) 10(l)
(1)
effective
as of ended
December
31, 1997
September
3, 1997
*10(l)(12)
-- Eleventh
Amendment
to
CenterPoint
Energy's
Form 10-K
1-31447
10(l)(12)
Exhibit
10(l)(1)
effective
for the
year ended
December
31, as of
January 1,
2001 2002
*10(l)(13)
-- Twelfth
Amendment
to
CenterPoint
Energy's
Form 10-K
1-31447
10(l)(13)
Exhibit
10(l)(1)
effective
for the
year ended
December
31, as of
August 31,
2002 2002
*10(m)(1) -
- Long-Term
Incentive
HI's Form
10-Q for
the quarter
1-7629
10(c)
Compensation
Plan of HI
ended June
30, 1989
effective
as of
January 1,
1989

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EXHIBIT
REGISTRATION
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NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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*10(m)(2) -
- First
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(f)
(2) 10(m)
(1)
effective
as of ended
December
31, 1989
January 1,
1990 *10(m)
(3) --
Second
Amendment
to HI's
Form 10-K
for the
year 1-7629
10(k)(3)
Exhibit
10(m)(1)
effective
ended
December
31, 1992 as
of December
22, 1992
*10(m)(4) -
- Third
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
3187 10(m)
(4) 10(m)
(1)
effective
as of ended
December
31, 1997
August 6,
1997 *10(m)
(5) --
Fourth
Amendment
to Reliant
Energy's
Form 10-Q
for 1-3187
10.4
Exhibit
10(m)(1)
effective
the quarter
ended June
30, 2002 as
of January
1, 2001
*10(n)(1) -
- Form of
stock
option HI's
Form 10-Q
for the
quarter 1-
7629 10(h)
agreement
for ended
March 31,
1992 non-
qualified

stock
options
granted
under
Exhibit
10(m)(1)
*10(n)(2) -
- Forms of
restricted
stock HI's
Form 10-Q
for the
quarter 1-
7629 10(i)
agreement
for
restricted
ended March
31, 1992
stock
granted
under
Exhibit
10(m)(1)
*10(o)(1) -
- 1994
Long-Term
Incentive
HI's Form
10-K for
the year 1-
7629 10(n)
(1)
Compensation
Plan of HI
ended
December
31, 1993
effective
as of
January 1,
1994 *10(o)
(2) -- Form
of stock
option HI's
Form 10-K
for the
year 1-7629
10(n)(2)
agreement
for ended
December
31, 1993
non-
qualified
stock
options
granted
under
Exhibit
10(o)(1)
*10(o)(3) -
- First
Amendment
to Exhibit
HI's Form
10-Q for
the quarter
1-7629
10(e) 10(o)
(1)
effective
as of ended
June 30,
1997 May 9,
1997 *10(o)
(4) --
Second
Amendment
to HI's
Form 10-K
for the
year 1-3187
10(p)(4)
Exhibit
10(o)(1)
effective
ended
December
31, 1997 as
of August
6, 1997
*10(o)(5) -
- Third
Amendment
to Exhibit
HI's Form
10-K for

the year 1-
3187 10(p)
(5) 10(o)
(1)
effective
as of ended
December
31, 1998
January 1,
1998 *10(o)
(6) --
Reliant
Energy 1994
Long-
Reliant
Energy's
Form 10-Q
for 1-3187
10.6 Term
Incentive
the quarter
ended June
30, 2002
Compensation
Plan, as
amended and
restated
effective
January 1,
2001 *10(o)
(7) --
First
Amendment
to Exhibit
CenterPoint
Energy's
Form 10-K
1-31447
10(p)(7)
10(o)(6),
effective
for the
year ended
December
31,
December 1,
2003 2003
*10(o)(8) -
- Form of
Non-
Qualified
CenterPoint
Energy's
Form 8-K 1-
31447 10.6
Stock
Option
Award
Notice
dated
January 25,
2005 under
Exhibit
10(o)(6)
*10(p)(1) -
- Savings
Restoration
Plan HI's
Form 10-K
for the
year 1-7629
10(f) of HI
effective
as of ended
December
31, 1990
January 1,
1991

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EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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*10(p)(2) -
- First
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(l)
(2) 10(p)
(1)
effective
as of ended
December
31, 1991
January 1,
1992 *10(p)
(3) --
Second
Amendment
to HI's
Form 10-K
for the
year 1-3187
10(q)(3)
Exhibit
10(p)(1)
effective
ended
December
31, 1997 in
part,
August 6,
1997, and
in part,
October 1,
1997 *10(q)
(1) --
Director
Benefits
Plan HI's
Form 10-K
for the
year 1-7629
10(m)
effective
as of
January 1,
ended
December
31, 1991
1992 *10(q)
(2) --
First
Amendment
to Exhibit
HI's Form
10-K for
the year 1-
7629 10(m)
(1) 10(q)
(1)
effective
as of ended
December
31, 1998
August 6,
1997 *10(q)
(3) --
CenterPoint
Energy
Outside
CenterPoint
Energy's
Form 10-Q
1-31447
10.6
Director

Benefits
Plan, as
for the
quarter
ended
September
amended and
restated
30, 2003
effective
June 18,
2003 *10(q)
(4) --
First
Amendment
to Exhibit
CenterPoint
Energy's
Form 10-Q
1-31447
10.6 10(q)
(3)
effective
as of for
the quarter
ended June
30, January
1, 2004
2004 *10(r)
(1) --
Executive
Life
Insurance
HI's Form
10-K for
the year 1-
7629 10(q)
Plan of HI
effective
as of ended
December
31, 1993
January 1,
1994 *10(r)
(2) --
First
Amendment
to Exhibit
HI's Form
10-Q for
the quarter
1-7629 10
10(r)(1)
effective
as of ended
June 30,
1995
January 1,
1994 *10(r)
(3) --
Second
Amendment
to HI's
Form 10-K
for the
year 1-3187
10(s)(3)
Exhibit
10(r)(1)
effective
ended
December
31, 1997 as
of August
6, 1997
*10(r)(4) -
-
CenterPoint
Energy
CenterPoint
Energy's
Form 10-Q
1-31447
10.5
Executive
Life
Insurance
for the
quarter
ended
September
Plan, as
amended and
30, 2003
restated
effective
June 18,
2003 *10(s)

--
Employment
and HI's
Form 10-Q
for the
quarter 1-
7629 10(f)
Supplemental
Benefits
ended March
31, 1987
Agreement
between
HL&P and
Hugh Rice
Kelly
*10(t)(1) -
- Reliant
Energy
Savings
Reliant
Energy's
Form 10-K
for 1-3187
10(cc)(1)
Plan, as
amended and
the year
ended
December
31, 1999
restated
effective
April 1,
1999 *10(t)
(2) --
First
Amendment
to Exhibit
Reliant
Energy's
Form 10-Q
for 1-3187
10.9 10(t)
(1)
effective
January the
quarter
ended June
30, 2002 1,
1999 *10(t)
(3) --
Second
Amendment
to Reliant
Energy's
Form 10-Q
for 1-3187
10.10
Exhibit
10(t)(1)
effective
the quarter
ended June
30, 2002
January 1,
1997 *10(t)
(4) --
Third
Amendment
to Exhibit
Reliant
Energy's
Form 10-Q
for 1-3187
10.11 10(t)
(1)
effective
January the
quarter
ended June
30, 2002 1,
2001

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EXHIBIT
REGISTRATION
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NUMBER
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STATEMENT
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*10(t)(5) -
- Fourth
Amendment
to Reliant
Energy's
Form 10-Q
for 1-3187
10.12
Exhibit
10(t)(1)
effective
the quarter
ended June
30, 2002
May 6, 2002
*10(t)(6) -
- Fifth
Amendment
to Exhibit
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(6)
10(t)(1)
effective
January for
the year
ended
December
31, 1, 2002
and as
renamed
2002
effective
October 2,
2002
+*10(t)(7)
-- Sixth
Amendment
to Exhibit
10(t)(1)
effective
January 1,
2005 *10(t)
(8) --
Reliant
Energy
Savings
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(7)
Trust
between
Reliant for
the year
ended
December
31, Energy
and The
Northern
2002 Trust
Company, as
Trustee, as
amended and
restated
effective
April 1,
1999 *10(t)
(9) --
First
Amendment
to Exhibit
CenterPoint
Energy's

Form 10-K
1-31447
10(u)(8)
10(t)(8)
effective
for the
year ended
December
31,
September
30, 2002
2002 *10(t)
(10) --
Second
Amendment
to
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(9)
Exhibit
10(t)(8)
effective
for the
year ended
December
31, January
6, 2003
2003 *10(t)
(11) --
Reliant
Energy
Retirement
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(10)
Plan, as
amended and
for the
year ended
December
31,
restated
effective
January
2002 1,
1999 *10(t)
(12) --
First
Amendment
to Exhibit
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(11)
10(t)(11)
effective
as of for
the year
ended
December
31, January
1, 1995
2002 *10(t)
(13) --
Second
Amendment
to
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(12)
Exhibit
10(t)(11)
for the
year ended
December
31,
effective
as of
January 1,
2002 1995
*10(t)(14)
-- Third
Amendment
to Exhibit
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(13)
10(t)(11)
effective

as of for
the year
ended
December
31, January
1, 2001
2002 *10(t)
(15) --
Fourth
Amendment
to
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(14)
Exhibit
10(t)(11)
for the
year ended
December
31,
effective
as of
January 1,
2002 2001
*10(t)(16)
-- Fifth
Amendment
to Exhibit
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(15)
10(t)(11)
effective
as of for
the year
ended
December
31,
November
15, 2002,
and as 2002
renamed
effective
October 2,
2002 *10(t)
(17) --
Sixth
Amendment
to Exhibit
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(16)
10(t)(11)
effective
as of for
the year
ended
December
31, January
1, 2002
2002 *10(t)
(18) --
Seventh
Amendment
to
CenterPoint
Energy's
Form 10-K
1-31447
10(u)(18)
Exhibit
10(t)(11)
for the
year ended
December
31,
effective
December 1,
2003 2003

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EXHIBIT
REGISTRATION
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NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE --
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- *10(t)(19)
-- Eighth
Amendment to
CenterPoint
Energy's
Form 10-Q 1-
31447 10.7
Exhibit
10(t)(11)
for the
quarter
ended June
30,
effective as
of January
1, 2004 2004
+*10(t)(20)
-- Ninth
Amendment to
Exhibit
10(t)(11)
effective as
of October
27, 2004
+*10(t)(21)
-- Tenth
Amendment to
Exhibit
10(t)(11)
effective as
of January
1, 2005
*10(t)(22) -
- Reliant
Energy,
Reliant
Energy's
Form 10-K
for 1-3187
10(u)(3)
Incorporated
Master the
year ended
December 31,
1999
Retirement
Trust (as
amended and
restated
effective
January 1,
1999 and
renamed
effective
May 5, 1999)
10(t)(23) --
Contribution
and Reliant
Energy's
Form 10-K
for 1-3187
10(u)(4)
Registration
Agreement
the year
ended
December 31,
2001 dated
December 18,
2001 among
Reliant
Energy,
CenterPoint
Energy and
the Northern
Trust
Company,
trustee

under the
Reliant
Energy,
Incorporated
Master
Retirement
Trust 10(u)
(1) --
Stockholder's
Agreement
Schedule 13-
D dated July
6, 1995 5-
19351 2
dated as of
July 6, 1995
between
Houston
Industries
Incorporated
and Time
Warner Inc.
10(u)(2) --
Amendment to
Exhibit HI's
Form 10-K
for the year
1-7629 10(x)
(4) 10(u)(1)
dated
November
ended
December 31,
1996 18,
1996 *10(v)
(1) --
Houston
Industries
HI's Form
10-K for the
year 1-7629
10(7)
Incorporated
Executive
ended
December 31,
1995
Deferred
Compensation
Trust
effective as
of December
19, 1995
*10(v)(2) --
First
Amendment to
Exhibit HI's
Form 10-Q
for the
quarter 1-
3187 10
10(v)(1)
effective as
of ended
June 30,
1998 August
6, 1997
*10(w) --
Letter
Agreement
dated
CenterPoint
Energy's
Form 8-K 1-
31447 10.1
December 9,
2004 between
dated
December 9,
2004
CenterPoint
Energy and
Milton
Carroll
*10(x)(1) --
Reliant
Energy,
Reliant
Energy's
Form 10-K
for 1-3187
10(y)
Incorporated
and the year
ended
December 31,
2000
Subsidiaries

Common Stock Participation Plan for Designated New Employees and Non-Officer Employees effective as of March 4, 1998

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EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE --
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- *10(x)(2)
-- Reliant
Energy,
CenterPoint
Energy's
Form 10-K 1-
31447 10(y)
(2)
Incorporated
and for the
year ended
December 31,
Subsidiaries
Common Stock
2002
Participation
Plan for
Designated
New
Employees
and Non-
Officer
Employees,
as amended
and restated
effective
January 1,
2001 *10(y)
-- Reliant
Energy,
Reliant
Energy's
Definitive
1-3187
Exhibit A
Incorporated
Annual Proxy
Statement
for 2000
Annual
Incentive
Compensation
Meeting of
Shareholders
Plan, as
amended and
restated
effective
January 1,
1999 *10(z)
(1) -- Long-
Term
Incentive
Plan Reliant
Energy's
Registration
333-60260
4.6 of
Reliant
Energy,
Statement on
Form S-8
dated May
Incorporated
effective as
4, 2001 of
January 1,
2001 *10(z)
(2) -- First
Amendment to
Exhibit
Reliant
Energy's
Registration
333-60260
4.7 10(z)(1)
effective as
of Statement

on Form S-8
dated May
January 1,
2001 4, 2001
*10(z)(3) --
Second
Amendment to
CenterPoint
Energy's
Form 10-K 1-
31447 10(aa)
(3) Exhibit
10(z)(1)
effective
for the year
ended
December 31,
November 5,
2003 2003
*10(z)(4) --
Long-Term
Incentive
Plan
CenterPoint
Energy's
Form 10-Q 1-
31447 10.5
of
CenterPoint
Energy, for
the quarter
ended June
30, Inc.
(amended and
restated
2004
effective as
of May 1,
2004) *10(z)
(5) -- Form
of Non-
Qualified
CenterPoint
Energy's
Form 8-K 1-
31447 10.1
Stock Option
Award dated
January 25,
2005
Agreement
under
Exhibit
10(z)(4)
*10(z)(6) --
Form of
Restricted
Stock
CenterPoint
Energy's
Form 8-K 1-
31447 10.2
Award
Agreement
under dated
January 25,
2005 Exhibit
10(z)(4)
*10(z)(7) --
Form of
Performance
Share
CenterPoint
Energy's
Form 8-K 1-
31447 10.3
Award under
Exhibit
dated
January 25,
2005 10(z)
(4) *10(z)
(8) -- Form
of
Performance
Unit
CenterPoint
Energy's
Form 8-K 1-
31447 10.4
Award under
Exhibit
dated
January 25,
2005 10(z)
(4) *10(z)
(9) -- Form
of

Restricted Stock CenterPoint Energy's Form 8-K 1-31447 10.2 Award Agreement (With dated February 21, 2005 Performance Vesting Requirement) under Exhibit 10(z)(4)

*10(z)(10) -- Summary of Performance CenterPoint Energy's Form 8-K 1-31447 10.5 Objectives for Awards dated January 25, 2005 under Exhibit 10(z)(4)

10(aa)(1) -- Master Separation Reliant Energy's Form 10-Q for 1-3187 10.1 Agreement entered into as the quarter ended March 31, 2001 of December 31, 2000 between Reliant Energy, Incorporated and Reliant Resources, Inc.

SEC FILE OR
EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE -
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10(aa)(2) -
- First
Amendment
to Exhibit
CenterPoint
Energy's
Form 10-K
1-31447
10(bb)(5)
10(aa)(1)
effective
as of for
the year
ended
December
31,
February 1,
2003 2002
10(aa)(3) -
- Employee
Matters
Reliant
Energy's
Form 10-Q
for 1-3187
10.5
Agreement,
entered
into as the
quarter
ended March
31, 2001 of
December
31, 2000,
between
Reliant
Energy,
Incorporated
and Reliant
Resources,
Inc. 10(aa)
(4) --
Retail
Agreement,
entered
Reliant
Energy's
Form 10-Q
for 1-3187
10.6 into
as of
December
31, the
quarter
ended March
31, 2001
2000,
between
Reliant
Energy,
Incorporated
and Reliant
Resources,
Inc. 10(aa)
(5) -- Tax
Allocation
Agreement,
Reliant
Energy's
Form 10-Q
for 1-3187
10.8
entered
into as of
the quarter
ended March
31, 2001

December
31, 2000,
between
Reliant
Energy,
Incorporated
and Reliant
Resources,
Inc. 10(bb)
(1) --
Separation
Agreement
CenterPoint
Energy's
Form 10-K
1-31447
10(cc)(1)
entered
into as of
August for
the year
ended
December
31, 31,
2002
between
2002
CenterPoint
Energy and
Texas Genco
10(bb)(2) -
-
Transition
Services
CenterPoint
Energy's
Form 10-K
1-31447
10(cc)(2)
Agreement,
dated as of
for the
year ended
December
31, August
31, 2002,
between
2002
CenterPoint
Energy and
Texas Genco
10(bb)(3) -
- Tax
Allocation
Agreement,
CenterPoint
Energy's
Form 10-K
1-31447
10(cc)(3)
dated as of
August 31,
for the
year ended
December
31, 2002,
between
CenterPoint
2002 Energy
and Texas
Genco
10(bb)(4) -
-
Assignment
and
Assumption
Texas
Genco's
Registration
1-31449
10.11
Agreement
for the
Statement
on Form 10
Technical
Services
Agreement
entered
into as of
August 31,
2002, by
and between
CenterPoint
Energy and
Texas
Genco, LP
*10(cc) --

Retention
Agreement
Reliant
Energy's
Form 10-K
for 1-3187
10(jj)
effective
October 15,
2001 the
year ended
December
31, 2001
between
Reliant
Energy and
David G.
Tees
*10(dd) --
Retention
Agreement
Reliant
Energy's
Form 10-K
for 1-3187
10(kk)
effective
October 15,
2001 the
year ended
December
31, 2001
between
Reliant
Energy and
Michael A.
Reed
*10(ee)(1)
-- Non-
Qualified
Executive
CenterPoint
Energy's
Form 10-K
1-31447
10(ff)(1)
Disability
Income Plan
of for the
year ended
December
31, Arkla,
Inc.
effective
as 2002 of
August 1,
1983

SEC FILE OR
EXHIBIT
REGISTRATION
EXHIBIT
NUMBER
DESCRIPTION
REPORT OR
REGISTRATION
STATEMENT
NUMBER
REFERENCE ---
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*10(ee)(2) --
Executive
Disability
CenterPoint
Energy's Form
10-K 1-31447
10(ff)(2)
Income
Agreement
effective for
the year
ended
December 31,
July 1, 1984
between 2002
Arkla, Inc.
and T. Milton
Honea *10(ff)
-- Non-
Qualified
Unfunded
CenterPoint
Energy's Form
10-K 1-31447
10(gg)
Executive
Supplemental
for the year
ended
December 31,
Income
Retirement
Plan of 2002
Arkla, Inc.
effective as
of August 1,
1983 *10(gg)
(1) --
Deferred
Compensation
Plan
CenterPoint
Energy's Form
10-K 1-31447
10(hh)(1) for
Directors of
Arkla, for
the year
ended
December 31,
Inc.
effective as
of 2002
November 10,
1988 *10(gg)
(2) -- First
Amendment to
Exhibit
CenterPoint
Energy's Form
10-K 1-31447
10(hh)(2)
10(hh)(1)
effective as
of for the
year ended
December 31,
August 6,
1997 2002
10(hh) --
Pledge
Agreement
dated as
CenterPoint
Energy's Form
10-Q 1-31447
10.1 of May
28, 2003 by

Utility for
the quarter
ended June
30, Holding,
LLC in favor
of 2003 JP
Morgan Chase
Bank, as
administrative
agent *10(ii)
--
CenterPoint
Energy
CenterPoint
Energy's Form
10-Q 1-31447
10.2 Deferred
Compensation
for the
quarter ended
June 30,
Plan, as
amended and
2003 restated
effective
January 1,
2003 *10(jj)
(1) --
CenterPoint
Energy Short
CenterPoint
Energy's Form
10-Q 1-31447
10.3 Term
Incentive
Plan, as for
the quarter
ended
September
amended and
restated 30,
2003
effective
January 1,
2003 *10(jj)
(2) --
Summary of
2005 goals
for
CenterPoint
Energy's Form
8-K 1-31447
10.1 Exhibit
10(jj)(1)
dated
February 21,
2005 *10(kk)
--
CenterPoint
Energy Stock
CenterPoint
Energy's Form
10-K 1-31447
10(ll) Plan
for Outside
for the year
ended
December 31,
Directors, as
amended and
2003 restated
effective May
7, 2003
+10(ll) --
Summary of
non-employee
director
compensation
+10(mm) --
Summary of
named
executive
officer
compensation
+12 --
Computation
of Ratios of
Earnings to
Fixed Charges
+21 --
Subsidiaries
of
CenterPoint
Energy +23 --
Consent of
Deloitte &
Touche LLP
+31.1 -- Rule

13a-14(a)/15d-14(a) Certification of David M. McClanahan	159

SEC FILE OR EXHIBIT REGISTRATION EXHIBIT NUMBER DESCRIPTION REPORT OR REGISTRATION STATEMENT NUMBER REFERENCE -- ----- ------ ----- ------ ------------ ------------ -- --------- --- -------- - +31.2 -- Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock +32.1 -- Section 1350 Certification of David M. McClanahan +32.2 -- Section 1350 Certification of Gary L. Whitlock

EXHIBIT 4(P)(1)

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CREDIT AGREEMENT

among

TEXAS GENCO HOLDINGS, INC.,

TEXAS GENCO GP, LLC,

TEXAS GENCO LP, LLC,
TEXAS GENCO, LP,

VARIOUS LENDERS,

DEUTSCHE BANK AG NEW YORK BRANCH,
as Administrative Agent and Collateral Agent,

and

CITIBANK, N.A., as Syndication Agent

Dated as of February 3, 2005

$75,000,000

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TABLE OF CONTENTS

CREDIT AGREEMENT, dated as of February 3, 2005, among TEXAS GENCO HOLDINGS, INC., a Texas corporation (the "Parent"), TEXAS GENCO GP, LLC, a Texas limited liability company ("Genco GP"), TEXAS GENCO LP, LLC, a Delaware limited liability company ("Genco LP"), TEXAS GENCO, LP, a Texas limited partnership (the "Borrower"), the Lenders from time to time party hereto, DEUTSCHE BANK AG NEW YORK BRANCH, as Administrative Agent and Collateral Agent and CITIBANK, N.A., as Syndication Agent. Unless otherwise defined herein, all capitalized terms used herein and defined in Section 11 are used herein as so defined.

WITNESSETH:

WHEREAS, subject to the terms and conditions set forth herein, the Lenders are willing to make available to the Borrower the credit facility provided herein;

NOW, THEREFORE, IT IS AGREED:

SECTION 1. Amount and Terms of Credit

1.01 The Commitments. Subject to and upon the terms and conditions set forth herein, each Lender severally agrees, to make a term loan or term loans (each, a "Loan" and, collectively, the "Loans") to the Borrower, which Loans (i) shall be denominated in Dollars, (ii) shall, at the option of the Borrower, be incurred and maintained as, and/or converted into, Base Rate Loans or Eurodollar Loans, provided that except as otherwise specifically provided in Section 1.10(b), all Loans comprising the same Borrowing shall at all times be of the same Type, (iii) shall not exceed for any Lender, in initial principal amount, that amount which equals the Commitment of such Lender at such time, (iv) shall not exceed for all Lenders, in initial principal amount, that amount which, equals the Total Commitment at such time and (v) shall be made pursuant to up to two drawings, with (x) the first such drawing to be made on the Effective Date and (y) the second such drawing to be made, at the option of the Borrower, at any time after the Effective Date, but prior to the Commitment Termination Date. Once repaid, Loans incurred hereunder may not be reborrowed.

1.02 Minimum Amount of Each Borrowing. The aggregate principal amount of each Borrowing of Loans shall be not less than the Minimum Borrowing Amount. More than one Borrowing may occur on the same date, but at no time shall there be outstanding more than five Borrowings of Eurodollar Loans.

1.03 Notice of Borrowing. (a) Whenever the Borrower desires to incur Loans hereunder, a Responsible Officer of the Borrower shall give the Administrative Agent at the Notice Office, written notice (or telephonic notice promptly confirmed in writing) on the date of each Borrowing of Base Rate Loans and at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of each Eurodollar Loan to be made hereunder, provided that any such notice shall be deemed to have been given on a certain day only if given before 11:00 A.M. (New York City time) on such day. Each such written notice or written confirmation of telephonic notice (each a "Notice of Borrowing"), except as otherwise expressly provided in Section 1.10, shall be irrevocable and shall be given by a Responsible Officer of the Borrower in the form of Exhibit A-1, appropriately completed to specify the aggregate principal amount of the Loans to be made pursuant to such Borrowing, the date of such Borrowing (which shall be a Business Day) and whether the Loans being made pursuant to such Borrowing are to be initially maintained as Base Rate Loans or Eurodollar Loans and, if Eurodollar Loans, the initial Interest Period to be applicable thereto. The Administrative Agent shall promptly give each Lender notice of such proposed Borrowing, of such Lender's proportionate share thereof and of the other matters required by the immediately preceding sentence to be specified in the Notice of Borrowing.

(b) Without in any way limiting the obligation of the Borrower to confirm in writing any telephonic notice of any Borrowing, conversion or prepayment of Loans, the Administrative Agent may act without liability upon the basis of telephonic notice of such Borrowing, conversion or prepayment, believed by the Administrative Agent in good faith to be from a Responsible Officer of the Borrower prior to receipt of written confirmation. In each such case, the Borrower hereby waives the right to dispute the Administrative Agent's record of the terms of such telephonic notice of such Borrowing, conversion or prepayment.

1.04 Disbursement of Funds. Except as otherwise specifically provided in the immediately succeeding sentence, no later than 12:00 Noon (New York City time) on the date specified in each Notice of Borrowing, each Lender will make available its to the Administrative Agent such Lender's Percentage of each Borrowing to be made on such date. All such amounts shall be made available in Dollars and in immediately available funds at the Payment Office, and the Administrative Agent will make available to the Borrower at the Payment Office the aggregate of the amounts so made available by the Lenders. Unless the Administrative Agent shall have been notified by any Lender prior to the date of Borrowing that such Lender does not intend to make available to the Administrative Agent such Lender's portion of any Borrowing to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower to immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover on demand from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower until the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (i) if recovered from such Lender, the overnight Federal Funds Rate for the first three days and at the interest rate otherwise applicable to such Loans for each day thereafter and (ii) if recovered from the Borrower, the rate of interest applicable to the respective Borrowing, as determined pursuant to Section 1.08. Nothing in this Section 1.04 shall be deemed to relieve any Lender from its obligation to make Loans hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any failure by such Lender to make Loans hereunder.

1.05 Notes. (a) Subject to the provisions of Section 1.05(d), the Borrower's obligation to pay the principal of, and interest on, the Loans made by each Lender shall be evidenced in the Register maintained by the Administrative Agent pursuant to Section 13.16 and shall, if requested by such Lender, also be evidenced by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit B, with blanks appropriately completed in conformity herewith (each a "Note" and, collectively, the "Notes").

(b) Each Note issued to a Lender shall (i) be executed by the Borrower, (ii) be payable to such Lender or its registered assigns and be dated the Effective Date (or if issued thereafter, the date of issuance), (iii) be in a stated principal amount equal to the Commitment of such Lender as in effect on the Effective Date immediately prior to the making of any Loans by such Lender (or, if issued after the termination thereof, be in a stated principal amount equal to the outstanding Loans of such Lender at such time) and be payable in the principal amount of the Loans evidenced thereby, (iv) mature on the Maturity Date, (v) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (vi) be subject to voluntary prepayment as provided in Section 4.01 and mandatory repayment as provided in Section 4.02 and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) Each Lender will note on its internal records the amount of each Loan made by it and each payment in respect thereof and will prior to any transfer of any of its Notes endorse on the reverse side thereof the outstanding principal amount of Loans evidenced thereby. Failure to make any such notation or any error in any such notation or endorsement shall not affect the Borrower's obligations in respect of such Loans.

(d) Notwithstanding anything to the contrary contained above or elsewhere in this Agreement, Notes shall only be delivered to Lenders which at any time (or from time to time) specifically request the delivery of such Notes. No failure of any Lender to request or obtain, produce or maintain a Note evidencing its Loans to the Borrower shall affect or in any manner impair the obligations of the Borrower to pay the Loans (and all related Obligations) which would otherwise be evidenced thereby in accordance with the requirements of this Agreement, and shall not in any way affect (i) the guaranties therefor provided pursuant to the Guaranty or any Credit Document or (ii) the security interests therefor granted pursuant to any Security Document or any other Credit Document. Any Lender which does not have a Note evidencing its outstanding Loans shall in no event be required to make the notations otherwise described in preceding clause (c) of this Section 1.05. At any time when any Lender requests the delivery of a Note to evidence any of its Loans, the Borrower shall promptly execute and deliver to the respective Lender the requested Note or Notes in the appropriate amount or amounts to evidence such Loans.

1.06 Conversions. The Borrower shall have the option to convert, on any Business Day, all or a portion equal to at least the Minimum Borrowing Amount of the outstanding principal amount of Loans made pursuant to one or more Borrowings of one or more Types of Loans into a Borrowing of another Type of Loan, provided that (i) except as otherwise provided in Section 1.10(b), Eurodollar Loans may be converted into Base Rate Loans only on the last day of an Interest Period applicable thereto and no partial conversion of Eurodollar Loans shall reduce the outstanding principal amount of such Eurodollar Loans made pursuant to a single Borrowing to less than the Minimum Borrowing Amount applicable thereto, (ii) unless the Required Lenders otherwise agree, Base Rate Loans may only be converted into Eurodollar

Loans if no Default or Event of Default is in existence on the date of the conversion, and (iii) no conversion pursuant to this Section 1.06 shall result in a greater number of Borrowings of Eurodollar Loans than is permitted under Section 1.02. Each such conversion shall be effected by the Borrower by giving the Administrative Agent at the Notice Office prior to 12:00 Noon (New York City time) at least three Business Days' prior notice (each a "Notice of Conversion/Continuation") in the form of Exhibit A-2, appropriately completed to specify the Loans to be so converted, the Borrowing or Borrowings pursuant to which such Loans were made and, if to be converted into Eurodollar Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall give each Lender prompt notice of any such proposed conversion.

1.07 Pro Rata Borrowings. Each Borrowing of Loans under this Agreement shall be incurred from the Lenders pro rata on the basis of their Commitments. It is understood that no Lender shall be responsible for any default by any other Lender of its obligation to make Loans hereunder and that each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to make its Loans hereunder.

1.08 Interest. (a) The Borrower agrees to pay interest in respect of the unpaid principal amount of each Base Rate Loan from the date the proceeds thereof are made available to the Borrower until the earlier of (i) the maturity (whether by acceleration or otherwise) of such Base Rate Loan or (ii) the conversion of such Base Rate Loan to a Eurodollar Loan pursuant to Section 1.06, at a rate per annum which shall be equal to the sum of the Applicable Margin plus the Base Rate in effect from time to time.

(b) The Borrower agrees to pay interest in respect of the unpaid principal amount of each Eurodollar Loan from the date the proceeds thereof are made available to the Borrower until the earlier of (i) the maturity (whether by acceleration or otherwise) of such Eurodollar Loan or (ii) the conversion of such Eurodollar Loan to a Base Rate Loan pursuant to Section 1.06, 1.09 or 1.10, as applicable, at a rate per annum which shall, during each Interest Period applicable thereto, be equal to the sum of the Applicable Margin plus the Eurodollar Rate for such Interest Period.

(c) Overdue principal and to the extent permitted by law, overdue interest and any other amounts payable hereunder or under any other Credit Document shall, in each case bear interest at a rate per annum equal to the greater of (x) the rate which is 2% in excess of the rate then borne by such Loans and (y) the rate which is 2% in excess of the rate otherwise applicable to Base Rate Loans from time to time, and all other overdue amounts payable hereunder and under any other Credit Document shall bear interest at a rate per annum equal to the rate which is 2% in excess of the rate applicable to Base Rate Loans from time to time. Interest which accrues under this Section 1.08(c) shall be payable by the Borrower on demand.

(d) Accrued (and theretofore unpaid) interest shall be payable (i) in respect of each Base Rate Loan (x) quarterly in arrears on each Quarterly Payment Date, (y) in the case of a repayment in full of all outstanding Base Rate Loans, on the date of such repayment or prepayment, and (z) at maturity (whether by acceleration or otherwise) or such earlier date upon which the Total Commitment is terminated and, after such date, on demand, and (ii) in respect of each Eurodollar Loan (x) on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three month intervals after the first day of such Interest Period and (y) on any repayment or prepayment (on the amount repaid or prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(e) Upon each Interest Determination Date, the Administrative Agent shall determine the Eurodollar Rate for the respective Interest Period or Interest Periods and shall promptly notify the Borrower and the Lenders thereof. Each such determination shall, absent manifest error, be final and conclusive and binding on all parties hereto.

1.09 Interest Periods. At the time the Borrower gives any Notice of Borrowing or Notice of Conversion/Continuation in respect of the making of, or conversion into, any Eurodollar Loan (in the case of the initial Interest Period applicable thereto) or on the third Business Day prior to the expiration of an Interest Period applicable to such Eurodollar Loan (in the case of any subsequent Interest Period), the Borrower shall have the right to elect, by having a Responsible Officer of the Borrower give the Administrative Agent notice thereof (including, without limitation, in any Notice of Borrowing made in connection with a Eurodollar Loan), the interest period (each an "Interest Period") applicable to such Eurodollar Loan, which Interest Period shall, at the option of the Borrower, be a one or two-month period (or, such other Interest Period, as agreed upon by all Lenders in their sole discretion), provided that:

(i) all Eurodollar Loans comprising a Borrowing shall at all times have the same Interest Period;

(ii) the initial Interest Period for any Eurodollar Loan shall commence on the date of Borrowing of such Eurodollar Loan (including the date of any conversion thereto from a Loan of a different Type) and each Interest Period occurring thereafter in respect of such Eurodollar Loan shall commence on the day on which the next preceding Interest Period applicable thereto expires;

(iii) if any Interest Period relating to a Eurodollar Loan begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iv) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, however, that if any Interest Period for a Eurodollar Loan would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(v) unless the Required Lenders otherwise agree, no Interest Period may be selected at any time when a Default or an Event of Default is then in existence; and

(vi) no Interest Period in respect of any Borrowing of Eurodollar Loans shall be selected which extends beyond the Maturity Date.

If upon the expiration of any Interest Period applicable to a Borrowing of Eurodollar Loans, the Borrower has failed to elect, or is not permitted to elect, a new Interest

Period to be applicable to such Eurodollar Loans as provided above, the Borrower shall be deemed to have elected to convert such Eurodollar Loans into Base Rate Loans effective as of the expiration date of such current Interest Period.

1.10 Increased Costs, Illegality, etc. (a) In the event that any Lender shall have determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto but, with respect to clause (i) below, may be made only by the Administrative Agent):

(i) on any Interest Determination Date that, by reason of any changes arising after the Effective Date affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar Loan because of any change since the Effective Date in any applicable law or governmental rule, regulation, order, guideline or request (whether or not having the force of law) or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order, guideline or request, such as, for example, but not limited to: (A) a change in the basis of taxation of payment to any Lender of the principal of or interest on the Loans or the Notes or any other amounts payable hereunder (except for changes in the rate of tax on, or determined by reference to, the net income or net profits of such Lender pursuant to the laws of the jurisdiction in which it is organized or in which its principal office or applicable lending office is located or any subdivision thereof or therein), or (B) a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Eurodollar Rate; or

(iii) at any time, that the making or continuance of any Eurodollar Loan has been made (x) unlawful by any law or governmental rule, regulation or order, (y) impossible by compliance by any Lender in good faith with any governmental request (whether or not having force of law) or (z) impracticable as a result of a contingency occurring after the Effective Date which materially and adversely affects the interbank Eurodollar market;

then, and in any such event, such Lender (or the Administrative Agent, in the case of clause (i) above) shall promptly give notice (by telephone confirmed in writing) to the Borrower and, except in the case of clause (i) above, to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice by the Administrative Agent no longer exist, and any Notice of Borrowing or Notice of Conversion/Continuation given by the Borrower with respect to Eurodollar Loans which have not yet been incurred (including by way of conversion) shall be deemed rescinded by the Borrower, (y) in the case of clause (ii) above, the Borrower agrees to pay to such Lender, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its sole discretion shall determine) as shall be required to compensate such Lender for such increased costs or reductions in amounts received or receivable hereunder (a written notice as to the additional amounts owed to such Lender, showing the basis for the calculation thereof, submitted to the Borrower by such Lender in good faith shall, absent manifest error, be final and conclusive and binding on all the parties hereto) and (z) in the case of clause (iii) above, the Borrower shall take one of the actions specified in Section 1.10(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Eurodollar Loan is affected by the circumstances described in Section 1.10(a)(ii) or (iii), the Borrower may (and in the case of a Eurodollar Loan affected by the circumstances described in Section 1.10(a)(iii) shall) either (x) if the affected Eurodollar Loan is then being made initially or pursuant to a conversion, cancel the respective Borrowing by giving the Administrative Agent telephonic notice (confirmed in writing) on the same date that the Borrower was notified by the affected Lender or the Administrative Agent pursuant to Section 1.10(a)(ii) or (iii) or (y) if the affected Eurodollar Loan is then outstanding, upon at least three Business Days' written notice to the Administrative Agent, require the affected Lender to convert such Eurodollar Loan into a Base Rate Loan, provided that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 1.10(b).

(c) If at any time after the Effective Date any Lender determines that the introduction of or any change in any applicable law or governmental rule, regulation, order, guideline, directive or request (whether or not having the force of law) concerning capital adequacy, or any change in interpretation or administration thereof by any governmental authority, central bank or comparable agency, will have the effect of increasing the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender based on the existence of such Lender's Commitment hereunder or its obligations hereunder, then the Borrower agrees to pay to such Lender, upon its written demand therefor, such additional amounts as shall be required to compensate such Lender or such other corporation for the increased cost to such Lender or such other corporation or the reduction in the rate of return to such Lender or such other corporation as a result of such increase of capital. In determining such additional amounts, each Lender will act reasonably and in good faith and will use averaging and attribution methods which are reasonable, provided that such Lender's determination of compensation owing under this Section 1.10(c) shall, absent manifest error, be final and conclusive and binding on all the parties hereto. Each Lender, upon determining that any additional amounts will be payable pursuant to this Section 1.10(c), will give written notice thereof to the Borrower, which notice shall show the basis for calculation of such additional amounts.

(d) The provisions contained in this Section 1.10 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that in no event shall the Borrower be obligated to reimburse or compensate any Lender for amounts contemplated by this Section 1.10 for any period prior to the date that is 90 days prior to the date upon which such Lender requests in writing such reimbursement or compensation from the Borrower. This Section 1.10(d) shall have no applicability to any other Section of this Agreement.

1.11 Compensation. The Borrower agrees to compensate each Lender, upon its written request (which request shall set forth the basis for requesting such compensation), for all reasonable losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Eurodollar Loans but excluding any loss of anticipated profit) which such Lender may sustain: (i) if for any reason (other than a default by such Lender) a Borrowing of, or conversion from or into, Eurodollar Loans does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation (whether or not withdrawn by the Borrower or deemed withdrawn pursuant to Section 1.10(a)); (ii) if any repayment (including any repayment made pursuant to Section 4.02 or as a result of an acceleration of the Loans pursuant to Section 10) or conversion of any of its Eurodollar Loans occurs on a date which is not the last day of an Interest Period with respect thereto; (iii) if any prepayment of any of its Eurodollar Loans is not made on any date specified in a notice of prepayment given by the Borrower; or (iv) as a consequence of (x) any other default by the Borrower to repay its Loans when required by the terms of this Agreement or any Note held by such Lender or (y) any election made pursuant to Section 1.10(b). The provisions contained in this Section 1.11 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that in no event shall the Borrower be obligated to reimburse or compensate any Lender for amounts contemplated by this Section 1.11 for any period prior to the date that is 90 days prior to the date upon which such Lender requests in writing such reimbursement or compensation from the Borrower, provided, further, that this sentence shall have no applicability to any other Section of this Agreement

1.12 Change of Lending Office. Each Lender agrees that upon the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), Section 1.10(c) or Section 4.04 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, provided that such designation is made on such terms that such Lender and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 1.12 shall affect or postpone any of the obligations of the Borrower or the rights of any Lender provided in Sections 1.10 and 4.04.

SECTION 2. [Reserved].

SECTION 3. Commitment Commission; Fees; Reductions of Commitment.

3.01 Fees (a) The Borrower agrees to pay to the Administrative Agent for distribution to each Non-Defaulting Lender a commitment commission (the "Commitment Commission") for the period from the Effective Date to but excluding the Commitment Termination Date (or such earlier date as the Total Commitment shall have been terminated), computed at a rate per annum equal to 0.50% on the Unutilized Commitment of each such Non-Defaulting Lender as in effect from time to time. Accrued Commitment Commission shall be due and payable quarterly in arrears on each Quarterly Payment Date and on the Commitment Termination Date or such earlier date upon which the Total Commitment is terminated and after such date, upon demand.

(b) The Borrower agrees to pay to the Administrative Agent, for its own account, such other fees as have been agreed to in writing by the Borrower and the Administrative Agent.

3.02 Optional Commitment Reductions. Upon three Business Days' prior notice from a Responsible Officer of the Borrower to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), the Borrower shall have the right, at any time or from time to time, without premium or penalty, to terminate the Total Unutilized Commitment in whole or reduce it in part, pursuant to this Section 3.02, in an integral multiple of $5,000,000, provided that each such reduction shall apply proportionately to permanently reduce the Commitment of each Lender.

3.03 Mandatory Reduction of Commitments. (a) The Total Commitment (and the Commitment of each Lender) shall terminate in its entirety on February 11, 2005 unless this Agreement has been executed and delivered by all of the parties hereto and the Effective Date has occurred.

(b) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, the Total Commitment (and the Commitment of each Lender) shall (i) be reduced on each date on which Loans are incurred (after giving effect to the making of Loans on such date) in an amount equal to the aggregate principal amount of such Loans incurred on such date and (ii) terminate in its entirety (to the extent not theretofore terminated) on the Commitment Termination Date (after giving effect to any incurrence of Loans (if any) on such date).

(c) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, the Total Commitment (and the Commitment of each Lender) shall terminate in its entirety (to the extent not theretofore terminated) upon a Change of Control.

SECTION 4. Prepayments; Payments; Taxes.

4.01 Voluntary Prepayments. The Borrower shall have the right to prepay the Loans, without premium or penalty, in whole or in part at any time and from time to time on the following terms and conditions: (i) a Responsible Officer of the Borrower shall give the Administrative Agent prior to 12:00 Noon (New York City time) at the Notice Office (x) at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) of the Borrower's intent to prepay Base Rate Loans and (y) at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of their intent to prepay Eurodollar Loans, the amount of such prepayment and the Types of Loans to be prepaid and, in the case of Eurodollar Loans, the specific Borrowing or Borrowings pursuant to which made, which notice the Administrative Agent shall promptly transmit to each of the Lenders; (ii) each prepayment shall be in an aggregate principal amount of at least $1,000,000, provided that if any partial prepayment of Eurodollar Loans made pursuant to any Borrowing shall reduce the outstanding Eurodollar Loans made pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto, then such Borrowing may not be continued as a Borrowing of Eurodollar Loans and any election of an Interest Period with respect thereto given by the Borrower shall have no force or effect; and (iii) each prepayment in respect of any Loans made pursuant to a Borrowing shall be applied pro rata among such Loans, provided that at the Borrowers' election in connection with any prepayment of Loans pursuant to this Section 4.01(a), such prepayment shall not, so long as no Default or Event of Default then exists, be applied to the prepayment of Loans of a Defaulting Lender.

4.02 Mandatory Repayments. (a) In addition to any other mandatory repayments required pursuant to this Section 4.02, all then outstanding Loans shall be repaid in full on the Maturity Date.

(b) In addition to any other mandatory repayments required pursuant to this Section 4.02, all then outstanding Loans shall be repaid in full upon a Change of Control.

(c) In addition to any other mandatory repayments required pursuant to this Section 4.02, to the extent that the Borrower or any Guarantor receive any proceeds from the STP Acquisition, such proceeds shall be immediately applied to the repayment of the Loans.

4.03 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement or any Note shall be made to the Administrative Agent for the account of the Lender or Lenders entitled thereto not later than 12:00 Noon (New York City time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Office. Any payments received by the Administrative Agent after such time shall be deemed to have been received on the next Business Day. Whenever any payment to be made hereunder or under any Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension.

4.04 Net Payments. (a) All payments made by the Borrower hereunder or under any Note will be made without setoff, counterclaim or other defense. Except as provided in Section 4.04(b), all such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, except as provided in the second succeeding sentence, any tax imposed on or measured by the net income or net profits of a Lender pursuant to the laws of the jurisdiction in which it is organized or the jurisdiction in which the principal office or applicable lending office of such Lender is located or any subdivision thereof or therein) and all interest, penalties or similar liabilities with respect thereto (all such non-excluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as "Taxes"). If any Taxes are so levied or imposed, the Borrower agrees to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Note. If any amounts are payable in respect of Taxes pursuant to the preceding sentence, the Borrower agrees to reimburse each Lender, upon the written request of such Lender, for taxes imposed on or measured by the net income or net profits of such Lender pursuant to the laws of the jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such Lender is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which such

Lender is organized or in which the principal office or applicable lending office of such Lender is located and for any withholding or similar taxes as such Lender shall determine are payable by, or withheld from, such Lender but only in respect of such amounts so paid to or on behalf of such Lender pursuant to the preceding sentence and in respect of any amounts paid to or on behalf of such Lender pursuant to this sentence. The Borrower will furnish to the Administrative Agent within 45 days after the date the payment or other documentary proof providing evidence of such payment that is satisfactory to the Administrative Agent of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by the Borrower. The Borrower agrees to indemnify and hold harmless each Lender, and reimburse such Lender upon its written request, for the amount of any Taxes so levied or imposed and paid by such Lender.

(b) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Internal Revenue Code) agrees to deliver to the Borrower and the Administrative Agent on or prior to the Effective Date, or in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 13.04 (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), on the date of such assignment or transfer to such Lender, (i) two accurate and complete original signed copies of Internal Revenue Service Form W-8ECI or Form W-8BEN (with respect to a complete exemption under an income tax treaty) (or successor forms) certifying to such Lender's entitlement to a complete exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Note, or (ii) if the Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code and cannot deliver either Internal Revenue Service Form W-8ECI or Form W-8BEN (with respect to a complete exemption under an income tax treaty) pursuant to clause (i) above, (x) a certificate substantially in the form of Exhibit C (any such certificate, a "Section 4.04(b)(ii) Certificate") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN (with respect to the portfolio interest exemption) (or successor form) certifying to such Lender's entitlement to a complete exemption from United States withholding tax with respect to payments of interest to be made under this Agreement and under any Note. In addition, each Lender agrees that from time to time after the Effective Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete original signed copies of Internal Revenue Service Form W-8ECI, Form W-8BEN (with respect to the benefits of any income tax treaty), or Form W-8BEN (with respect to the portfolio interest exemption) and a Section 4.04(b)(ii) Certificate, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any Note, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or Certificate, in which case such Lender shall not be required to deliver any such Form or Certificate pursuant to this Section 4.04(b). Notwithstanding anything to the contrary contained in Section 4.04(a), but subject to Section 13.04(b) and the immediately succeeding sentence, (x) the Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Internal Revenue Code) for U.S. Federal income tax purposes to the extent that such Lender has not provided to the Borrower U.S. Internal Revenue Service Forms that establish a complete exemption from such deduction or withholding and (y) the Borrower shall not be obligated pursuant to Section 4.04(a) hereof to gross-up payments to be made to a Lender, or to indemnify, hold harmless or reimburse such Lender, in respect of income or similar taxes imposed by the United States if (I) such Lender has not provided to the Borrower the Internal Revenue Service Forms required to be provided to the Borrower pursuant to this Section 4.04(b) or (II) in the case of a payment, other than interest, to a Lender described in clause (ii) above, to the extent that such forms do not establish a complete exemption from withholding of such taxes. Notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this Section 4.04 and except as set forth in Section 13.04(b), the Borrower agrees to pay additional amounts and to indemnify each Lender in the manner set forth in Section 4.04(a) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes after the Effective Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of income or similar Taxes (except for changes in the rate of tax on, or determined by reference to, the net income or net profits of such Lender pursuant to the laws of the jurisdiction in which it is organized or in which its principal office or applicable lending office is located or any subdivision thereof or therein provided that this parenthetical exception shall not apply for purposes of applying the fourth sentence of Section 4.04(a)).

SECTION 5. Conditions Precedent to the Effective Date. The occurrence of the Effective Date pursuant to Section 13.10 is subject to the satisfaction of the following conditions:

5.01 Execution of Agreement; Notes. On or prior to the Effective Date (i) this Agreement shall have been executed and delivered as provided in Section 13.10 and (ii) there shall have been delivered to each Lender that has requested same, the appropriate Note executed by the Borrower, in each case in the amount, maturity and as otherwise provided herein.

5.02 Officer's Certificate. On the Effective Date, the Agents shall have received a certificate, dated the Effective Date, and signed on behalf of the Borrower by a Responsible Officer, stating that all conditions in Sections 5.05, 5.07 and 6.02 have been satisfied on such date.

5.03 Opinions of Counsel. The Agents shall have received legal opinions addressed to each Agent and the Lenders from (i) Baker Botts L.L.P. (New York counsel to the Credit Parties) and (ii) the Deputy General Counsel of the Parent, in each case covering matters, reasonably acceptable to the Agents including, without limitation, (x) a no-conflicts opinion (A) given by Baker Botts L.L.P. as to (1) the Indebtedness of any Credit Party which will remain outstanding as of the Effective Date (if any) and (2) the CNP Credit Agreement and the Transaction Agreement and (B) given by the Deputy General Counsel of CenterPoint Energy as to any other material contracts of CenterPoint Energy and any material contracts of Parent or its subsidiaries, (y) an opinion given by Baker Botts L.L.P. covering creation and perfection of the security interests granted under the Security Documents and (z) and such other matters incident to the transactions contemplated hereby as the Administrative Agent may reasonably request.

5.04 Corporate Documents; Proceedings; etc. (a) On the Effective Date, the Administrative Agent shall have received from each Credit Party, a certificate, dated the Effective Date, signed by a Responsible Officer of such Credit Party, and attested to by the Secretary or Assistant Secretary of such Credit Party, in the form of Exhibit E with appropriate insertions, together with copies of (i) the certificate of incorporation and by-laws (or equivalent organizational documents), (ii) long-form good standing certificates (or equivalent thereof) of such Credit Party and (iii) the resolutions of such Credit Party referred to in such certificate, and the foregoing shall be in form and substance reasonably acceptable to the Administrative Agent.

(b) All corporate, partnership, limited liability company and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be reasonably satisfactory in form and substance to the Administrative Agent, and the Administrative Agent shall have received all information and copies of all documents and papers, including governmental approvals, good standing certificates and bring-down telegrams, if any, which the Administrative Agent reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or governmental authorities.

5.05 Security Documents. (a) On the Effective Date, the Borrower shall have duly authorized, executed and delivered the Pledge Agreement in the form of Exhibit F (as modified, supplemented or amended from time to time, the "Pledge Agreement") and, to the extent contemplated by the Pledge Agreement, shall have delivered to the Collateral Agent, as pledgee thereunder, the Collateral, and the Pledge Agreement shall be in full force and effect.

(b) On the Effective Date, (i) the Borrower, DBAG as an Existing LC Issuer and the Collateral Agent shall have duly authorized, executed and delivered a letter agreement and (ii) the Borrower, Citibank, as an Existing LC Issuer and the Collateral Agent shall have duly authorized, executed and delivered a letter agreement, each in the form of Exhibit G (each as modified, supplemented or amended from time to time, an "Intercreditor Agreement" and collectively the "Intercreditor Agreements"), and the Intercreditor Agreements shall be in full force and effect.

(c) On or prior to the Effective Date, the Credit Parties shall have delivered to the Collateral Agent:

(i) proper Financing Statements (Form UCC-1 or the appropriate equivalent) fully executed for filing under the UCC of each jurisdiction as may be necessary or, in the opinion of the Collateral Agent, desirable to perfect the security interests purported to be created by the Security Documents;

(ii) certified copies of Requests for Information or Copies (Form UCC-11), or equivalent reports, listing all effective Financing Statements that name the Parent or any of its Subsidiaries, in each case as debtor and that are filed in the jurisdictions referred to in clause (i) above, together with copies of such other Financing Statements filed in any other jurisdiction that name the Parent or any of its Subsidiaries as debtor (none of which shall cover the Collateral except to the extent evidencing Permitted Liens);

(iii) evidence of the completion of all other recordings and filings of, or with respect to, the Security Documents as may be necessary or, in the reasonable opinion of the Collateral Agent, desirable to effectively to perfect the security interests purported to be created by the Security Documents; and

(iv) evidence that all other actions necessary or, in the reasonable opinion of the Collateral Agent, desirable to perfect and protect the security interests purported to be created by the Security Documents have been taken;

5.06 Guaranties. On the Effective Date, each Guarantor shall have duly authorized, executed and delivered a counterpart to this Agreement and the Guaranty shall be in full force and effect.

5.07 Adverse Change; Governmental and Third Party Approvals; etc. (a) Since December 31, 2003, nothing shall have occurred (and neither the Agents nor any Lender shall have become aware of any facts or conditions not previously known) which any Agent or the Required Lenders shall determine could reasonably be expected to have a Material Adverse Effect.

(b) On or prior to the Effective Date, all necessary governmental (domestic and foreign) and third party approvals and/or consents in connection with the transactions contemplated by the Credit Documents and otherwise referred to herein shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which in the reasonable judgment of the Agents or the Required Lenders restrains, prevents or imposes materially adverse conditions upon the consummation of the transactions contemplated by the Credit Documents. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the making of any Loan or the consummation of the transactions contemplated by the Credit Documents.

(c) On the Effective Date, no consents or approvals shall be required to be obtained by CenterPoint Energy or any of its Affiliates or any Credit Party or any of their Affiliates from (i) the lenders under CenterPoint Energy's senior credit agreement, dated as of October 7, 2003 and agented by JPMorgan Chase (as in effect on the Effective Date, the "CNP Credit Agreement") or (ii) the Buyer or any of its Affiliates, in each case, in connection with the entering into of (1) this Agreement (and the incurrence of Loans hereunder), (2) any Security Document (and the granting of Liens thereunder) or (3) any of the other Credit Document or any other documents referred to therein or herein (and any transaction contemplated hereby or thereby).

5.08 Litigation. On the Effective Date, no litigation by any entity (private or governmental) shall be pending or threatened with respect to this Agreement, any other Credit Document or any other documentation executed in connection herewith and therewith or the transactions contemplated hereby and thereby, or which the Agents or the Required Lenders shall determine has had, or could reasonably be expected to have, a Material Adverse Effect.

5.09 Financial Statements; Projections. On or prior to the Effective Date, there shall have been delivered to the Administrative Agent and each Lender (i) true and correct copies of the historical and pro forma financial statements referred to in Section 7.05(a) and (ii) projected consolidated statements of income and cash flow of the Parent and its Subsidiaries for the period through December 31, 2005 (the "Projections"), which Projections and historical and pro forma financial statements shall (x) in the case of the Projections, reflect the forecasted financial condition and results of operations of the Parent and its Subsidiaries after giving effect to the transactions contemplated by the Credit Documents and the Transaction Agreement and (y) in each case, be in form and substance reasonably satisfactory to the Agents.

5.10 Fees, etc. On the Effective Date, all costs, fees and expenses (including, without limitation, the reasonable legal fees and expenses of White & Case LLP) payable to the Agents and the Lenders shall have been paid to the extent due.

5.11 Insurance. On or prior to the Effective Date, the Administrative Agent shall have received evidence of insurance maintained by the Parent and its Subsidiaries with responsible and reputable insurance companies or associations in such amounts, subject to customary self-insurance, and covering such risks as is customarily carried by companies engaged in the electric generation industry with similar assets in similar areas which the Parent and such Subsidiaries operate.

SECTION 6. Conditions Precedent to All Credit Events. The obligation of each Lender to make Loans (including Loans made on the Effective Date) is subject, at the time of each such Credit Event, to the satisfaction of the following conditions:

6.01 Effective Date. The Effective Date shall have occurred.

6.02 No Default; Representations and Warranties. At the time of each such Credit Event and also after giving effect thereto (i) there shall exist no Default or Event of Default and (ii) all representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on the date of such Credit Event (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

6.03 Notice of Borrowing. Prior to the making of each Loan, the Administrative Agent shall have received the notice required by Section 1.03(a).

The acceptance of the benefit of each Credit Event shall constitute a representation and warranty by the Borrower to the Agents and each of the Lenders that all the conditions specified (x) in the case of Credit Events occurring on the Effective Date, in Section 5 and (y) in the case of Credit Events occurring on or after the Effective Date, in this Section 6 and applicable to such Credit Event have been satisfied as of that time. All of the Notes, certificates, legal opinions and other documents and papers referred to in Section 5 and in this Section 6, unless otherwise specified, shall be delivered to the Administrative Agent at the Notice Office for the account of each of the

Lenders and, except for the Notes, in sufficient counterparts or copies for each of the Lenders and shall be in form and substance reasonably satisfactory to the Lenders.

SECTION 7. Representations, Warranties and Agreements. In order to induce the Lenders to enter into this Agreement and to make the Loans, as provided herein, each Credit Party makes the following representations, warranties and agreements, in each case after giving effect to the occurrence of the Effective Date, all of which shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans, with the occurrence of each Credit Event on or after the Effective Date being deemed to constitute a representation and warranty that the matters specified in this Section 7 are true and correct in all material respects on and as of the Effective Date and on the date of each such Credit Event (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

7.01 Corporate Status. Each Credit Party and each of its Subsidiaries (i) is a duly organized and validly existing corporation, limited partnership or limited liability company, as the case may be, in good standing under the laws of the jurisdiction of its organization, (ii) has the corporate, limited partnership or limited liability company power and authority, as the case may be, to own its property and assets and to transact the business in which it is engaged and presently proposes to engage and (iii) is duly qualified as a foreign corporation, limited partnership or limited liability company, as the case may be, and is authorized to do business and is in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualifications, except, in the case of preceding clause (iii), in those jurisdictions where the failure to be so qualified could not reasonably be expected to, either individually or in the aggregate, have a Material Adverse Effect.

7.02 Corporate Power and Authority. Each Credit Party has the corporate, limited partnership or limited liability company power and authority, as the case may be, to execute, deliver and carry out the terms and provisions of each of the Credit Documents to which it is party and has taken all necessary corporate, limited partnership or limited liability company action, as the case may be, to authorize the execution, delivery and performance by it of each Credit Document to which it is a party. Each Credit Party has duly executed and delivered each Credit Document to which it is party and each such Credit Document constitutes the legal, valid and binding obligation of such Credit Party enforceable against such Credit Party in accordance with its terms, except to the extent that the enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by equity principles (regardless of whether enforcement is sought in equity or at law).

7.03 No Violation. Neither the execution, delivery or performance by any Credit Party of any Credit Document to which it is a party, nor compliance by it with any of the terms and provisions thereof, (i) will contravene any provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (except pursuant to the Security Documents) upon (x) any property or asset of such Credit Party or any of its Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement, loan agreement or any other material agreement, contract or instrument to which such Credit Party or any of its Subsidiaries is a party or by which it or any of their respective property or assets are bound or to which it may be subject or (y) under the CNP Credit Agreement or the Transaction Agreement or (iii) will violate any provision of the articles of incorporation or by-laws (or equivalent organizational documents) of such Credit Party or any of its Subsidiaries.

7.04 Governmental Approvals. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained or made and are listed in Schedule III attached hereto, if any, and except for any filings of financing statements, mortgages and other documents required by the Security Documents, all of which have been made), or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with, (i) the execution, delivery and performance of any Credit Document or (ii) the legality, validity, binding effect or enforceability of any such Credit Document.

7.05 Financial Statements; Financial Condition. (a) The audited statements of Consolidated financial condition of the Parent and its Subsidiaries for the fiscal year ending December 31, 2003 and the related Consolidated statements of income and cash flows of the Parent and its Subsidiaries for such fiscal year ended on such date (which have been certified by nationally recognized independent certified public accountants satisfactory to the Agents and previously delivered to each Lender) fairly present, in all material respects, the Consolidated financial condition of the Parent and its Subsidiaries as at such date and the Consolidated results of the operations of the Parent and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles consistently applied, except for the inclusion of detailed footnotes and subject to year-end audit adjustments. The unaudited pro forma balance sheets as of September 30, 2004 and the related income statements of the Parent and its Subsidiaries on a Consolidated basis for the nine month periods ended September 30, 2003 and September 30, 2004, in each case, prepared by management of the Parent (and previously delivered to each Lender) on the basis of the historical audited balance sheets and income statements of the Parent and its Subsidiaries for the nine-month periods ending September 30, 2003 and September 30, 2004, in each case, as though the transactions contemplated by the Transaction Agreement (other than the STP Acquisition) had been completed immediately prior to the beginning of such periods have been prepared in a manner reasonably satisfactory to the Agents and fairly present, in all material respects, the Consolidated financial condition of the Parent and its Subsidiaries as at such dates and contain all pro forma adjustments necessary in order to fairly reflect such assumptions; provided, however, that such unaudited pro forma financial statements do not purport to present the actual results of operations of the Parent and its Subsidiaries on a Consolidated basis as if the transaction contemplated by the Transaction Agreement had occurred at the beginning of each period, as applicable, nor are they necessarily indicative of the financial position or results of operations of the Parent and its Subsidiaries on a Consolidated basis that may be achieved in the future.

(b) Since December 31, 2003, there has been no Material Adverse Change.

7.06 Litigation. There is no pending or threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting any Credit Party or any of its Subsidiaries before any court, agency of any Governmental Authority, or arbitrator that (i) could reasonably be expected to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of this Agreement or any other Credit Document or the consummation of the transactions contemplated hereby.

7.07 True and Complete Disclosure. All written information heretofore furnished by or on behalf of any Credit Party to the Administrative Agent or any Lender for purposes of or in connection with this Agreement, any Credit Document or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by or on behalf of any Credit Party to the Administrative Agent or any Lender will be, true and accurate in all material respects on the date as of which such information is stated in the light of the circumstances under which such information was provided (as modified or supplemented by other information so furnished, when taken together as a whole as of the date so stated); provided, that, with respect to the Projections, such Credit Party represents only that such information was prepared in good faith based on assumptions believed to be reasonable at the time, it being recognized by the Lenders that such Projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. Each Credit Party has disclosed to the Administrative Agent any and all facts specific to such Credit Party and its Subsidiaries and known as of the Effective Date to a Responsible Officer of such Credit Party that could reasonably be expected to result in a Material Adverse Effect or which could reasonably be expected to result in a Material Adverse Change.

7.08 Use of Proceeds; Margin Regulations. (a) The proceeds of the Loans shall be used by the Borrower (x) on the Effective Date to (i) to pay fees and expenses incurred in connection with this Agreement and the other Credit Documents and (ii) to repay amounts owing as of the Effective Date to CenterPoint Energy pursuant to the Tax Allocation Agreement (as defined in the Transaction Agreement) in accordance with Section 6.6(m) of the Transaction Agreement in an aggregate amount no less than $59,000,000 and (y) at any time after the Effective Date, to fund the Borrower's working capital requirements to meet operating cash needs in accordance with Section 6.1(1)(iii) of the Disclosure Letter (including, without limitation, to fund the Borrower's payment of amounts that become owing to CenterPoint Energy pursuant to the Tax Allocation Agreement at any time after the Effective Date). Except as provided in clause (x)(ii) or (y) above, no proceeds of any Loans shall be used to directly or indirectly pay any Dividends to, or make any Investments in, CenterPoint Energy or any of its Affiliates.

(b) No Credit Party is engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Loan will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

7.09 Tax Returns and Payments. Each of Parent and each of its Subsidiaries has timely filed or caused to be timely filed with the appropriate taxing authority all federal and state income tax returns and all other material tax returns, statements, forms and reports for taxes, domestic and foreign (the "Returns") required to be filed by, or with respect to the income, properties or operations of, Parent and/or any of its Subsidiaries, except to the extent failure to make such filings could not reasonably be expected to have a Material Adverse Effect. The Returns accurately reflect in all material respects all liability for taxes of Parent and its

Subsidiaries for the periods covered thereby. Each of Parent and each of its Subsidiaries has paid all taxes and assessments payable, other than those that are being contested in good faith and adequately disclosed and fully provided for on the financial statements of Parent and its Subsidiaries in accordance with GAAP, except to the extent failure to make such payment could not reasonably be expected to have a Material Adverse Effect. There is no material action, suit, proceeding, investigation, audit or claim now pending or, to the best knowledge of Parent or any of its Subsidiaries, threatened by any authority regarding any taxes relating to Parent or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect. Neither Parent nor any of its Subsidiaries has entered into an agreement or waiver or been requested to enter into an agreement or waiver extending any statute of limitations relating to the payment or collection of taxes of Parent or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect.

7.10 Compliance with ERISA. Each Credit Party and each of its Subsidiaries are in compliance with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder), and have obtained and are in compliance with, all Environmental Permits required for the operation of the Borrower's business except for any non-compliance that could not reasonably be expected to have a Material Adverse Effect. No ERISA Event has occurred which could reasonably be expected to have a Material Adverse Effect. No Plan has an Unfunded Current Liability which, when added to the aggregate amount of Unfunded Current Liabilities with respect to all other Plans, could reasonably be expected to have a Material Adverse Effect.

7.11 Solvency. On the Effective Date and after giving effect to the Loans incurred thereon, the transactions and financings contemplated hereby and by each of the other Credit Documents, (i) the Borrower on a stand alone basis and (ii) each of the Parent and its Subsidiaries taken as a whole is, in each case Solvent.

7.12 Security Documents. The security interests created in favor of the Collateral Agent (or its delegees, as the case may be) for the benefit of the Lenders under each Security Document constitute perfected security interests in the Collateral covered by such Security Documents subject to no Lien of any other Person; provided that it is understood and agreed that the Existing Collateral (as defined in the Security Documents) are subject to the Liens of the Existing LC Issuers. No consents, filings or recordings are required in order to perfect, and/or maintain the perfection and priority of, the security interests purported to be created by any Security Document.

7.13 Compliance with Statutes, etc. The Borrower and each of its Subsidiaries is in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of their business and the ownership of their property, except such noncompliances as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

7.14 Investment Company Act. No Credit Party nor any Subsidiary of any Credit Party is an "investment company" as defined in, or otherwise subject to regulation under, the Investment Company Act of 1940, as amended. Neither the execution, delivery or performance by any Credit Party of any Credit Document to which it is a party, nor compliance by it with any of the terms and provisions thereof will violate any regulation under the Public Utility Holding Company Act of 1935, as amended or any order or approval issued in connection therewith.

7.15 Environmental Matters. There are no facts, circumstances or conditions relating to the past or present business or operations of each Credit Party or any of its Subsidiaries or any of their predecessors (including the disposal of any wastes, hazardous substances or other materials), or to any Real Property at any time owned, leased or operated by any of them, that could reasonably be expected (i) to give rise to any Environmental Action which could reasonably be expected to have a Material Adverse Effect, or (ii) to subject any Real Property owned, leased or operated by each Credit Party or any of its Subsidiaries to any restrictions on the ownership, lease, occupancy, use or transfer of such Real Property under any Environmental Law which could reasonably be expected to have a Material Affect Effect.

7.16 Existing Indebtedness. On the Effective Date (after giving effect to the use of proceeds from the Loans made on such date), the Parent and its Subsidiaries shall have no (x) outstanding Indebtedness (including, without limitation, intercompany Indebtedness) or (y) preferred equity, in each case, except as set forth on Schedule IV hereto.

7.17 Subsidiaries. As of the Initial Borrowing Date, the Credit Parties have no Subsidiaries other than those Subsidiaries listed on Schedule V. Schedule V correctly sets forth, as of the Effective Date, the percentage ownership (direct or indirect) of each Credit Party in each class of capital stock or other equity of its Subsidiaries and also identifies the direct owner thereof.

SECTION 8. Affirmative Covenants. Each Credit Party hereby covenants and agrees that on and after the Effective Date and until the Total Commitment has terminated and the Loans and Notes (in each case together with interest thereon), Fees and all other Obligations (other than indemnities described in Section 13.13 which are not then due and payable) incurred hereunder and thereunder, are paid in full:

8.01 Information Covenants. The Parent and the Borrower shall furnish to each Lender:

(a) as soon as practicable and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Parent, unaudited Consolidated balance sheets of the Parent and its Subsidiaries, prepared in conformity with GAAP consistently applied, as of the end of such quarter and Consolidated statements of income and cash flows of the Parent and its Subsidiaries, prepared in conformity with GAAP consistently applied, for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified by a Responsible Officer of the Parent as having been prepared in accordance with GAAP and certificates of a Responsible Officer of the Parent as to compliance with the terms of this Agreement;

(b) as soon as practicable and in any event within 120 days after the end of each fiscal year of the Parent commencing 2005, unaudited Consolidated balance sheets of the Parent and its Subsidiaries as of the end of such fiscal year and unaudited Consolidated statements of income and cash flows of the Parent and its Subsidiaries for such fiscal year, in each case prepared in conformity with GAAP consistently applied;

(c) without duplication of any other certificate described in Section 8.01(a), with each set of statements to be delivered pursuant to Section 8.01(a) and (b) above, a certificate in a form reasonably satisfactory to the Administrative Agent, signed by a Responsible Officer of the Parent certifying that no Default or Event of Default has occurred and is continuing or, if there is any Default or Event of Default, describing it and the steps, if any, being taken to cure it;

(d) as soon as practicable and in any event, within five Business Days after a Responsible Officer of the Borrower becomes aware of the occurrence of each Default or Event of Default continuing on the date of such statement, a statement of a Responsible Officer of the Borrower setting forth details of such Default or Event of Default and the action that the Borrower has taken and proposes to take with respect thereto;

(e) [Reserved];

(f) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Section 7.06;

(g) within five Business Days after any officer of a Credit Party or any of its Subsidiaries obtains knowledge thereof, notice of any of the following environmental matters, to the extent such matters individually or in the aggregate could reasonably be expected to have a Material Adverse Effect: (i) any claim against any Credit Party or any of its Subsidiaries, or any Real Property owned, leased or occupied by any Credit Party or any of its Subsidiaries, under any Environmental Law; (ii) any condition or occurrence that results in noncompliance by any Credit Party or any of its Subsidiaries with Environmental Law or that could reasonably be expected to form the basis of any Environmental Action against, or to any liability on the part of any Credit Party or any of its Subsidiaries under any Environmental Law; and (iii) any condition or occurrence that could reasonably be expected to cause any Real Property owned, leased or occupied by any Credit Party or any of its Subsidiaries to be subject to any restrictions on the ownership, lease, occupancy, use or transfer of such Real Property under any Environmental Law; such notices shall describe in reasonable detail the nature of the claim, threatened claim, notice of potential liability, condition or occurrence and the Credit Party's or such Subsidiary's response thereto;

(h) with reasonable promptness, upon the Borrower or any ERISA Affiliate becoming aware of (A) the occurrence of any ERISA Event that could, individually or in the aggregate, be reasonably expected to result in a liability in excess of $50,000,000 to any Credit Party or any ERISA Affiliate or that could reasonably be expected to have a Material Adverse Effect, or (B) a Plan that has an Unfunded Current Liability which, when added to the aggregate amount of Unfunded Current Liabilities with respect to all other Plans could reasonably be expected to have a Material Adverse Effect, a written notice specifying the nature thereof, what action the Credit Party or any ERISA Affiliate has taken, is taking or proposes to take with respect thereto and, when known, any action taken or threatened by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto;

(i) with reasonable promptness, copies of (a) all written notices received by the Borrower or any ERISA Affiliate from a Multiemployer Plan sponsor concerning an ERISA Event that could reasonably be expected to result in a liability in excess of $50,000,000 or that could reasonably be expected to have a Material Adverse Effect; and (b) such other documents or governmental reports or filings relating to any Plan or Multiemployer Plan as the Lenders shall reasonably request;

(j) [Reserved]; and

(k) such other information respecting the Parent or any of its Subsidiaries as any Lender through the Administrative Agent may from time to time reasonably request.

Information required to be delivered pursuant to this Section 8.01 shall be deemed to have been delivered on the date on which each Agent receives such Information or notice (which notice the Administrative Agent shall convey promptly to the Lenders) that such information has been posted on the Securities and Exchange Commission website on the internet at sec.gov/edgar/searches.htm or at another website identified in such notice and accessible by the Lenders without charge; provided that such notice may be included in a certificate delivered pursuant to Section 8.01(c).

8.02 Keeping of Books. Each Credit Party shall keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of such Credit Party and each such Subsidiary in accordance with GAAP.

8.03 Maintenance of Insurance. Each Credit Party shall, and shall cause each of its respective Subsidiaries to, maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties; provided, however, that any Credit Party or its Subsidiaries may self-insure to the extent consistent with prudent business practice.

8.04 Preservation of Existence, Etc. Each Credit Party shall preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its existence, rights (charter and statutory) and franchises, except (other than in the case of the Borrower) to the extent such failure could not reasonably be expected to have a Material Adverse Effect.

8.05 Maintenance of Properties, Etc. Each Credit Party shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted; provided, however, the foregoing shall not prohibit the Borrower from (i) mothballing any of its generating units from time to time in its reasonable commercial judgment if mothballing such units could not reasonably be expected to have a Material Adverse Effect or (ii) failing to preserve or maintain any such properties, the preservation and maintenance of which in the good faith judgment of the Borrower is inadvisable or unnecessary to the business of the Borrower or its Subsidiaries, taken as a whole and if the failure to so preserve or maintain could not reasonably be expected to result in a Material Adverse Effect; provided, further, however, that solely with respect to the South Texas Project, each Credit Party shall only be required to comply with the foregoing covenant to the extent such compliance is not prohibited or otherwise restricted by the terms of the STP Operating Agreement or the STP Participation Agreement.

8.06 Maintenance of Existing Business. Each Credit Party shall maintain and preserve, and cause each of its respective Subsidiaries to maintain and preserve, its fundamental business of being a company and/or an owner (directly or indirectly) and operator of power generation facilities; provided, however, the foregoing shall not prohibit the Borrower from mothballing any of its generating units from time to time in its reasonable commercial judgment, if the operation of such units in the good faith judgment of the Borrower is inadvisable or unnecessary to the business of the Borrower and its Subsidiaries, taken as a whole and if mothballing such units could not reasonably be expected to have a Material Adverse Effect; provided, further, however, that solely with respect to the South Texas Project, each Credit Party shall only be required to comply with the foregoing covenant to the extent such compliance is not prohibited or otherwise restricted by the terms of the STP Operating Agreement or the STP Participation Agreement.

8.07 Compliance with Statutes, Transaction Agreement etc.. (a) Each Credit Party shall comply, and cause each of its Subsidiaries to comply, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA, Environmental Laws and Environmental Permits, except to the extent the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Credit Party shall pay, or cause to be paid, all costs and expenses incurred in connection with such compliance, and shall keep or cause to be kept all Real Property free and clear of any Liens imposed under Environmental Laws, except to the extent failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) Each Credit Party shall comply, and cause each of its Subsidiaries to comply, with all terms and conditions contained in the Transaction Agreement and the Disclosure Letter, except to the extent the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

8.08 Visitation Rights. Each Credit Party shall, and shall cause each of its Subsidiaries to, at any reasonable time and from time to time, permit up to six representatives of the Lenders designated by the Required Lenders, or representatives of the Agents, on not less than five (5) Business Days' notice, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, such Credit Party and each Subsidiary of such Credit Party and to discuss the general business affairs of such Credit Party and each of its Subsidiaries with their respective officers and independent certified public accountants; subject, however, in all cases to the imposition of such reasonable conditions as such Credit Party and each of its Subsidiaries shall deem necessary based on reasonable considerations of safety and security; provided, however, that no Credit Party nor any of its Subsidiaries shall be required to disclose to any Agent, any Lender or any agents or representatives thereof any information which is the subject of attorney-client privilege or attorney work-product privilege properly asserted by the applicable Person to prevent the loss of such privilege in connection with such information or which is prevented from disclosure pursuant to a confidentiality agreement with third parties; provided, further, however, that solely with respect to the South Texas Project, each Credit Party shall only be required to comply with the foregoing covenant to the extent such compliance is not prohibited or otherwise restricted by the terms of the STP Operating Agreement or the STP Participation Agreement. Notwithstanding the foregoing, none of the conditions precedent to the exercise of the right of access described in the preceding sentence that relate to notice requirements or limitations on the Persons permitted to exercise such right shall apply at any time when a Default or an Event of Default shall have occurred.

8.09 Use of Proceeds. The Borrower shall use the proceeds of each Loan as provided in Section 7.08.

8.10 Payment of Taxes. Each Credit Party shall pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might become a Lien upon its property or unless the failure to pay could not reasonably be expected to result in a Material Adverse Effect; provided, however, that no Credit Party nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained in accordance with GAAP or unless the failure to pay could not reasonably be expected to result in a Material Adverse Effect.

8.11 Further Assurances. (a) Each of the Credit Parties shall, and shall cause each of its Subsidiaries to, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the collateral covered by any of the Security Documents as the Collateral Agent may reasonably require. Furthermore, the Credit Parties shall cause to be delivered to the Collateral Agent such opinions of counsel and other related documents as may be reasonably requested by the Administrative Agent to assure themselves that this Section 8.11 has been complied with.

(b) Each of the Credit Parties shall, and shall cause each of its Subsidiaries to, grant to the Collateral Agent for the benefit of the Lenders security interests and/or mortgages in such assets, properties and Real Property (including, without limitation, the assets, properties and Real Property constituting the South Texas Project) of the Borrower and the other Credit Parties as are not covered by the original Security Documents and as may be reasonably requested by the Administrative Agent or the Required Lenders (collectively, the "Additional Security Documents"). All such security interests and/or mortgages shall be granted pursuant to documentation reasonably satisfactory in form and substance to the Administrative Agent and the Required Lenders and shall constitute valid and enforceable perfected security interests and/or mortgage Liens superior to and prior to the rights of all third Persons and subject to no other Liens except for Permitted Liens and such other Liens as are reasonably acceptable to the Required Lenders. The Additional Security Documents (including, without limitation, any mortgage relating to the South Texas Project) or instruments related thereto shall have been duly recorded or filed in such manner and in such places as are required by all applicable law to establish, perfect, preserve and protect the Liens in favor of the Collateral Agent required to be granted pursuant to such Additional Security Documents and all taxes, fees and other charges payable in connection therewith shall have been paid in full by the Credit Parties.

(c) Each of the Credit Party agrees that each action required by clauses (a) through (b) of this Section 8.11 shall be completed as soon as possible, but in no event later than 60 days after such action is requested to be taken by the Administrative Agent or the Required Lenders.

8.12 Future Guarantors. Each of the Credit Parties shall and shall cause each of its Subsidiaries to promptly upon any Person becoming a direct or indirect Subsidiary of the Parent to become a guarantor under the Guaranty by executing an accession agreement in respect of this Agreement in form and substance reasonably satisfactory to the Administrative Agent, provided that (x) no such Subsidiary that is not a Domestic Subsidiary shall be required to become a guarantor under the Guaranty, unless such Subsidiary shall at such time guarantee any Indebtedness of the Parent or any Domestic Subsidiary and (y) STP Nuclear Operating Company shall not be required to become a guarantor under the Guaranty.

SECTION 9. Negative Covenants. Each Credit Party covenants and agrees that on and after the Effective Date and until the Total Commitment has terminated and the Loans, Notes (in each case together with interest thereon), Fees and all other Obligations (other than indemnities described in Section 13.13 which are not then due and payable) incurred hereunder and thereunder, are paid in full:

9.01 Liens. The Credit Parties shall not pledge, mortgage or hypothecate, or permit to exist, and shall not permit any Subsidiary to pledge, mortgage or hypothecate, or permit to exist, except in favor of the Borrower or any Wholly-Owned Subsidiary of the Parent, any Lien upon, any Property at any time owned by such Credit Party or a Subsidiary of such Credit Party; provided, however, that this restriction shall not apply to or prevent the creation or existence of any Permitted Lien.

9.02 Consolidation, Mergers or Disposal of Assets. The Credit Parties shall not, and shall not permit any Subsidiary to, (i) consolidate with, or merge into or amalgamate with or into, any other Person; (ii) liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); (iii) convey, sell, transfer, lease or otherwise dispose of all or any part of its assets (other than sales of inventory, materials and equipment in the ordinary course of business) to any Person, (iv) enter into any sale-leaseback transactions, or (v) purchase or otherwise acquire (in one or a series of related transactions) any part of the property or assets (other than purchases or other acquisitions of inventory, materials and equipment, in each case in the ordinary course of business) of any Person, or, in each case, permit any Subsidiary to do so; provided, however, that nothing contained in this Section 9.02 shall prohibit (A) the liquidation, winding up or dissolution of a Subsidiary of any Credit Party if all of the assets of such Subsidiary are conveyed, transferred or distributed to any other Credit Party; (B) the conveyance, sale, transfer, lease or other disposal of all or substantially all (or any lesser portion) of the assets of any Credit Party to any other Credit Party, (C) the sale of obsolete, uneconomic or worn-out equipment, materials or other assets (other than real property) in the ordinary course of business, (D) Investments to the extent permitted by Section 9.04, (E) the lease (where the such Credit Party or its Subsidiary is the lessee) or license (as licensee) real or personal property, in each case, in the ordinary course of business, (F) the granting of licenses, sublicenses or leases or subleases to other Persons not materially interfering with the conduct of the business of the Parent or any of its Subsidiaries, in each case, in the ordinary course of business or (G) the purchase of an increased interest in the South Texas Project in accordance with Section 6.1(2) of the Disclosure Letter; provided, further, however, that solely with respect to the South Texas Project, each Credit Party shall only be required to comply with the foregoing covenant to the extent such compliance is not prohibited or otherwise restricted by the terms of the STP Operating Agreement or the STP Participation Agreement.

9.03 Accounting Changes. The Credit Parties shall not make or permit, or permit any of its Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as required or permitted by GAAP.

9.04 Restrictions on Dividends, Intercompany Loans, or Investments. The Credit Parties shall not, and shall not permit any of their Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (a) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by the Borrower or any of its Subsidiaries, or pay any Indebtedness owed to the Borrower or any of its Subsidiaries, (b) make loans or advances to the Borrower or any of its Subsidiaries or (c) transfer any of its properties or assets to the Borrower or any of its Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (i) applicable law, (ii) this Agreement, (iii) the other Credit Documents, (iv) the Transaction Agreement and the Disclosure Letter, (v) customary provisions restricting subletting or assignment of any lease governing any leasehold interest of such Credit Party or any of its Subsidiaries, (vi) customary provisions restricting assignment of any licensing agreement (in which such Credit Party or any of its Subsidiaries is the licensee) or other contract entered into by the Borrower or any of its Subsidiaries in the ordinary course of business, (vii) customary provisions in partnership agreements, limited liability company organizational governance documents, joint venture agreements and other similar agreements that restrict the transfer of ownership interests in, or assets of, a partnership, limited liability company or joint venture that is a non-Wholly Owned Subsidiary of the Borrower, in each case, to the extent existing on the Effective Date and (viii) restrictions and conditions existing on the Effective Date any amendment or modification thereof (other than an amendment or modification expanding the scope of any such restriction or condition and any restrictions or conditions) that (x) replace restrictions or conditions existing on the date hereof and (y) are substantially similar to such existing restriction or condition; provided, that solely with respect to the South Texas Project, each Credit Party shall only be required to comply with the foregoing covenant to the extent such compliance is not prohibited or otherwise restricted by the terms of the STP Operating Agreement or the STP Participation Agreement.

9.05 Affiliate Transactions. The Credit Parties shall not, and shall not permit any Subsidiary of such Credit Party to, make, directly or indirectly, (i) any transfer, sale, lease or other disposition of any Property to any Affiliate of such Credit Party or any Subsidiary of such Credit Party or any purchase or acquisition of any Property from any such Affiliate; or (ii) any other arrangement or transaction directly or indirectly with or for the benefit of any such Affiliate (including without limitation, guaranties and assumptions of obligations of any such

Affiliate); provided, that (A) any Credit Party and their Subsidiaries may enter into any arrangement or other transaction with any such Affiliate if the monetary or business consideration arising therefrom would be substantially at least as advantageous to such Credit Party or such Subsidiary as the monetary or business consideration which would be obtained in a comparable arm's length transaction with a Person not an Affiliate of such Credit Party or any Subsidiary of such Credit Party and (B) the Credit Parties and their Subsidiaries may enter into those transactions expressly contemplated by Sections 6.1(5), (6) and (7) of the Disclosure Letter to the extent permitted under the Transaction Agreement.

9.06 Restricted Payments. The Credit Parties shall not, and shall not permit any Subsidiary of such Credit Party to, authorize, declare or pay any Dividends except: (i) any Subsidiary of a Credit Party may pay cash Dividends to such Credit Party or to any Wholly-Owned Subsidiary of such Credit Party (ii) any non-Wholly-Owned Subsidiary of a Credit Party may pay cash Dividends to its shareholders generally so long as such Credit Party and/or its respective Subsidiaries which own Equity Interests in the Subsidiary paying such Dividends receive at least their proportionate share thereof (based upon their relative holdings of the Equity Interests in the Subsidiary paying such Dividends and taking into account the relative preferences, if any, of the various classes of Equity Interests of such Subsidiary) and (iii) the Credit Parties may pay Dividends to CenterPoint Energy and its Subsidiaries solely to the extent necessary to effect the payments described in clause (x) (ii) or (y) of Section 7.08.

9.07 Use of Proceeds; Regulation U. The Borrower shall not directly or indirectly use the proceeds of any Borrowing (i) to purchase or carry, within the meaning of Regulation U, any Margin Stock, (ii) to participate in any tender offer for the securities of any Person, unless such tender offer has been approved by the board of directors, general partners or other governing body of such Person or (iii) for any purpose that would violate or result in a violation of any law or regulation. No Credit Party shall, nor shall permit any of its Subsidiaries to engage principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying, within the meaning of Regulation U, any Margin Stock. No proceeds of any Loan shall be used (i) except as provided in clause (x)(ii) of Section 7.08, to pay any Dividend regardless of whether such Dividend is permitted pursuant to Section 9.06 or elsewhere in this Agreement or (ii) in contravention of Section 6.1(1)(iii) of the Disclosure Letter or Section 7.08 of this Agreement.

9.08 Indebtedness. The Credit Parties shall not, and shall not permit any Subsidiary of such Credit Party to, contract, create, incur, assume or suffer to exist any Indebtedness, except: (i) Indebtedness incurred pursuant to this Agreement and the other Credit Documents, (ii) existing Indebtedness outstanding on the Effective Date (as reduced by any repayments of principal thereof or reductions in the stated amount thereto with respect to letters of credit) to the extent set forth on Schedule IV, without giving effect to any subsequent extension, renewal or refinancing thereto, (iii) intercompany Indebtedness among the Guarantors to the extent permitted by Section 9.09, (iv) Indebtedness of the Borrower under hedging agreements providing protection to the Borrower against fluctuations in commodity prices in connection with the Borrower's operations so long as the entering into of such hedging agreements are bona fide hedging activities and are not for speculative purposes and (v) Indebtedness under the Existing Letters of Credit.

9.09 Advances, Investments and Loans. The Credit Parties shall not, and shall not permit any Subsidiary of such Credit Party to, directly or indirectly, lend money or extend credit or make advances to any Person, or purchase, acquire or hold any Equity Interests, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person, or purchase or own a futures contract or otherwise become liable for the purchase or sale of currency or other commodities at a future date in the nature of a futures contract, or hold any cash or Cash Equivalents (each of the foregoing an "Investment" and, collectively, "Investments"), except that the following shall be permitted: (i) the Borrower and its Subsidiaries may acquire and hold accounts receivables owing to any of them, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms of the Borrower or such Subsidiary, (ii) the Borrower and its Subsidiaries may acquire and hold cash and Cash Equivalents; (iii) the Credit Parties and their Subsidiaries may hold the Investments held by them on the Effective Date and described on Schedule VI, provided that any additional Investments made with respect thereto shall be permitted only if independently justified under the other provisions of this Section 9.09; (iv) the Credit Parties and their Subsidiaries may make loans and advances to their officers, employees and sales representatives for moving, relocation and travel expenses and other similar expenditures, in each case in the ordinary course of business in an aggregate amount not to exceed $1,000,000 at any time (determined without regard to any write-downs or write-offs of such loans and advances); (v) the Borrower and the Guarantors may make intercompany loans and advances between or among one another, (vi) the Borrower and its Subsidiaries may enter into hedging agreements to the extent permitted by Section 9.08(iv) and (vii) the Credit Parties may own the Equity Interests of their respective Subsidiaries existing on the Effective Date.

9.10 Modifications to the Transaction Agreement and STP Documents. The Credit Parties shall not, and shall not permit, any modification or amendment to the Transaction Agreement or any STP Document which could reasonably be expected to (x) have a material adverse effect on the ability of any Credit Party to perform its obligations under this Agreement or any other Credit Document to which it is a party or (y) impair the rights of the Collateral Agent or the Lenders in the Collateral or the perfection or priority of the security interests granted or purported to be granted therein pursuant to the Security Documents.

9.11 Business. (a) The Borrower shall not engage in any business other than the business engaged in by the Borrower as of the Effective Date and reasonable extensions thereof.

(b) Notwithstanding the foregoing or anything else in this Agreement to the contrary, the Guarantors will not engage in any business or own any significant assets or have any material liabilities other than (i) their ownership of the Equity Interests of their respective Subsidiaries existing on the Effective Date and activities reasonably attendant thereto; provided that the Equity Interests of such Subsidiaries shall be pledged to the Collateral Agent pursuant to the Pledge Agreement, (ii) those liabilities for which they are responsible under this Agreement and the other Credit Documents to which they are a party and (iii) the performance of their obligations, and the incurrence or sufferance of any related liabilities under contracts or agreements in existence on the Effective Date (including, without limitation, the Transaction Agreement and their obligations in respect of the Existing Letters of Credit), provided that the Guarantors may engage in those activities that relate or are incidental to (x) the maintenance of their existence in compliance with applicable law and (y) legal, tax and accounting matters in connection with any of the foregoing activities.

SECTION 10. Events of Default. Upon the occurrence of any of the following specified events (each an "Event of Default"):

10.01 Payments. The Borrower shall fail (i) to pay any principal of any Loan or Note when the same becomes due and payable; or the Borrower shall fail to pay any interest on any Loan or Note or (ii) make any other payment of fees or other amounts payable under this Agreement or any Note within five Business Days after the same becomes due and payable; or

10.02 Representations, etc. Any representation or warranty made by or on behalf of any Credit Party (or any of its officers) in this Agreement or any other Credit Document shall prove to have been incorrect in any material respect when made; or

10.03 Covenants. (i) any Credit Party shall fail to perform or observe any term, covenant or agreement contained in Sections 8.01(d), 8.04, 8.06, 8.07(b) or 8.08, Section 9 or Section 14, or (ii) any Credit Party shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any other Credit Document (except as provided in Section 10.10) on its part to be performed or observed if such failure shall not have been remedied within 30 days; or

10.04 Default Under Other Agreements. Any Credit Party or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Indebtedness for Borrowed Money that is outstanding in a principal amount of at least $5,000,000 individually or in the aggregate (but excluding Indebtedness outstanding hereunder) of such Credit Party or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Indebtedness shall be required to be made, in each case prior to the stated maturity thereof; or

10.05 Bankruptcy, etc. Any Credit Party or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against such Credit Party or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or any Credit Party or any of its Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts described in this Section 10.05; or

10.06 Judgments. Judgments or orders for the payment of money in excess of $5,000,000 individually or in the aggregate shall be rendered against any Credit Party or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

10.07 Non-Monetary Judgments. Any non-monetary judgment or order shall be rendered against any Credit Party or any of its Subsidiaries that could be reasonably expected to have a Material Adverse Effect, and there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

10.08 Change of Control. For any reason, (i) CenterPoint Energy fails to own, directly or indirectly, 100% of the economic interest in the Borrower or (ii) CenterPoint Energy fails to own, directly or indirectly, 100% of the outstanding shares of stock, Voting Stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of the general partner of the Borrower or (iii) the Parent fails to own, directly or indirectly, 100% of the economic interest in the Borrower or (iv) the Parent fails to own 100% of the outstanding shares of stock, Voting Stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of the general partner of the Borrower (each of the foregoing, a "Change of Control"); or

10.09 ERISA. Any Credit Party or any of its ERISA Affiliates shall incur, or could be reasonably expected to incur, any liability in excess of $50,000,000 individually or in the aggregate as a result of the occurrence of any ERISA Event, or a Plan has an Unfunded Current Liability which, when added to the aggregate amount of Unfunded Current Liabilities with respect to all other Plans, could reasonably be expected to have a Material Adverse Effect, in each case, if such liability or Unfunded Current Liability, as the case may be, is not discharged, satisfied or otherwise reduced below the respective threshold amounts described or set forth above in this Section 10.09 within 30 days from the date such liability or Unfunded Current Liability, as the case may be, exceeded such threshold amount; or

10.10 Security Documents. Any Security Document shall cease to be in full force and effect in all material respects, or shall cease to give the Collateral Agent (or its delegees, as the case may be) the Liens, rights, powers and privileges purported to be created thereby in favor of the Collateral Agent (or its delegees, as the case may be) or (b) any Credit Party shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any such Security Document and such default shall continue beyond any cure or grace period specifically applicable thereto pursuant to the terms of such Security Document; or

10.11 Guaranty. The Guaranty or any provision thereof shall cease to be in full force and effect in all material respects, or any Guarantor or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under any Guaranty;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent, upon the written request of the Required Lenders, shall by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of any Agent, any Lender or the holder of any Note to enforce its claims against any Credit Party (provided that, if an Event of Default specified in Section 10.05 shall occur with respect to the Borrower, the result of which would occur upon the giving of such written notice by the Administrative Agent to the Borrower as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Total Commitment terminated, whereupon the Commitment of each Lender shall forthwith terminate immediately and any Commitment Commission and other Fees shall forthwith become due and payable without any other notice of any kind; and (ii) declare the principal of and any accrued interest in respect of all Loans and the Notes and all Obligations owing hereunder and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protect or other notice of any kind, all of which are hereby waived by each Credit Party.

SECTION 11. Definitions and Accounting Terms.

11.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Additional Security Documents" shall have the meaning set forth in Section 8.11(b).

"Administrative Agent" shall mean DBAG, in its capacity as Administrative Agent for the Lenders hereunder, and shall include any successor to the Administrative Agent appointed pursuant to Section 12.09.

"Affiliate" of any Person shall mean any other Person that, directly or indirectly, Controls or is Controlled by or is under common Control with such first Person.

"Agents" shall mean and include (i) the Administrative Agent, (ii) the Collateral Agent and (iii) for the purposes of Sections 5, 12, 13.01, 13.12 and 13.15 only, the Syndication Agent.

"Agreement" shall mean this Credit Agreement, as modified, supplemented, amended, restated, extended, renewed or replaced from time to time.

"Applicable Margin" shall mean a percentage per annum equal to in the case of Loans (i) maintained as Base Rate Loans, 0.50%, and (B) maintained as Eurodollar Loans, 1.50%.

"Assignment and Assumption Agreement" shall mean the Assignment and Assumption Agreement substantially in the form of Exhibit H (appropriately completed).

"Bankruptcy Code" shall mean Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect or any successor thereto.

"Base Rate" shall mean the higher of (x) the Prime Lending Rate and (y) 1/2 of 1% in excess of the overnight Federal Funds Rate.

"Base Rate Loan" shall mean each Loan designated or deemed designated as such by the Borrower at the time of the incurrence thereof or conversion thereto.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrowed Money" of any Person shall mean any Indebtedness of such Person for or in respect of money borrowed or raised by whatever means (including acceptances, deposits and lease obligations under Capital Leases); provided, however, that Borrowed Money shall not include (a) any guarantees that may be incurred by endorsement of negotiable instruments for deposit or collection in the ordinary course of business or similar transactions, (b) any obligations or guarantees of performance of obligations under a franchise, performance bonds, franchise bonds, obligations to reimburse drawings under letters of credit issued in accordance with the terms of any safe harbor lease or franchise or in lieu of performance or in lieu of franchise bonds or other obligations that do not represent money borrowed or raised, which reimbursement obligations in each case shall be payable in full within ten (10) Business Days after the date upon which such obligation arises, (c) trade payables, (d) customer advance payments and deposits arising in the ordinary course of such Person's business, (e) operating leases and (f) obligations under swap agreements.

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"Borrowing" shall mean the incurrence of one Type of Loan by the Borrower from all of the Lenders on a pro rata basis on a given date (or resulting from conversions on a given date), having in the case of Eurodollar Loans the same Interest Period; provided that Base Rate Loans incurred pursuant to Section 1.10(b) shall be considered part of any related Borrowing of Eurodollar Loans.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day except Saturday, Sunday and any day which shall be in New York City a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business

Day described in clause (i) above and which is also a day for trading by and between banks in the New York interbank Eurodollar market.

"Buyer" shall mean Texas Genco LLC, a Delaware limited liability company and formerly GC Power Acquisition LLC.

"Capital Lease" shall mean a lease that, in accordance with GAAP, would be recorded as a capital lease on the balance sheet of the lessee.

"Cash Collateral Agreements" shall mean each of (i) the Cash Collateral Agreement, dated as of December 10, 2004, between the Borrower and DBAG, as same may be modified, supplemented or amended from time to time and (ii) the Cash Collateral Agreement, dated as of December 10, 2004, between the Borrower and Citibank, in each case, as same may be modified, supplemented or amended from time to time.

"Cash Equivalents" shall mean (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than one year from the date of acquisition, (ii) U.S. dollar denominated time deposits, certificates of deposit and bankers acceptances of (x) any Lender and (y) any bank which has, or whose parent company has, a short-term commercial paper rating from S&P of at least A-1 or the equivalent thereof or from Moody's of at least P-1 or the equivalent thereof (any such bank or Lender, an "Approved Lender"), in each case with maturities of not more than one year from the date of acquisition, (iii) commercial paper issued by any Approved Lender or by the parent company of any Approved Lender and commercial paper issued by, or guaranteed by, any company with a short-term commercial paper rating of at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's, or guaranteed by any company with a long term unsecured debt rating of at least A or A2, or the equivalent of each thereof, from S&P or Moody's, as the case may be, and in each case maturing within six months after the date of acquisition, (iv) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's and (v) investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (i) through (iv) above.

"CenterPoint Energy" shall mean CenterPoint Energy, Inc., a Texas corporation.

"Change of Control" shall have the meaning provided in Section 10.08.

"Citibank" shall mean Citibank, N.A., in its individual capacity.

"CNP Credit Agreement" shall have the meaning provided in Section 5.07(c).

"Collateral" shall mean all "Collateral" as defined in the Pledge Agreement.

"Collateral Agent" shall mean Deutsche Bank AG New York Branch, in its capacity of collateral agent under the Credit Documents.

"Commitment" shall mean, for each Lender, the amount set forth opposite such Lender's name in Schedule I hereto directly below the column entitled "Commitment," as same may be (x) terminated pursuant to Sections 3.03 and/or 10 or (y) adjusted from time to time as a result of assignments to or from such Lender pursuant to Section 13.04(b).

"Commitment Commission" shall have the meaning provided in Section 3.01 (a).

"Commitment Termination Date" shall mean the earlier (x) the date occurring 90 days after the Effective Date and (y) the Maturity Date.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Controlled" shall mean, with respect to any Person, the ability of another Person (whether directly or indirectly and whether by the ownership of voting securities, contract or otherwise) to appoint and/or remove the majority of the members of the board of directors or other governing body of that Person (and "Control" and "Controls" shall be similarly construed).

"Credit Documents" shall mean this Agreement (including, without limitation, the Guaranty), the Notes, the Security Documents, and all other documents executed in connection herewith and therewith, including, without limitation, each Notice of Borrowing.

"Credit Event" shall mean the making of any Loan.

"Credit Party" shall mean the Borrower and each Guarantor.

"DBAG" shall mean Deutsche Bank AG New York Branch, in its individual capacity.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" shall mean any Lender with respect to which a Lender Default is in effect.

"Disclosure Letter" shall mean the disclosure letter, dated July 21, 2004, delivered by Parent to the Buyer in connection with the Transaction Agreement.

"Dividend" shall mean, with respect to any Person, that such Person has declared or paid a dividend, distribution or returned any equity capital to its stockholders, partners or members or authorized or made any other distribution, payment or delivery of property (other than common equity of such Person) or cash to its stockholders, partners or members as such, or redeemed, retired, purchased or otherwise acquired, directly or indirectly, for consideration any Equity Interests, or set aside any funds for any of the foregoing purposes, or shall have permitted any of its Subsidiaries to purchase or otherwise acquire for consideration any Equity Interests of such Person.

"Dollars" and the sign "$" shall each mean freely transferable lawful money of the United States.

"Domestic Subsidiary" shall mean each Subsidiary of the Parent that is incorporated or organized in the United States, any State or territory thereof or the District of Columbia or which is treated as a partnership by the Parent or any Domestic Subsidiary thereof or a disregarded entity pursuant to the provisions of Treasury Regulations Section 301.7701-3.

"Effective Date" shall have the meaning provided in Section 13.10.

"Eligible Transferee" shall mean and include a commercial bank, a financial institution, any fund that regularly invests in bank loans or other "accredited investor" (as defined in Regulation D of the Securities Act) but in any event excluding the Borrower and its Subsidiaries.

"Environmental Action" shall mean any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" shall mean any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, rule of common law, decree or judicial or agency interpretation, policy or guidance having the force of law relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" shall mean any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equity Interests" shall mean 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.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" shall mean any Person that for purposes of Title IV of ERISA is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" shall mean (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of

ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA or Section 412(n) of the Internal Revenue Code shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan; (i) using actuarial assumptions and computation methods consistent with Part 1 of subtitle E of Title IV of ERISA, the aggregate liabilities of the Borrower and its ERISA Affiliates to all Multiemployer Plans in the event of a complete withdrawal therefrom, as of the close of the most recent fiscal year of each such Multiemployer Plan ended prior to the date of the most recent Credit Event, exceed $50,000,000; (j) the partial or complete withdrawal of the Borrower or any of its ERISA Affiliates from a Multiemployer Plan; and (k) the reorganization or termination of a Multiemployer Plan.

"Eurodollar Loan" shall mean each Loan designated as such by the Borrower at the time of the incurrence thereof or conversion thereto.

"Eurodollar Rate" shall mean with respect to each Interest Period for a Eurodollar Loan, (i) the arithmetic average (rounded to the nearest 1/100 of 1%) of the offered quotation to first-class banks in the New York interbank Eurodollar market by DBAG for U.S. dollar deposits of amounts in same day funds comparable to the outstanding principal amount of the Eurodollar Loan of DBAG for which an interest rate is then being determined with maturities comparable to the Interest Period to be applicable to such Eurodollar Loan, determined as of 10:00 A.M. (New York City time) on the Interest Determination Date for such Interest Period divided (and rounded upward to the next whole multiple of 1/16 of 1%) by (ii) a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D).

"Event of Default" shall have the meaning provided in Section 10.

"Exchange Act" shall mean the Securities Exchange Act of 1933, as amended.

"Excess Funding Guarantor" shall have the meaning provided in Section 14.07(b).

"Excess Payment" shall have the meaning provided in Section 14.07(b).

"Existing LC Issuers" shall mean each of DBAG and Citibank in their respective capacities as letter of credit issuers in respect of the Existing Letter of Credits issued by them.

"Existing Letters of Credit" shall mean the letters of credit issued by (x) DBAG and (y) Citibank, in each case, in connection with the Borrower's acquisition of an increased ownership interest in the South Texas Project, each in an initial stated amount of $91,047,482.

"Federal Funds Rate" shall mean for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent.

"Fees" shall mean all amounts payable pursuant to or referred to in Section 3.01.

"GAAP" shall have the meaning specified in Section 11.02.

"Genco GP" shall have the meaning provided in the first paragraph of this Agreement.

"Genco LP" shall have the meaning provided in the first paragraph of this Agreement.

"Governmental Authority" shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee" shall mean, as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any principal of any Indebtedness for Borrowed Money (the "primary obligations") of any other third Person in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds for the purchase or payment of any such primary obligation or (iii) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof. The amount of any Guarantee of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith (and "guaranteed" and "guarantor" shall be construed accordingly).

"Guaranteed Creditors" shall mean and include each Agent and each Lender.

"Guaranteed Obligations" shall mean the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations, liabilities and indebtedness (including, without limitation, all principal, premium, interest (including, without limitation, all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of the Borrower or any Subsidiary thereof at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such proceeding), fees, costs and indemnities) of the Borrower to the Guaranteed Creditors, whether now existing or hereafter incurred under, arising out of, or in connection with, this Agreement and the other Credit Documents and the due performance and compliance by each Borrower with all of the terms, conditions and agreements contained in this Agreement and in the other Credit Documents.

"Guarantor" shall mean each of the Parent, Genco GP, Genco Services and Genco LP and any other Person required to become a guarantor under the Guaranty from time to time as contemplated by Section 8.12 of this Agreement.

"Guaranty" shall mean the guaranty of the Guarantors pursuant to Section 14 of this Agreement.

"Hazardous Materials" shall mean (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Highest Lawful Rate" shall mean, with respect to each Lender, the Administrative Agent and the Documentation Agent, the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received with respect to any Loan or on other amounts, if any, due to such Person pursuant to this Agreement or any other Credit Document under applicable law. "Applicable law" as used in this definition means, with respect to each Lender, the Administrative Agent and the Documentation Agent, that law in effect from time to time that permits the charging and collection by such Person of the highest permissible lawful, nonusurious rate of interest on the transactions herein contemplated under the laws of Texas.

"Indebtedness" shall mean, as to any Person, without duplication, (i) all indebtedness (including principal, interest, fees and charges) of such Person for borrowed money or for the deferred purchase price of property or services, (ii) the maximum amount available to be drawn under all letters of credit, bankers' acceptances and similar obligations issued for the account of such Person and all unpaid drawings in respect of such letters of credit, bankers' acceptances and similar obligations, (iii) all Indebtedness of the types described in clause (i), (ii), (iv), (v), (vi) or (vii) of this definition secured by any Lien on any property owned by such

Person, whether or not such Indebtedness has been assumed by such Person (provided that, if the Person has not assumed or otherwise become liable in respect of such Indebtedness, such Indebtedness shall be deemed to be in an amount equal to the lesser of the aggregate amount of such Indebtedness and the fair market value of the property to which such Lien relates as determined in good faith by such Person), (iv) the aggregate amount of all capitalized lease obligations of such Person, (v) all obligations of such Person to pay a specified purchase price for goods or services, whether or not delivered or accepted that are in the nature of take-or-pay and similar obligations, (vi) all Guarantees of such Person and (vii) all obligations under any interest rate protection agreement, any hedging agreement, any swap agreement or under any similar type of agreement respecting interest rate risk. Notwithstanding the foregoing, Indebtedness shall not include trade payables and accrued expenses incurred by any Person in accordance with customary practices and in the ordinary course of business of such Person.

"Intercreditor Agreement" shall have the meaning specified in Section 5.05(b).

"Interest Determination Date" shall mean, with respect to any Eurodollar Loan, the second Business Day prior to the commencement of any Interest Period relating to such Eurodollar Loan.

"Interest Period" shall have the meaning provided in Section 1.09.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Investment" shall have the meaning set forth in Section 9.09.

"Leaseholds" of any Person shall mean all of the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Lender" shall mean each financial institution listed on Schedule I, as well as any Person which becomes a "Lender" hereunder pursuant to Section 13.04(b).

"Lender Default" shall mean (i) the refusal (which has not been retracted) or the failure of a Lender to make available its pro rata portion of any Borrowing or (ii) a Lender having notified in writing the Borrower and/or the Administrative Agent that it does not intend to comply with its obligations under Section 1.01, in the case of either clause (i) or (ii) above as a result of the appointment of a receiver or conservator with respect to such Lender at the direction or request of any regulatory agency or authority.

"Lien" shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, charge, security interest, encumbrance or lien of any kind whatsoever (including any Capital Lease).

"Loan" shall have the meaning provided in Section 1.01(a).

"Margin Stock" shall mean any margin stock (as defined in Regulation U) and any margin security (as defined in Regulation T).

"Material Adverse Change" shall mean any material adverse change in the business, condition (financial or otherwise), operations, performance or properties of the Parent, the Borrower, the Parent and its Subsidiaries taken as a whole, or the Borrower and its Subsidiaries taken as a whole; provided that the consummation of the transactions contemplated by the Transaction Agreement shall not constitute a "Material Adverse Change" to the extent such transactions are consummated in accordance with, and subject to the terms and conditions of, the Transaction Agreement.

"Material Adverse Effect" shall mean a material adverse effect on the ability of any Credit Party to perform its obligations under this Agreement or any other Credit Document to which it is a party; provided that the consummation of the transactions contemplated by the Transaction Agreement shall not constitute a "Material Adverse Effect" to the extent such transactions are consummated in accordance with, and subject to the terms and conditions of, the Transaction Agreement.

"Maturity Date" shall mean the earlier of (x) date occurring 180 days after the Effective Date and (y) the STP Acquisition Date.

"Minimum Borrowing Amount" shall mean an amount equal to $5,000,000.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" shall mean a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of, or is contributed to (or to which there is an obligation to contribute of) by, the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained, or contributed to by, and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Non-Defaulting Lender" shall mean and include each Lender other than a Defaulting Lender.

"Note" shall have the meaning provided in Section 1.05(a).

"Notice of Borrowing" shall have the meaning provided in Section 1.03.

"Notice of Conversion/Continuation" shall have the meaning provided in Section 1.06.

"Notice Office" shall mean the office of the Administrative Agent located at 90 Hudson Street, Fifth Floor, Jersey City, New Jersey 07302, Attention: Peter Medina, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"Obligation" shall mean, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 10.05. Without limiting the generality of the foregoing, the Obligations of any Credit Party under each Credit Document to which it is a party include (a) the obligation to pay principal, interest, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by such Credit Party under any Credit Document and (b) the obligation of such Credit Party to reimburse any amount in respect of any of the foregoing that any Lender, in its sole discretion, may elect to pay or advance on behalf of such Credit Party.

"Parent" shall have the meaning provided in the first paragraph of this Agreement.

"Payment Office" shall mean the office of the Administrative Agent located at 90 Hudson Street, Fifth Floor, Jersey City, New Jersey 07302, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"PBGC" shall mean the Pension Benefit Guaranty Corporation (or any successor).

"Percentage" of any Lender at any time shall mean a fraction (expressed as a percentage) the numerator of which is the Commitment of such Lender at such time and the denominator of which is the Total Commitment at such time, provided that if the Percentage of any Lender is to be determined after the Total Commitment has been terminated, then the Percentages of the Lenders shall be determined immediately prior (and without giving effect) to such termination.

"Permitted Liens" shall mean:

(a) undetermined or inchoate Liens and charges incidental to construction, maintenance, development or operation;

(b) the Lien of taxes and assessments for the then current year, the Lien of taxes and assessments not at the time delinquent and the Lien of specified taxes and assessments which are delinquent but the validity of which is being contested at the time by the Parent or such Subsidiary of the Parent in good faith and by appropriate proceedings or for which its non-payment could not reasonably be expected to have a Material Adverse Effect;

(c) Liens in existence on the date hereof to the extent set forth on Schedule VII;

(d) the Lien reserved in leases for rent and for compliance with the terms of the lease in the case of leasehold estates;

(e) any obligations or duties, affecting the property of the Parent or such Subsidiary, to any municipality or public authority with respect to any franchise, grant, license, permit or similar arrangement;

(f) the Liens of any judgments or attachments in an aggregate amount not in excess of $30,000,000, or the Lien of any judgment or attachment the execution or enforcement of which has been stayed or which has been appealed and secured, if necessary, by the filing of an appeal bond;

(g) mechanics' or materialmen's Liens, any Liens or charges arising by reason of pledges or deposits to secure payment of workmen's compensation or other insurance, good faith deposits in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits to secure duties or public or statutory obligations, deposits to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or similar charges;

(h) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental regulation for any purpose at any time in connection with the financing of the acquisition or construction of property to be used in the business of the Parent or a Subsidiary or as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Parent or a Subsidiary to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(i) any Lien of or upon any office equipment, data processing equipment (including, without limitation, computer and computer peripheral equipment), or transportation equipment (including, without limitation, motor vehicles, tractors, trailers, marine vessels, barges, towboats, rolling stock and aircraft);

(j) Liens on cash collateral to secure obligations of the Parent and its Subsidiaries in respect of cash management arrangements with any Lender or Affiliate thereof;

(k) Liens on cash and short-term investments (i) deposited by the Borrower or any of its Subsidiaries in accounts with or on behalf of futures contract brokers or other counterparties or (ii) pledged by the Parent or any of its Subsidiaries, in the case of clause (i) or (ii) to secure its obligations with respect to contracts (including without limitation, physical delivery, option (whether cash or financial), exchange, swap and futures contracts) for the purchase or sale of any energy-related commodity or interest rate or currency rate management contracts; or

(l) Liens on the assets and property constituting the South Texas Project, existing on the date the South Texas Project becomes a Subsidiary of a Credit Party; provided that such Liens were not created in anticipation of the South Texas Project becoming a Subsidiary of such Credit Party.

"Person" shall mean an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" shall mean a Single Employer Plan or a Multiple Employer Plan.

"Pledge Agreement" shall have the meaning provided in Section 5.05(a).

"Prime Lending Rate" shall mean the rate which DBAG announces from time to time as its prime lending rate, the Prime Lending Rate to change when and as such prime lending rate changes. The Prime Lending Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. DBAG may make commercial loans or other loans at rates of interest at, above or below the Prime Lending Rate.

"Projections" shall have the meaning provided in Section 5.09.

"Property" shall mean any interest or right in any kind of property or asset, whether real, personal or mixed, owned or leased, tangible or intangible and whether now held or hereafter acquired.

"Pro Rata Share" shall have the meaning provided in Section 14.07(b).

"Quarterly Payment Date" shall mean the last Business Day of each March, June, September and December, occurring after the Effective Date.

"Real Property" of any Person shall mean all of the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Register" shall have the meaning provided in Section 13.16.

"Regulation D" shall mean Regulation D of the Board as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation T" and "Regulation U" shall mean Regulation T and U, respectively, of the Board, in each case, as from time to time in effect and any successor to all or a portion thereof.

"Required Lenders" shall mean Non-Defaulting Lenders, the sum of whose outstanding Commitments (or after the termination thereof, outstanding Loans) represent greater than 50% of the Total Commitment less the Commitments of all Defaulting Lenders (or after the termination thereof, the sum of the then total outstanding Loans of Non-Defaulting Lenders).

"Responsible Officer" shall mean, with respect to any Person, its chief financial officer, chief accounting officer, assistant treasurer, treasurer or comptroller of such Person or any other officer of such Person whose primary duties are similar to the duties of any of the previously listed officers of such Person.

"Returns" shall have the meaning provided in Section 7.09.

"S&P" shall mean Standard & Poor's Rating Services.

"SEC" shall have the meaning provided in Section 9.05.

"Section 4.04(b)(ii) Certificate" shall have the meaning provided in Section 4.04(b)(ii).

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Security Documents" shall mean the Pledge Agreement, each Cash Collateral Agreement, the Intercreditor Agreements, and each other collateral document or instrument entered into pursuant to Section 5.05 and after the execution and delivery thereof, each Additional Security Document, if any, in each case as and when delivered in accordance with this Agreement as same may be amended, modified or supplemented from time to time in accordance with the terms thereof and/or hereof.

"Single Employer Plan" shall mean a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of, or is contributed to (or to which there is an obligation to contribute of) by, the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates, or (b) was so maintained, or contributed to by, and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Solvent" shall mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"South Texas Project" shall mean the South Texas Project Nuclear Electric Generating Station.

"STP Acquisition" shall have the meaning provided in the Transaction Agreement.

"STP Acquisition Date" shall mean the earlier of (x) the date upon which the STP Acquisition is consummated and (y) the date upon which any material portion of the interests in the South Texas Project owned directly or indirectly by the Parent and/or any of its Subsidiaries is sold, transferred or otherwise disposed to any other Person.

"STP Documents" shall mean the STP Participation Agreement and STP Operating Agreement.

"STP Operating Agreement" shall mean the Operating Agreement, dated as of November 17, 1997, among City of San Antonio, Central Power and Light Company, Houston Lighting and Power Company, the City of Houston and STP Nuclear Operating Company as may be amended from time to time in accordance with the terms thereof.

"STP Participation Agreement" shall mean the Amended and Restated South Texas Project Participation Agreement, dated as of November 17, 1997, among City of San Antonio, Central Power and Light Company, Houston Lighting and Power Company and the City of Houston as may be amended from time to time in accordance with the terms thereof.

"Subsidiary" of any Person shall mean any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (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), (b) the interest in the capital or profits of such limited liability company, partnership, joint venture or other Person or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Syndication Agent" shall mean Citibank in its capacity as Syndication Agent.

"Taxes" shall have the meaning provided in Section 4.04(a).

"Total Commitment" shall mean, at any time, the sum of the Commitments of each of the Lenders at such time.

"Total Unutilized Commitment" shall mean, at any time, an amount equal to the remainder of (i) the Total Commitment then in effect, less (ii) the aggregate principal amount of Loans outstanding at such time.

"Transaction Agreement" shall mean that certain Transaction Agreement, dated as of July 21, 2004, among CenterPoint Energy, Utility Holding, LLC, NN Houston Sub, Inc., the Parent, HPC Merger Sub, Inc. and the Buyer and shall include all exhibits thereto, in each case, as previously delivered to the Lenders and as may be amended from time to time in accordance with the terms thereof and with the terms of this Agreement.

"Type" shall mean the type of Loan determined with regard to the interest option applicable thereto, i.e., whether a Base Rate Loan or a Eurodollar Loan.

"UCC" shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

"Unfunded Current Liability" of any Plan shall mean the amount, if any, by which the value of the accumulated plan benefits under the Plan determined on a plan termination basis in accordance with actuarial assumptions at such time consistent with those prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds the fair market value of all plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions).

"United States" and "U.S." shall each mean the United States of America.

"Unutilized Commitment" with respect to any Lender, at any time, shall mean such Lender's Commitment at such time less the aggregate outstanding principal amount of Loans made by such Lender at such time.

"Voting Stock" shall mean capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Wholly-Owned" shall mean, with respect to any Subsidiary of any Person, a Subsidiary, all the outstanding capital stock (other than directors' qualifying shares required by law) or other ownership interest of which are at the time owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person, or both.

11.02 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles in effect from time to time in the United States of America ("GAAP"); provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision of the Credit Documents to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof or in federal or foreign tax laws which adversely affects any of the Borrower and its Subsidiaries' ability to comply with its obligations under the Credit Documents, regardless of whether any such notice is given before or after such change or in the application thereof, then such provision shall be interpreted on the basis of GAAP or such tax laws as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

SECTION 12. The Agents.

12.01 Appointment. The Lenders hereby designate (i) DBAG as Administrative Agent and Collateral Agent to act as specified herein and in the other Credit Documents and (ii) Citibank, N.A., as Syndication Agent, in each case to act as specified herein and in the other Credit Documents. Each Lender hereby irrevocably authorizes, and each holder of any Note by the acceptance of such Note shall be deemed irrevocably to authorize, each Agent to take such action on its behalf under the provisions of this Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of each Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. Each Agent may perform any of their duties hereunder by or through their respective officers, directors, agents, employees or affiliates.

12.02 Nature of Duties. The Agents shall not have any duties or responsibilities except those expressly set forth in this Agreement and the other Credit Documents. No Agent nor any of its respective officers, directors, agents, employees or affiliates shall be liable for any action taken or omitted by them hereunder or under any other Credit Document or in connection herewith or therewith, unless caused by their gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision). The duties of the Agents shall be mechanical and administrative in nature; no Agent shall have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Lender or the holder of any Note; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon any Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

12.03 Lack of Reliance on the Agents. Independently and without reliance upon any Agent, each Lender and the holder of each Note, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Parent and its Subsidiaries in connection with the making and the continuance of the Loans and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of the Parent and its Subsidiaries and, except as expressly provided in this Agreement, no Agent shall have any duty or responsibility, either initially or on a continuing basis, to provide any Lender or the holder of any Note with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter. No Agent nor any of its affiliates or any of its officers, directors, agents or employees shall be responsible to any Lender or the holder of any Note for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Agreement or any other Credit Document or the financial condition of the Parent and its Subsidiaries or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Credit Document, or the financial condition of the Parent and its Subsidiaries or the existence or possible existence of any Default or Event of Default.

12.04 Certain Rights of the Agents. If any Agent shall request instructions from the Required Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Credit Document, such Agent shall be entitled to refrain from such act or taking such action unless and until such Agent shall have received instructions from the Required Lenders; and such Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender nor any holder of any Note shall have any right of action whatsoever against any Agent as a result of such Agent acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Lenders.

12.05 Reliance. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype, facsimile or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that such Agent believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and any other Credit Document and its duties hereunder and thereunder, upon advice of counsel selected by such Agent (which may be counsel for the Credit Parties).

12.06 Indemnification. To the extent that any Agent is not reimbursed and indemnified by the Borrower, each Lender will reimburse and indemnify such Agent, in proportion to its "percentage" as used in determining the Required Lenders (determined as if there were no Defaulting Lenders) for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by such Agent in performing its duties hereunder or under any other Credit Document, in any way relating to or arising out of this Agreement or any other Credit Document; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision).

12.07 The Agents in Their Individual Capacity. With respect to its obligation to make Loans under this Agreement, each Agent shall have the rights and powers specified herein for a "Lender" and may exercise the same rights and powers as though it were not performing the duties specified herein; and the term "Lenders," "Required Lenders," "holders of Notes" or any similar terms shall, unless the context clearly otherwise indicates, include each Agent in its individual capacity. Each Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with any Credit Party or any Affiliate of any Credit Party as if it were not performing the duties specified herein, and may accept fees and other consideration from the Borrower, or any other Credit Party for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

12.08 Holders. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Administrative Agent. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee, assignee or endorsee, as the case may be, of such Note or of any Note or Notes issued in exchange therefor.

12.09 Resignation. (a) The Administrative Agent may resign from the performance of all its functions and duties hereunder and/or under the other Credit Documents at any time by giving 15 Business Days' prior written notice to the Borrower and the Lenders.

Such resignation shall take effect upon the appointment of a successor Administrative Agent pursuant to clauses (b) and (c) below or as otherwise provided below.

(b) Upon any such notice of resignation, the Required Lenders shall, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed and shall not be required at any time when an Event of Default exists), appoint a successor Administrative Agent hereunder or thereunder who shall be a commercial bank or trust company.

(c) If a successor Administrative Agent shall not have been so appointed within such 15 Business Day period, the Administrative Agent, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed and shall not be required at any time when an Event of Default exists), shall then appoint a commercial bank or trust company as successor Administrative Agent who shall serve as Administrative Agent hereunder or thereunder until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided above.

(d) If no successor Administrative Agent has been appointed pursuant to clause (b) or (c) above by the 20th Business Day after the date such notice of resignation was given by the Administrative Agent, the Administrative Agent's resignation shall become effective and the Required Lenders shall thereafter perform all the duties of the Administrative Agent hereunder and/or under any other Credit Document until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided in clause (b) above.

(e) Upon a resignation of any Agent pursuant to this Section 12.09, such Agent shall remain indemnified to the extent provided in this Agreement and the other Credit Documents and the provisions of this Section 12 shall continue in effect for the benefit of such Agent for all of its actions and inactions while serving as an Agent.

12.10 Syndication Agent. Notwithstanding anything to the contrary contained herein, nothing in this Agreement shall impose on the Syndication Agent, in such capacity, any duties or obligations.

SECTION 13. Miscellaneous.

13.01 Payment of Expenses, etc. The Borrower shall: (i) whether or not the transactions herein contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of (x) the Agents (including, without limitation, the reasonable fees and disbursements of White & Case LLP) in connection with the preparation, execution and delivery of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein and any amendment, waiver or consent relating hereto or thereto, it being understood that for purposes of this clause (x), the Agents shall use no more than one transaction counsel and such local counsel as reasonably necessary, (y) each Agent in connection with its syndication efforts (if any) with respect to this Agreement and (z) the Agents and, following and during the continuation of an Event of Default, each of the Lenders in connection with the enforcement of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein (including, without limitation, the reasonable fees and disbursements of counsel and consultants for the Agents and, following and during the continuation of an Event of Default, for each of the Lenders) in each case promptly following receipt of a reasonably detailed invoice therefor; (ii) without duplication of any other payments paid or payable pursuant to any other provision of this Agreement or any other Credit Document, pay and hold each of the Lenders harmless from and against any and all present and future stamp, excise and other similar taxes with respect to the foregoing matters and hold each of the Lenders harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Lender) to pay such taxes; and (iii) without duplication of any other payments paid or payable pursuant to any other provision of this Agreement or any other Credit Document, indemnify each Agent and each Lender, and each of their respective officers, directors, employees, representatives, affiliates and agents from and hold each of them harmless against any and all liabilities, obligations (including removal or remedial actions), losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements (including reasonable attorneys' and consultants' fees and disbursements) incurred by, imposed on or assessed against any of them as a result of, or arising out of, or in any way related to, or by reason of, (a) any investigation, litigation or other proceeding (whether or not any Agent or any Lender is a party thereto) related to the entering into and/or performance of this Agreement or any other Credit Document or the proceeds of any Loans hereunder or the consummation of any transactions contemplated herein or in any other Credit Document or the exercise of any of their rights or remedies provided herein or in the other Credit Documents, or (b) the actual or alleged presence of Hazardous Materials in the air, surface water or groundwater or on the surface or subsurface of any Real Property owned or at any time operated by the Borrower or any of its Subsidiaries, the generation, storage, transportation, handling or disposal of Hazardous Materials at any location, whether or not owned or operated by the Borrower or any of its Subsidiaries, the non-compliance of any Real Property with foreign, federal, state and local laws, regulations, and ordinances (including applicable permits thereunder) applicable to any Real Property, or any Environmental Action asserted against the Borrower, any of its Subsidiaries, or any Real Property owned or at any time operated by the Borrower or any of its Subsidiaries, including, in each case, without limitation, the reasonable fees and disbursements of counsel and other consultants incurred in connection with any such investigation, litigation or other proceeding (but excluding any losses, liabilities, claims, damages or expenses to the extent incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified (as determined by a court of competent jurisdiction in a final and non-appealable decision)). To the extent that the undertaking to indemnify, pay or hold harmless any Agent or any Lender set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrower shall make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities which is permissible under applicable law.

13.02 Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default, each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by such Lender or its Affiliates (including, without limitation, by branches and agencies of such Lender wherever located) to or for the credit or the account of any Credit Party against and on account of the Obligations and liabilities of all Credit Parties to such Lender under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations purchased by such Lender pursuant to Section 13.06(b), and all other claims of any nature or description arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not such Lender shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

13.03 Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopier or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered: if to the Borrower, at the Borrower's address specified opposite its signature below; if to any other Credit Party, at such Credit Party's address set forth opposite its signature below; if to any Lender, at its address specified on Schedule II below; and if to the Administrative Agent, at the Notice Office; or, as to any Credit Party or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties hereto and, as to each Lender, at such other address as shall be designated by such Lender in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by overnight courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or telecopier, except that notices and communications to the Administrative Agent shall not be effective until received by the Administrative Agent.

13.04 Benefit of Agreement. (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that the Borrower may not assign or transfer any of its rights, obligations or interest hereunder or under any other Credit Document without the prior written consent of all of the Lenders and the Administrative Agent and, provided further, that although any Lender may transfer, assign or grant participations in its rights hereunder, such Lender shall remain a "Lender" for all purposes hereunder (and may not transfer or assign all or any portion of its Commitment hereunder except as provided in Section 13.04(b)) and the transferee, assignee or participant, as the case may be, shall not constitute a "Lender" hereunder and, provided further, that no Lender shall transfer or grant any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) extend the final scheduled maturity of any Loan or Note, or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or Events of Default or of a mandatory reduction in the Total Commitment shall not constitute a change in the terms of such participation, and that an increase in any Commitment shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof) or (ii) consent to the assignment or transfer by the Borrower of any of their rights and obligations under this Agreement. In the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto) and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation.

(b) Notwithstanding the foregoing, any Lender (or any Lender together with one or more other Lenders) may (x) assign all or a portion of its Commitment and related outstanding Obligations hereunder (or, if the Commitments have terminated, its outstanding Obligations) to (i) its parent company and/or any affiliate of such Lender which is at least 50% owned by such Lender or its parent company or to one or more other Lenders or (ii) in the case of any Lender that is a fund that invests in bank loans, any other fund that invests in bank loans and is managed by the same investment advisor of such Lender or by an Affiliate of such investment advisor or (y) assign all, or if less than all, a portion equal to at least $1,000,000 in the aggregate for the assigning Lender or assigning Lenders, of such Commitments and related outstanding Obligations hereunder (or, if the Commitments have terminated, its outstanding Obligations) to one or more Eligible Transferees, each of which assignees shall become a party to this Agreement as a Lender by execution of an Assignment and Assumption Agreement, provided that (i) at such time Schedule I shall be deemed modified to reflect the Commitment of such new Lender and of the existing Lenders, (ii) at the request of the assignee Lender, and upon surrender of the relevant Notes or the provision of a customary lost note indemnification agreement from the assignor or assignee Lender, as the case may be, new Notes will be issued, at the Borrowers' expense, to such new Lender and to the assigning Lender, such new Notes to be in conformity with the requirements of Section 1.05 (with appropriate modifications) to the extent needed to reflect the revised Commitments, (iii) the consent of the Administrative Agent, and, at any time when no Default or Event of Default is in existence, the Borrower shall be required in connection with any such assignment pursuant to clause (y) above (each of which consents shall not to be unreasonably withheld or delayed), and (iv) the Administrative Agent shall receive at the time of each such assignment, from the assigning or assignee Lender, the payment of a non-refundable assignment fee of $3,500 and, provided further, that such transfer or assignment will not be effective until recorded by the Administrative Agent on the Register pursuant to Section 13.16 hereof. To the extent of any assignment pursuant to this Section 13.04(b), the assigning Lender shall be relieved of its obligations hereunder with respect to its assigned Commitments. At the time of each assignment pursuant to this Section 13.04(b) to a Person which is not already a Lender hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Internal Revenue Code) for Federal income tax purposes, the respective assignee Lender shall provide to the Borrower and the Administrative Agent the appropriate Internal Revenue Service Forms (and, if applicable a Section 4.04(b)(ii) Certificate) described in Section 4.04(b). To the extent that an assignment of all or any portion of a Lender's Commitments and related outstanding Obligations pursuant to this Section 13.04(b) would, at the time of such assignment, result in increased costs under Section 1.10, 1.11 or 4.04 greater than those being charged by the respective assigning Lender prior to such assignment, then the Borrower shall not be obligated to pay such greater increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment).

(c) Nothing in this Agreement shall prevent or prohibit any Lender from pledging its Loans and Notes hereunder to a Federal Reserve Bank in support of borrowings made by such Lender from such Federal Reserve Bank and, with the consent of the Administrative Agent, any Lender which is a fund may pledge all or any portion of its Notes or

Loans to its trustee or to a collateral agent providing credit or credit support to such Lender in support of its obligations to its trustee or such collateral agent, as the case may be. No pledge pursuant to this clause (c) shall release the transferor Lender from any of its obligations hereunder.

13.05 No Waiver; Remedies Cumulative. No failure or delay on the part of any Agent or any Lender or any holder of any Note in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrower or any other Credit Party and any Agent or any Lender or the holder of any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any other Credit Document expressly provided are cumulative and not exclusive of any rights, powers or remedies which any Agent or any Lender or the holder of any Note would otherwise have. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of any Agent or any Lender or the holder of any Note to any other or further action in any circumstances without notice or demand. No Lender, Agent or any other indemnified person shall be responsible or liable to the Borrower or any other Credit Party or any other Person for (x) any determination made by it pursuant to this Agreement or any other Credit Document or any transaction contemplated hereby or thereby in the absence of gross negligence or willful misconduct on the part of such person or entity (as determined by a court of competent jurisdiction in a final and non-appealable judgment) or (y) any indirect, special, punitive or consequential damages (including, without limitation, any loss of profits, business or anticipated savings) which may be alleged as a result of this Agreement or any other Credit Document or any transaction contemplated hereby or thereby.

13.06 Payments Pro Rata. (a) Except as otherwise provided in this Agreement, the Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of the Borrower in respect of any Obligations hereunder, it shall distribute such payment to the Lenders (other than any Lender that has consented in writing to waive its pro rata share of any such payment) pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise), which is applicable to the payment of the principal of, or interest on, the Loans, Commitment Commission or other Fees, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such Obligation then owed and due to such Lender bears to the total of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations of the Borrower to such Lenders in such amount as shall result in a proportional participation by all the Lenders in such amount; provided that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 13.06(a) and (b) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders.

13.07 Calculations; Computations. (a) The financial statements to be furnished to the Lenders pursuant hereto shall be made and prepared in accordance with generally accepted accounting principles in the United States consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by the Borrower to the Lenders), provided that except as otherwise specifically provided herein.

(b) All computations of interest on Eurodollar Loans hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. All computations of interest on Base Rate Loans and computations of Fees hereunder shall be made on the basis of a year of 365/366 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or Fees are payable.

13.08 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE. (a) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, IN EACH CASE WHICH ARE LOCATED IN THE COUNTY OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH CREDIT PARTY HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH CREDIT PARTY HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK PERSONAL JURISDICTION OVER IT, AND AGREES NOT TO PLEAD OR CLAIM, IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENTS BROUGHT IN ANY OF THE AFOREMENTIONED COURTS, THAT SUCH COURTS LACK PERSONAL JURISDICTION OVER IT. EACH CREDIT PARTY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO EACH CREDIT PARTY AT ITS ADDRESS SET FORTH OPPOSITE ITS SIGNATURE BELOW, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY AGENT, ANY LENDER OR THE HOLDER OF ANY NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY CREDIT PARTY IN ANY OTHER JURISDICTION.

(b) EACH CREDIT PARTY HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

13.09 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Administrative Agent.

13.10 Effectiveness. This Agreement shall become effective on the date (the "Effective Date") on which (i) the Borrower, each Lender and each Agent shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of facsimile) the same to the Administrative Agent at the Notice Office or, in the case of the Lenders, shall have given the Administrative Agent telephonic (confirmed in writing), written or telex notice (actually received) at such office that same has been signed and mailed to it and (ii) the conditions contained in Section 5 are met to the satisfaction of the Agents and the Required Lenders. Unless the Administrative Agent has received actual notice from any Lender that the conditions contained in Section 5 have not been met to its reasonable satisfaction, upon the satisfaction of the condition described in clause (i) of the immediately preceding sentence and upon the Administrative Agent's good faith determination that the conditions described in clause (ii) of the immediately preceding sentence have been met, then the Effective Date shall have been deemed to have occurred, regardless of any subsequent determination that one or more of the conditions thereto had not been met (although the occurrence of the Effective Date shall not release the Borrower from any liability for failure to satisfy one or more of the applicable conditions contained in Section 5). The Administrative Agent will give the Borrower and each Lender prompt written notice of the occurrence of the Effective Date.

13.11 Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

13.12 Amendment or Waiver. Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and the Required Lenders, provided that no such change, waiver, discharge or termination shall, without the consent of each Lender (other than a Defaulting Lender) (with Obligations being directly affected thereby in the case of following clause (i)), (i) extend the final scheduled maturity of any Loan or Note, or reduce the rate or extend the time of payment of interest or Fees (it being understood that any amendment or modification to the financial definitions in this Agreement or to Section 13.07(a) shall not constitute a reduction in the rate of interest or Fees for the purposes of this clause (i)), or reduce the principal amount thereof, (ii) amend, modify or waive any provision of this Section 13.12 (except for technical amendments with respect to additional extensions of credit under this Agreement of the type which afford the protections to such additional extensions of credit provided to the Commitments on the Effective Date), (iii) reduce the percentage specified in the definition of Required Lenders (it being understood and agreed that, with the consent of the Required Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Lenders on substantially the same basis as the Commitments are included on the Effective Date) or (iv) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement; provided further, that no such change, waiver, discharge or termination shall (1) increase the Commitment of any Lender over the amount thereof then in effect without the consent of such Lender (it being understood and agreed that waivers or modifications of conditions precedent, covenants (including, without limitation, by means of modifications to the financial definitions or modifications in the method of calculation of any financial covenants), Defaults or Events of Default or of a mandatory reduction in the Total Commitments shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender shall not constitute an increase in the Commitment of such Lender) or (2) without the consent of each Agent affected thereby, amend, modify or waive any provision of Section 12 as same applies to such Agent or any other provision as same relates to the rights or obligations of such Agent.

13.13 Survival. All indemnities set forth herein including, without limitation, in Sections 1.10, 1.11, 4.04, 13.01 and 13.06 shall, survive the execution, delivery and termination of this Agreement and the Notes and the making and repayment of the Loans.

13.14 Domicile of Loans. Each Lender may transfer and carry its Loans at, to or for the account of any office, Subsidiary or Affiliate of such Lender. Notwithstanding anything to the contrary contained herein, to the extent that a transfer of Loans pursuant to this Section 13.14 would, at the time of such transfer, result in increased costs under Section 1.10, 1.11 or 4.04 from those being charged by the respective Lender prior to such transfer, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective transfer).

13.15 Confidentiality. (a) Subject to the provisions of clause (b) of this Section 13.15, each Lender agrees that it will not disclose without the prior consent of the Parent (other than to its employees, auditors, advisors or counsel or to another Lender if the Lender or such Lender's holding or parent company in its sole discretion determines that any such party should have access to such information, provided such Persons shall be subject to the provisions of this Section 13.15 to the same extent as such Lender) any information with respect to the Parent or any of its Subsidiaries which is now or in the future furnished pursuant to this Agreement or any other Credit Document and which is designated by the Parent to the Lenders in writing as confidential, provided that any Lender may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to any municipal, state or Federal regulatory body having or claiming to have jurisdiction over such Lender or to the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in respect to any summons or subpoena or in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to such Lender, (e) to any Agent, (f) to any prospective or actual transferee or participant in connection with any contemplated transfer or participation of any of the Notes or Commitments or any interest therein by such Lender, provided that such prospective transferee agrees to be subject to the provisions contained in this Section 13.15 and (g) to any nationally recognized rating agency that requires access to information about such Lender's investment portfolio in connection with ratings issued to such Lender.

(b) Each Credit Party hereby acknowledges and agrees that each Lender may share with any of its Affiliates any information related to the Parent or any of its Subsidiaries (including, without limitation, any nonpublic customer information regarding the creditworthiness of the Parent and its Subsidiaries), provided such Persons shall be subject to the provisions of this Section 13.15 to the same extent as such Lender.

(c) Each Credit Party hereby represents and acknowledges that, to the best of its knowledge, no Agent nor any Lender, nor any employees or agents of, or other persons affiliated with, any Agent or any Lender, have directly or indirectly made or provided any statement (oral or written) to such Credit Party or to any of their respective employees or agents, or other persons affiliated with or related to such Credit Party (or, so far as such Credit Party is aware, to any other Person), as to the potential tax consequences of this Agreement, any other Credit Document or any of the transactions contemplated hereby or thereby.

(d) Neither the Agents, the Lenders or any of their respective affiliates nor any Credit Party provide accounting, tax, or legal advice and each party has consulted, or will consult, its own advisors regarding its participation in the transactions contemplated by this Agreement. Notwithstanding anything provided herein, in the other Credit Documents or in any other document or agreement relating to the transactions contemplated herein and in the other Credit Documents, and any express or implied claims of exclusivity or proprietary rights, the Agents, the Lenders and each of the Credit Parties hereby agree and acknowledge that each Credit Party, the Agents, the Lenders and any of their respective affiliates (and each of their respective employees, representatives or other agents) are authorized to disclose to any and all persons, beginning immediately upon commencement of their discussions regarding such transactions and without limitation of any kind, the U.S. federal, state, or local tax treatment and tax structure of such transactions, and all materials of any kind (including opinions or other tax analyses) that are provided by either any Credit Party, any Agent, any Lender or any of their respective affiliates (and any of their respective employees, representatives or other agents) to any other such party relating to such tax treatment and tax structure, except to the extent that such disclosure is subject to restrictions reasonably necessary to comply with securities laws. For purposes of this authorization, "tax treatment" of a transaction means the purported or claimed tax treatment of the transaction and "tax structure" of a transaction means any fact that may be relevant to understanding the purported or claimed tax treatment of the transaction. Nothing herein is intended to imply that any oral or written statement as to any potential tax consequences that are related to, or may result from, the transactions contemplated by the Agreement and the other Credit Documents have been made or provided to, or for the benefit of, any Agent, Lender, Credit Party or any of their respective affiliates by any other such party.

13.16 Register. The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this Section 13.16, to maintain a register (the "Register") on which it will record the Commitments from time to time of each of the Lenders, the Loans made by each of the Lenders and each repayment in respect of the principal amount of the Loans of each Lender. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error. Failure to make any such recordation, or any error in such recordation shall not affect the Borrower's obligations in respect of such Loans. With respect to any Lender, the transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made pursuant to such Commitments shall not be effective until such transfer is recorded on the Register maintained by the Administrative Agent with respect to ownership of such Commitments and Loans and prior to such recordation all amounts owing to the transferor with respect to such Commitments and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Commitments and Loans shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement pursuant to Section 13.04(b). Coincident with the delivery of such an Assignment and Assumption Agreement to the Administrative Agent for acceptance and registration of assignment or transfer of all or part of a Loan, or as soon thereafter as practicable, the assigning or transferor Lender shall surrender the Note evidencing such Loan, and thereupon one or more new Notes in the same aggregate principal amount shall be issued to the assigning or transferor Lender and/or the new Lender. The Borrower agrees to indemnify the Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties under this Section 13.16.

13.17 Limitation on Interest. Notwithstanding anything to the contrary contained in this Agreement or any other Credit Document, all agreements between the Borrower, the Administrative Agent or any Lender, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made in respect of an amount due under any Credit Document or otherwise, shall the amount paid, or agreed to be paid, to the Administrative Agent or any Lender for the use, forbearance, or detention of the money to be loaned under this Agreement, any Notes or any other Credit Document or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other Credit Document exceed the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by Applicable Law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if, from any such circumstance, the Administrative Agent or any Lender shall ever receive interest under Applicable Law that would exceed the Highest Lawful Rate, such amount that would exceed the Highest Lawful Rate shall be applied to the reduction of the principal amount owing on account of such Lender's Loans or the amounts owing on other obligations of the Borrower to the Administrative Agent or any Lender under any Credit Document and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of such Lender's Loans and the amounts owing on other obligations of the Borrower to the Administrative Agent or any Lender under any Credit Document, as the case may be, such excess shall be refunded to the Borrower to the extent required under Applicable Law. All sums paid or agreed to be paid to the Administrative Agent or any Lender for the use, forbearance or detention of the indebtedness of the Borrower to the Administrative Agent or any Lender shall, to the fullest extent permitted by Applicable Law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full of the principal (including the period of any renewal or extension thereof) so that the interest on account of such indebtedness shall not exceed the Highest Lawful Rate. Notwithstanding anything to the contrary contained in any Credit Document, it is understood and agreed that if at any time the rate of interest that accrues on the outstanding principal balance of any Loan shall exceed the Highest Lawful Rate, the rate of interest that accrues on the outstanding principal balance of any Loan shall be limited to the Highest Lawful Rate, but any subsequent reductions in the rate of interest that accrues on the outstanding principal balance of any Loan shall not reduce the rate of interest that accrues on the outstanding principal balance of any Loan below the Highest Lawful Rate until the total amount of interest accrued on the outstanding principal balance of any Loan equals the amount of interest that would have accrued if such interest rate had at all times been in effect."

13.18 South Texas Project. Notwithstanding any provision to the contrary contained herein, solely with respect to the South Texas Project, the Credit Parties shall only be required to comply with any provision of Sections 8, 9 or 10 of this Agreement to the extent such compliance is not prohibited or otherwise restricted by the terms of the STP Operating Agreement or the STP Participation Agreement, as in effect on the date hereof.

SECTION 14. Guaranty.

14.01 Guaranty. In order to induce the Lenders to enter into this Agreement and to extend credit hereunder and in recognition of the direct benefits to be received by each Guarantor from the proceeds of the Loans, each Guarantor hereby agrees with the Lenders as follows: Each Guarantor hereby unconditionally and irrevocably guarantees, as primary obligor and not merely as surety the full and prompt payment when due in cash, whether upon maturity, acceleration or otherwise, of any and all of the Guaranteed Obligations to the Guaranteed Creditors. If any or all of the Guaranteed Obligations to the Guaranteed Creditors becomes due and payable hereunder, each Guarantor unconditionally promises to pay such indebtedness to the Guaranteed Creditors, or order, on demand, together with any and all expenses which may be incurred by the Guaranteed Creditors in collecting any of the Guaranteed Obligations. This Guaranty is a continuing one and the Guaranteed Obligations shall be conclusively presumed to have been created in reliance hereon. If claim is ever made upon any Guaranteed Creditor for repayment or recovery of any amount or amounts received in payment or on account of any of the Guaranteed Obligations and any of the Guaranteed Creditors repays all or part of said amount by reason of (i) any judgment, decree or order of any court or administrative body having jurisdiction over such Guaranteed Creditor or any of its property or (ii) any settlement or compromise of any such claim effected by such Guaranteed Creditor with any such claimant (including the Borrower), then and in such event each Guarantor agrees that any such judgment, decree, order, settlement or compromise shall be binding upon the Guarantors, notwithstanding any revocation of this Guaranty or any other instrument evidencing any liability of the Borrower, and each Guarantor shall be and remain liable to the Guaranteed Creditors hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by any such payee.

14.02 Bankruptcy. Additionally, each Guarantor unconditionally and irrevocably guarantees the payment of any and all of the Guaranteed Obligations to the Guaranteed Creditors whether or not due or payable by the Borrower upon the occurrence of any of the events specified in Section 10.05, and unconditionally promises to pay such indebtedness to the Guaranteed Creditors, or order, on demand.

14.03 Nature of Liability. The liability of each Guarantor hereunder is exclusive and independent of any security for or other guaranty of the Guaranteed Obligations whether executed by any Guarantor, any other guarantor or by any other party, and the liability of each Guarantor hereunder is not affected or impaired by (a) any direction as to application of payment by any Borrower or by any other party, or (b) any other continuing or other guaranty, undertaking or maximum liability of a guarantor or of any other party as to the Guaranteed Obligations, or (c) any payment on or in reduction of any such other guaranty or undertaking, or (d) any dissolution, termination or increase, decrease or change in personnel by the Borrower, or (e) any payment made to the Guaranteed Creditors on the Guaranteed Obligations which any such Guaranteed Creditor repays to the Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each Guarantor waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding.

14.04 Independent Obligation. No invalidity, irregularity or unenforceability of all or any part of the Guaranteed Obligations or of any security therefor shall affect, impair or be a defense to this Guaranty, and this Guaranty shall be primary, absolute and unconditional notwithstanding the occurrence of any event or the existence of any other circumstances which might constitute a legal or equitable discharge of a surety or guarantor except payment in full of the Guaranteed Obligations. The obligations of each Guarantor hereunder are independent of the obligations of the Borrower, any other guarantor or any other Person, and a separate action or actions may be brought and prosecuted against each Guarantor whether or not action is brought against any Borrower, any other guarantor or any other Person and whether or not any Borrower, any other guarantor or any other Person be joined in any such action or actions. Each Guarantor waives, to the full extent permitted by law, the benefit of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any payment by a Borrower or other circumstance which operates to toll any statute of limitations as to such Borrower shall operate to toll the statute of limitations as to the Guarantors.

14.05 Authorization. Each Guarantor authorizes the Guaranteed Creditors without notice or demand (except as shall be required by applicable law and cannot be waived), and without affecting or impairing its liability hereunder, from time to time to:

(a) change the manner, place or terms of payment of, and/or change or extend the time of payment of, renew, increase, accelerate or alter, any of the Guaranteed Obligations (including any increase or decrease in the rate of interest thereon), any security therefor, or any liability incurred directly or indirectly in respect thereof, and this Guaranty shall apply to the Guaranteed Obligations as so changed, extended, renewed or altered;

(b) take and hold security for the payment of the Guaranteed Obligations and sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Guaranteed Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset thereagainst;

(c) exercise or refrain from exercising any rights against the Borrower or others, or otherwise act or refrain from acting;

(d) release or substitute any one or more endorsers, guarantors, the Borrower or other obligors;

(e) settle or compromise any of the Guaranteed Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of the Borrower to its creditors other than the Guaranteed Creditors;

(f) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of the Borrower to the Guaranteed Creditors regardless of what liability or liabilities of the Borrower remain unpaid;

(g) consent to or waive any breach of, or any act, omission or default under, this Agreement, any other Credit Document or any of the instruments or agreements referred to herein or therein, or otherwise amend, modify or supplement this Agreement, any other Credit Document or any of such other instruments or agreements; and/or

(h) take any other action which would, under otherwise applicable principles of common law, give rise to a legal or equitable discharge of any Guarantor from its liabilities under this Guaranty.

14.06 Reliance. It is not necessary for the Guaranteed Creditors to inquire into the capacity or powers of the Borrower or the officers, directors, partners or agents acting or purporting to act on its or their behalf, and any Guaranteed Obligations made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

14.07 Rights of Contribution. (a) The Guarantors hereby agree, as between themselves, that if any Guarantor shall become an Excess Funding Guarantor (as defined below) by reason of the payment by such Guarantor of any Guaranteed Obligations, each other Guarantor shall, on demand of such Excess Funding Guarantor (but subject to the next sentence), pay to such Excess Funding Guarantor an amount equal to such Guarantor's Pro Rata Share (as defined below and determined, for this purpose, without reference to the properties, debts and liabilities of such Excess Funding Guarantor) of the Excess Payment (as defined below) in respect of such Guaranteed Obligations. The payment obligation of a Guarantor to any Excess Funding Guarantor under this Section shall be subordinate and subject in right of payment to the prior payment in full of the obligations of such Guarantor under the other provisions of this

Article 14 and such Excess Funding Guarantor shall not exercise any right or remedy with respect to such excess until payment in full of all Guaranteed Obligations.

(b) For purpose of this Section, (i) "Excess Funding Guarantor" means, in respect of any Guaranteed Obligations, a Guarantor that has paid an amount in excess of its Pro Rata Share of such Guaranteed Obligations, (ii) "Excess Payment" means, in respect of any Guaranteed Obligations, the amount paid by an Excess Funding Guarantor in excess of its Pro Rata Share of such Guaranteed Obligations and (iii) "Pro Rata Share" means, for any Guarantor, the ratio (expressed as percentage) or (x) the amount by which the aggregate present fair saleable value of all properties of such Guarantor (excluding any shares of stock of any other Guarantor) exceeds the amount of all the debts and liabilities of such Guarantor (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder and any obligations of any other Guarantor that have been Guaranteed by such Guarantor) to (y) the amount by which the aggregate fair saleable value of all properties of all the Guarantors exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of the Borrower and the Guarantors hereunder and under the other Credit Documents) of all the Guarantors, determined (A) with respect to any Guarantor that is a party hereto on the Effective Date, as of the Effective Date, and (B) with respect to any other Guarantor, as of the date such Guarantor becomes a Guarantor hereunder.

14.08 Waiver. (a) Each Guarantor waives any right (except as shall be required by applicable law and cannot be waived) to require any Guaranteed Creditor to (i) proceed against the Borrower, any other guarantor or any other party, (ii) proceed against or exhaust any security held from the Borrower, any other guarantor or any other party or (iii) pursue any other remedy in any Guaranteed Creditor's power whatsoever. Each Guarantor waives any defense based on or arising out of any defense of the Borrower any other guarantor or any other party, other than payment in full in cash of the Guaranteed Obligations, based on or arising out of the disability of the Borrower, any other guarantor or any other party, or the unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower other than payment in full of the Guaranteed Obligations. The Guaranteed Creditors may, at their election, foreclose on any security held by the Administrative Agent, the Collateral Agent or any other Guaranteed Creditor by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent permitted by applicable law and subject to the relevant provisions of the applicable Security Documents), or exercise any other right or remedy the Guaranteed Creditors may have against the Borrower or any other party, or any security, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Guaranteed Obligations have been irrevocably and indefeasibly paid in full in cash. Each Guarantor waives any defense arising out of any such election by the Guaranteed Creditors, even though such election operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Guarantor against the Borrower or any other party or any security.

(b) Each Guarantor waives all presentments, demands for performance, protests and notices, including, without limitation, notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Guaranty, and notices of the existence, creation or incurring of new or additional Guaranteed Obligations. Each Guarantor assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks which such Guarantor assumes and incurs hereunder, and agrees that the Guaranteed Creditors shall have no duty to advise any Guarantor of information known to them regarding such circumstances or risks.

(c) Until such time as the Guaranteed Obligations have been paid in full in cash, each Guarantor hereby waives all rights of subrogation which it may at any time otherwise have as a result of this Guaranty (whether contractual, under Section 509 of the Bankruptcy Code, or otherwise) to the claims of the Guaranteed Creditors against the Borrower or any other guarantor of the Guaranteed Obligations and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from the Borrower or any other guarantor which it may at any time otherwise have as a result of this Guaranty.

(d) Each Guarantor warrants and agrees that each of the waivers set forth above is made with full knowledge of its significance and consequences and that if any of such waivers are determined to be contrary to any applicable law of public policy, such waivers shall be effective only to the maximum extent permitted by law.

14.09 Payment. All payments made by any Guarantor pursuant to this Section 14 shall be made in Dollars in immediately available funds. All payments made by any Guarantor pursuant to this Section 14 will be made without setoff, counterclaim or other defense, and shall be subject to the provisions of Sections 4.03 and 4.04.

14.10 Savings Clause. Each Lender and each Guarantor hereby confirms that it is its intention that this Guaranty not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Code, the Uniform Fraudulent Transfer Act or any similar federal or state law. To effectuate the foregoing intention, each Lender and each Guarantor hereby irrevocably agrees that Guaranteed Obligations guaranteed by each Guarantor under this Guaranty shall be limited to such amount as will, after giving effect to such maximum amount and all of such Guarantor's other (contingent or otherwise) liabilities that are relevant under such laws (but excluding, to the maximum extent permitted by applicable law, any liabilities of a Guarantor arising under any other indebtedness that is subordinated to the Guaranteed Obligations or any obligations under this Guarantee), and after giving effect to any rights to contribution pursuant to Section 14.07 hereof, result in the Guaranteed Obligations of such Guarantor in respect of such maximum amount not constituting a fraudulent transfer or conveyance.

******

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

Address:	TEXAS GENCO, LP
c/o Texas Genco GP, LLC	
1111 Louisiana Street	By: TEXAS GENCO GP, LLC,
Houston, Texas 77002	its General Partner
Attn: Linda Geiger, Assistant Treasurer	
Facsimile: (713) 207-3301	
copy to: Marc Kilbride, Treasurer	By: /s/ Marc Kilbride
Facsimile: (713) 207-3301	----------------------------------
	Name: Marc Kilbride
	Title: Vice President and Treasurer

Address:	TEXAS GENCO HOLDINGS, INC.
1111 Louisiana Street	
Houston, Texas 77002	
Attn: Linda Geiger, Assistant Treasurer	By: /s/ Marc Kilbride
Facsimile: (713) 207-3301	----------------------------------
copy to: Marc Kilbride, Treasurer	Name: Marc Kilbride
Facsimile: (713) 207-3301	Title: Vice President and Treasurer

Address:	TEXAS GENCO GP, LLC
1111 Louisiana Street	
Houston, Texas 77002	
Attn: Linda Geiger, Assistant Treasurer	By: /s/ Marc Kilbride
Facsimile: (713) 207-3301	----------------------------------
copy to: Marc Kilbride, Treasurer	Name: Marc Kilbride
Facsimile: (713) 207-3301	Title: Vice President and Treasurer

Address:
1011 Centre Road, Suite 324
Wilmington, DE 19805
Telephone: 302-225-0600
Facsimile: 302-225-0625
Attn: President

TEXAS GENCO LP, LLC

By: /s/ Patricia F. Genzel
Name: Patricia F. Genzel
Title: President and Secretary

with a copy to:
c/o Texas Genco Holdings, Inc.
1111 Louisiana Street
Houston, Texas 77002
Attn: Linda Geiger, Assistant Treasurer
Facsimile: (713) 207-3301
copy to: Marc Kilbride, Treasurer
Facsimile: (713) 207-3301

DEUTSCHE BANK AG NEW YORK BRANCH,
individually and as Administrative
Agent and Collateral Agent

By: /s/ Richard Henshall

Name: Richard Henshall
Title: Director

By: /s/ Joel Makowsky

Name: Joel Makowsky
Title: Director

CITIBANK, N.A., individually and as
Syndication Agent

By: /s/ Nietzsche Rodricks

Name: Nietzsche Rodricks
Title: Relationship Manager

SCHEDULE I

COMMITMENTS

Lender	Commitment
Deutsche Bank AG New York Branch	$37,500,000
Citibank N.A.	$37,500,000
Total:	$75,000,000

SCHEDULE II

LENDER ADDRESSES

DEUTSCHE BANK AG NEW YORK BRANCH
60 Wall Street
New York, NY 10005-2858
Telephone: (212) 250-3968
Facsimile: (212) 797-4346
Attention: Richard Henshall

CITIBANK, N.A.
2 Penns Way, Suite 110
New Castle, DE 19720
Telephone: (302) 894-6084
Facsimile: (212) 994-0847
Attention: Karen Riley

SCHEDULE III

Governmental Approvals

None.

SCHEDULE IV

Existing Indebtedness

1.	Letter of Credit No.	Beneficiary	Amount
DBS-16031	AEP Texas Central Company	$91,047,482.00
Issuance Date	Expiry Date
09/03/04	08/29/05

2.	Letter of Credit No.	Beneficiary	Amount
61620924	AEP Texas Central Company	$91,047,482.00
Issuance Date	Expiry Date
09/03/04	08/29/05

3. The guaranties identified on Schedule IVA.

SCHEDULE IV A

TEXAS GENCO HOLDINGS INC.
OUTSTANDING CORPORATE GUARANTIES

BENEFICIARY/COUNTERPARTY	DOLLAR LIMIT	DATE ISSUED	EXPIRES
BP Energy Company	$ 60,000,000	01-Jan-03	10-Jun-05
Bridgeline Gas Marketing LLC	$ 2,000,000	25-Aug-04	25-Aug-05
Cargill Power Markets, LLC	$ 2,000,000	01-Aug-03	01-Aug-05
Cinergy Marketing & Trading, LP	$ 10,000,000	25-Apr-03	30-Apr-05
Constellation Power Source, Inc.	$ 20,000,000	01-Jul-04	01-Jul-05
Dow Chemical Company	$ 20,000,000	10-Feb-04	10-Feb-05
Florida Gas Transmission	$ 1,000,000	15-Jun-03	15-Jun-05
Oneok Energy Marketing and Trading Company, L.P.	$ 10,000,000	01-Apr-03	01-Apr-05
PPM Energy, Inc.	$ 1,000,000	20-May-03	31-May-05
Sequent Energy Management, L.P.	$ 5,000,000	25-Sep-03	30-Jun-05
Total Gas & Power North America, Inc.	$ 4,000,000	11-Aug-03	11-Aug-05
TOTAL OUTGOING GUARANTIES	$135,000,000		

SCHEDULE V

Subsidiaries

Company	Jurisdiction of Incorporation/ Organization	Capitalization
Texas Genco GP, LLC	Texas limited liability company	1,000 outstanding Common Shares owned directly by Texas Genco Holdings, Inc. representing 100% of the outstanding equity
Texas Genco LP, LLC	Delaware limited liability company	1,000 outstanding Common Shares owned directly by Texas Genco Holdings, Inc. representing 100% of the outstanding equity
Texas Genco, LP	Texas limited partnership	Texas Genco GP, LLC holds a 1% general partner interest; Texas Genco LP, LLC holds a 99% limited partner interest

SCHEDULE VI

Existing Investments

	TEXAS GENCO HOLDINGS, INC - PARENT COMPANY	TEXAS GENCO GP, LLC	TEXAS GENCO LP, LLC	TEXAS GENCO, LP
A/R - CenterPoint Energy Service Company	641,727			6,180
A/R - CenterPoint Energy, Inc.	22,439			38,819
A/R - CenterPoint Energy Houston Electric				59,908
A/R - Utility Holdings, Inc.				777,871
Intercompany Accounts Receivable	664,166	0	0	882,778
Investment in Money Pool - CenterPoint Energy, Inc.				1,315,000
Short Term Notes Receivable - Intercompany	0	0	0	1,315,000
Investment in Texas Genco GP, LLC	267,040,672			
Investment in Texas Genco LP, LLC	123,966,974			
Investment in Texas Genco, LP	0	3,911,686	387,256,971	
Investments in Subsidiaries	391,007,646	3,911,686	387,256,971	0
A/P - CNP Service Company	449,717			684,130
A/P - CNP, Inc. - Money Pool Interest	5,972	264		59,058,687
A/P - CenterPoint Energy Gas Transmission				2,696
Intercompany accounts payable	455,689	264	0	59,745,513
Money Pool Borrowings - CenterPoint Energy, Inc.	1,176,000	139,000		
Short Term Notes Payable - Intercompany	1,176,000	139,000	0	0

SCHEDULE VII

Existing Liens

DEBTOR	SECURED PARTY	FILINGS JURISDICTION	DATE	NUMBER	PROPERTY COVERED
Texas Genco, LP	Richmond Irrigation Company	Texas	02/03/03	03-0016134826	Right to divert and use 24,000 acre-feet/yr. of water
Texas Genco, LP	IOS Capital, LLC	Texas	05/05/03	03-0026465743	All equipment leased from IOS under Lease Agreement No. 2138759-T60358
Texas Genco, LP	Citibank, N.A.	Texas	12/13/04	04-0091150000	Cash Collateral Account, proceeds, security entitlements
Texas Genco, LP	Deutsche Bank AG New York Branch	Texas	12/13/04	04-0091150111	Cash Collateral Account, proceeds, security entitlements

EXHIBIT 4(p)(2)

PLEDGE AGREEMENT

PLEDGE AGREEMENT (as amended, modified, restated and/or supplemented from time to time, this "Agreement"), dated as of February 3, 2005, among each of the undersigned pledgors (each, a "Pledgor" and, together with any other entity that becomes a pledgor hereunder pursuant to Section 30 hereof, the "Pledgors") and Deutsche Bank AG New York Branch, as collateral agent (together with any successor collateral agent, the "Pledgee"), for the benefit of the Secured Creditors (as defined below).

WITNESSETH:

WHEREAS, Texas Genco Holdings, Inc. ("Holdings"), Texas Genco GP, LLC, ("Genco GP") Texas Genco LP, LLC, ("Genco LP"), Texas Genco, LP (the "Borrower"), the lenders from time to time party thereto (the "Lenders") and Deutsche Bank AG New York Branch, as administrative agent (together with any successor administrative agent, the "Administrative Agent"), and Citibank, N.A., as Syndication Agent have entered into a Credit Agreement, dated as of February 3, 2005 (as amended, modified, restated and/or supplemented from time to time, the "Credit Agreement"), providing for the making of Loans to the Borrower, as contemplated therein (the Lenders, the Administrative Agent, each other Agent and the Pledgee are herein called the "Secured Creditors");

WHEREAS, pursuant to the Guaranty, Holdings, Genco GP and Genco LP have guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, it is a condition precedent to the making of Loans to the Borrower under the Credit Agreement that each Pledgor shall have executed and delivered to the Pledgee this Agreement; and

WHEREAS, each Pledgor will obtain benefits from the incurrence of Loans by the Borrower under the Credit Agreement and, accordingly, desires to execute this Agreement in order to satisfy the condition described in the preceding paragraph and to induce the Lenders to make Loans to the Borrower;

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to each Pledgor, the receipt and sufficiency of which are hereby acknowledged, each Pledgor hereby makes the following representations and warranties to the Pledgee for the benefit of the Secured Creditors and hereby covenants and agrees with the Pledgee for the benefit of the Secured Creditors as follows:

1. SECURITY FOR OBLIGATIONS. This Agreement is made by each Pledgor for the benefit of the Secured Creditors to secure:

(i) the full and prompt payment when due (whether at stated maturity, by acceleration or otherwise) of all obligations, liabilities and indebtedness (including, without limitation, principal, premium, interest (including, without limitation, all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of any Pledgor or any Subsidiary thereof at the rate provided for in the respective documentation, whether or not a claim for post-petition interest is allowed in any such proceeding), fees, costs and indemnities) of such Pledgor owing to the Secured Creditors, whether now existing or hereafter incurred under, arising out of, or in connection with, each Credit Document to which such Pledgor is a party (including, in the case of each Pledgor that is a Guarantor, all such obligations, liabilities and indebtedness of such Pledgor under its Guaranty) and the due performance and compliance by such Pledgor with all of the terms, conditions and agreements contained in each such Credit Document;

(ii) any and all sums advanced by the Pledgee in order to preserve the Collateral (as hereinafter defined) or preserve its security interest in the Collateral;

(iii) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations or liabilities of such Pledgor referred to in clause (i) above, after an Event of Default shall have occurred and be continuing, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Pledgee of its rights hereunder, together with reasonable attorneys' fees and court costs; and

(iv) all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 11 of this Agreement;

all such obligations, liabilities, indebtedness, sums and expenses set forth in clauses (i) through (iv) of this Section 1 being herein collectively called the "Obligations", it being acknowledged and agreed that the "Obligations" shall include extensions of credit of the types described above, whether outstanding on the date of this Agreement or extended from time to time after the date of this Agreement.

2. DEFINITIONS. (a) Unless otherwise defined herein, all capitalized terms used herein and defined in the Credit Agreement shall be used herein as therein defined. Reference to singular terms shall include the plural and vice versa.

(b) The following capitalized terms used herein shall have the definitions specified below:

"Accounts" shall mean each of (i) the "Account" as defined in the Citibank Cash Collateral Agreement and (ii) the "Account" as defined in the DBAG Cash Collateral Agreement.

"Administrative Agent" shall have the meaning set forth in the recitals hereto.

"Adverse Claim" shall have the meaning given such term in Section 8-102(a)(1) of the UCC.

"Agreement" shall have the meaning set forth in the first paragraph hereof.

"Borrower" shall have the meaning set forth in the recitals hereto.

"Cash Collateral Agreements" shall mean each of the DBAG Cash Collateral Agreement and the Citibank Cash Collateral Agreement.

"Certificated Security" shall have the meaning given such term in Section 8-102(a)(4) of the UCC.

"Citibank Cash Collateral Agreement" shall mean the Cash Collateral Agreement, dated as of December 10, 2004, between Citibank, N.A. and the Borrower, as amended, modified and/or supplemented from time to time.

"Clearing Corporation" shall have the meaning given such term in Section 8-102(a)(5) of the UCC.

"Collateral" shall have the meaning set forth in Section 3.1 hereof.

"Credit Agreement" shall have the meaning set forth in the recitals hereto.

"DBAG Cash Collateral Agreement" shall mean the Cash Collateral Agreement, dated as of December 10, 2004, between Deutsche Bank AG New York Branch and the Borrower, as amended, modified and/or supplemented from time to time.

"Event of Default" shall mean any Event of Default under, and as defined in, the Credit Agreement and shall in any event include, without limitation, any payment default on any of the Obligations after the expiration of any applicable grace period.

"Existing Collateral" shall mean each of (i) the "Collateral" as defined in the DBAG Cash Collateral Agreement and (ii) the "Collataral" as defined in the Citibank Cash Collateral Agreement.

"Financial Asset" shall have the meaning given such term in Section 8-102(a)(9) of the UCC and shall include all securities, cash and all other property and assets credited from time to time to either Account.

"Holdings" shall have the meaning set forth in the recitals hereto.

"Indemnitees" shall have the meaning set forth in Section 11 hereof.

"Lenders" shall have the meaning set forth in the recitals hereto.

"Limited Liability Company Interests" shall mean the entire limited liability company membership interest at any time owned by any Pledgor in any limited liability company.

"Location" of any Pledgor has the meaning given such term in Section 9-307 of the UCC.

"Obligations" shall have the meaning set forth in Section 1 hereof.

"Partnership Interest" shall mean the entire general partnership interest or limited partnership interest at any time owned by any Pledgor in any general partnership or limited partnership.

"Pledgee" shall have the meaning set forth in the first paragraph hereof.

"Pledgor" shall have the meaning set forth in the first paragraph hereof.

"Proceeds" shall have the meaning given such term in Section 9-102(a)(64) of the UCC.

"Registered Organization" shall have the meaning given such term in Section 9-102(a)(70) of the UCC.

"Required Secured Creditors" shall mean the Required Lenders (or, to the extent provided in Section 13.12 of the Credit Agreement, each of the Lenders).

"Secured Creditors" shall have the meaning set forth in the recitals hereto.

"Securities Act" shall mean the Securities Act of 1933, as amended, as in effect from time to time.

"Securities Intermediary" shall have the meaning given such term in Section 8-102(14) of the UCC.

"Security" and "Securities" shall have the meaning given such term in Section 8-102(a)(15) of the UCC.

"Security Entitlement" shall have the meaning given such term in Section 8-102(a)(17) of the UCC.

"Subject Stock" shall mean all Equity Interests of the Pledgors in their respective Subsidiaries whether such Equity Interests consist of capital stock, Limited Liability Company Interests, Partnership Interests or otherwise.

"Termination Date" shall have the meaning set forth in Section 20 hereof.

"Transmitting Utility" has the meaning given such term in Section 9-102(a)(80) of the UCC.

"UCC" shall mean the Uniform Commercial Code as in effect in the State of New York from time to time; provided that all references herein to specific Sections or subsections of the UCC are references to such Sections or subsections, as the case may be, of the Uniform Commercial Code as in effect in the State of New York on the date hereof.

"Uncertificated Security" shall have the meaning given such term in Section 8-102(a)(18) of the UCC.

3. PLEDGE OF SECURITIES, ETC.

3.1 Pledge. To secure the Obligations now or hereafter owed or to be performed by such Pledgor, each Pledgor does hereby grant, pledge and assign to the Pledgee for the benefit of the Secured Creditors, and does hereby create a continuing security interest (subject to those Liens permitted to exist with respect to the Collateral pursuant to the terms of all Credit Documents then in effect) in favor of the Pledgee for the benefit of the Secured Creditors in, all of its right, title and interest in and to the following, whether now existing or hereafter from time to time acquired (collectively, the "Collateral"):

(a) all Subject Stock owned or held by such Pledgor from time to time;

(b) to the extent Subject Stock consists of Limited Liability Company Interests, all Limited Liability Company Interests owned by such Pledgor from time to time, whether now existing or hereafter acquired, including, without limitation, to the fullest extent permitted under the terms and provisions of the documents and agreements governing such Limited Liability Company Interests and applicable law:

(A) all its capital therein and its interest in all profits, income, surpluses, losses and other distributions to which such Pledgor shall at any time be entitled in respect of such Limited Liability Company Interests;

(B) all other payments due or to become due to such Pledgor in respect of Limited Liability Company Interests, whether under any limited liability company agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise;

(C) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any limited liability company agreement or operating agreement, or at law or otherwise in respect of such Limited Liability Company Interests;

(D) all of such Pledgor's rights under any limited liability company agreement or operating agreement or at law to exercise and enforce every right, power, remedy, authority, option and privilege of such Pledgor relating to such Limited Liability Company Interests, including any power to terminate, cancel or modify any such limited liability company agreement or operating agreement, to execute any instruments and to take any and all other action on behalf of and in the name of any of such Pledgor in respect of such Limited Liability Company Interests and any such limited liability company, to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, amendment, waiver or approval, together with full power and authority to demand, receive, enforce, collect or receipt for any of the foregoing, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action in connection with any of the foregoing; and

(E) all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof;

(c) to the extent Subject Stock consists of Partnership Interests, all Partnership Interests owned by such Pledgor from time to time and all of its right, title and interest in each partnership to which each such Partnership Interest relates, whether now existing or hereafter acquired, including, without limitation, to the fullest extent permitted under the terms and provisions of the documents and agreements governing such Partnership Interests and applicable law:

(A) all its capital therein and its interest in all profits, income, surpluses, losses and other distributions to which such Pledgor shall at any time be entitled in respect of such Partnership Interests;

(B) all other payments due or to become due to such Pledgor in respect of such Partnership Interests, whether under any partnership agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise;

(C) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any partnership agreement or operating agreement, or at law or otherwise in respect of such Partnership Interests;

(D) all of such Pledgor's rights under any partnership agreement or operating agreement or at law to exercise and enforce every right, power, remedy, authority, option and privilege of such Pledgor relating to such Partnership Interests, including any power to terminate, cancel or modify any partnership agreement or operating agreement, to execute any instruments and to take any and all other action on behalf of and in the name of such Pledgor in respect of such Partnership Interests and any such partnership, to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, amendment, waiver or approval, together with full power and authority to demand, receive, enforce, collect or receipt for any of the foregoing, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action in connection with any of the foregoing; and

(E) all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof;

(d) the Existing Collateral; and

(e) all Proceeds of any and all of the foregoing.

provided that (i) no Pledgor shall be required at any time to pledge hereunder any Equity Interest (or any Proceeds thereof) held by such Pledgor in the STP Nuclear Operating Company and (ii) so long as no Event of Default has occurred and is continuing, any and all Liens created hereby shall, without any further action by any Person, be released in respect of amounts paid by any Pledgor as cash Dividends in compliance with Section 9.06 of the Credit Agreement, immediately upon such payment.

3.2 Procedures. (a) To the extent that any Pledgor at any time or from time to time owns, acquires or obtains any right, title or interest in any Collateral, such Collateral shall automatically (and without the taking of any action by such Pledgor) be pledged pursuant to Section 3.1 of this Agreement and, in addition thereto, such Pledgor shall (to the extent provided below) take the following actions as set forth below (as promptly as practicable and, in any event, within 10 days after it obtains such Collateral) for the benefit of the Pledgee and the other Secured Creditors:

(i) with respect to a Certificated Security (other than a Certificated Security credited to an Account or on the books of a Clearing Corporation or Securities Intermediary), such Pledgor shall physically deliver such Certificated Security to the Pledgee, endorsed to the Pledgee or endorsed in blank;

(ii) with respect to an Uncertificated Security (other than an Uncertificated Security credited to an Account or on the books of a Clearing Corporation or Securities Intermediary), such Pledgor shall cause the issuer of such Uncertificated Security to duly authorize, execute, and deliver to the Pledgee, an agreement for the benefit of the Pledgee and the other Secured Creditors substantially in the form of Annex F hereto (appropriately completed to the satisfaction of the Pledgee and with such modifications, if any, as shall be satisfactory to the Pledgee) pursuant to which such issuer agrees to comply with any and all instructions originated by the Pledgee without further consent by the registered owner and not to comply with instructions regarding such Uncertificated Security (and any Partnership Interests and Limited Liability Company Interests issued by such issuer) originated by any other Person other than a court of competent jurisdiction;

(iii) with respect to a Certificated Security, Uncertificated Security, Partnership Interest or Limited Liability Company Interest credited on the books of a Clearing Corporation or Securities Intermediary (including a Federal Reserve Bank, Participants Trust Company or The Depository Trust Company) (other than any Collateral credited to an Account), such Pledgor shall promptly notify the Pledgee thereof and shall promptly take (x) all actions required (i) to comply with the applicable rules of such Clearing Corporation or Securities Intermediary and (ii) to perfect the security interest of the Pledgee under applicable law (including, in any event, under Sections 9-314(a), (b) and (c), 9-106 and 8-106(d) of the UCC) and (y) such other actions as the Pledgee deems necessary or desirable to effect the foregoing; and

(iv) with respect to a Partnership Interest or a Limited Liability Company Interest (other than a Partnership Interest or Limited Liability Company Interest credited to an Account or on the books of a Clearing Corporation or Securities Intermediary), (1) if such Partnership Interest or Limited Liability Company Interest is represented by a certificate and is a Security, the procedure set forth in Section 3.2(a)(i) hereof, and (2) if such Partnership Interest or Limited Liability Company Interest is not represented by a certificate and is a Security for purposes of the UCC, the procedure set forth in Section 3.2(a)(ii) hereof.

(b) In addition to the actions required to be taken pursuant to Section 3.2(a) hereof, each Pledgor shall take the following additional actions with respect to the Collateral:

(i) with respect to all Collateral of such Pledgor whereby or with respect to which the Pledgee may obtain "control" thereof within the meaning of Section 8-106 of the UCC (or under any provision of the UCC as same may be amended or supplemented from time to time, or under the laws of any relevant State other than the State of New York), such Pledgor shall take all actions as may be requested from time to time by the Pledgee so that (subject to prior Liens in respect of Existing Collateral) "control" of such Collateral is obtained and at all times held by the Pledgee; and

(ii) each Pledgor shall from time to time upon request by the Pledgee, cause appropriate financing statements (on appropriate forms) under the Uniform Commercial Code as in effect in the various relevant States, covering all Collateral hereunder (with the form of such financing statements to be satisfactory to the Pledgee), to be filed in the relevant filing offices so that at all times the Pledgee's security interest in all Collateral which can be perfected by the filing of such financing statements (in each case to the maximum extent perfection by filing may be obtained under the laws of the relevant States, including, without limitation, Section 9-312(a) of the UCC) is so perfected.

3.3 Subsequently Acquired Collateral. If any Pledgor shall acquire (by purchase, stock dividend, distribution or otherwise) any additional Collateral at any time or from time to time after the date hereof, (i) such Collateral shall automatically (and without any further action being required to be taken) be subject to the pledge and security interests created pursuant to Section 3.1 hereof and, furthermore, such Pledgor will thereafter take (or cause to be taken) all action (as promptly as practicable and, in any event, within 10 days after it obtains such Collateral) with respect to such Collateral in accordance with the procedures set forth in Section 3.2 hereof, and will promptly thereafter deliver to the Pledgee (i) a certificate executed by an authorized officer of such Pledgor describing such Collateral and certifying that the same has been duly pledged in favor of the Pledgee (for the benefit of the Secured Creditors) hereunder and (ii) supplements to Annexes A through E hereto as are necessary to cause such Annexes to be complete and accurate at such time.

3.4 Transfer Taxes. Each pledge of Collateral under Section 3.1 or Section 3.3 hereof shall be accompanied by any transfer tax stamps required in connection with the pledge of such Collateral.

3.5 Certain Representations and Warranties Regarding the Collateral. Each Pledgor represents and warrants that on the date hereof: (i) each Subsidiary of such Pledgor, and the direct ownership thereof, is listed in Annex B hereto; (ii) the Limited Liability Company Interests held by such Pledgor consist of the number and type of interests of the Persons described in Annex C hereto; (iii) each such Limited Liability Company Interest referenced in clause (ii) of this paragraph constitutes that percentage of the issued and outstanding equity interest of the issuing Person as set forth in Annex C hereto; (iv) the Partnership Interests held by such Pledgor consist of the number and type of interests of the Persons described in Annex D hereto; (v) each such Partnership Interest referenced in clause (iv) of this paragraph constitutes that percentage or portion of the entire partnership interest of the Partnership as set forth in Annex D hereto; (vi) exact address of each chief executive office of such Pledgor is listed on Annex E hereto; (vii) the Pledgor has complied with the respective procedure set forth in Section 3.2(a) hereof with respect to each item of Collateral described in Annexes C and D hereto; and (viii) on the date hereof, such Pledgor owns no other Limited Liability Company Interests or Partnership Interests.

4. APPOINTMENT OF SUB-AGENTS; ENDORSEMENTS, ETC. The Pledgee shall have the right to appoint one or more sub-agents for the purpose of retaining physical possession of the Collateral, which may be held (in the discretion of the Pledgee) in the name of the relevant Pledgor, endorsed or assigned in blank or in favor of the Pledgee or any nominee or nominees of the Pledgee or a sub-agent appointed by the Pledgee.

5. VOTING, ETC., WHILE NO EVENT OF DEFAULT. Unless and until there shall have occurred and be continuing an Event of Default, each Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Collateral owned by it, and to give consents, waivers or ratifications in respect thereof; provided that, in each case, no vote shall be cast or any consent, waiver or ratification given or any action taken or omitted to be taken which would violate, result in a breach of any covenant contained in, or be inconsistent with any of the terms of any Credit Document, or which could reasonably be expected to have the effect of materially impairing the value of the Collateral, taken as a whole, unless expressly permitted by the terms of the Credit Documents. All such rights of each Pledgor to vote and to give consents, waivers and ratifications shall cease in case an Event of Default has occurred and is continuing, and Section 7 hereof shall become applicable. Unless and until there shall have occurred and be continuing an Event of Default, the Pledgee shall not deliver any instructions or orders to any issuer of Uncertificated Securities, Limited Liability Company Interests and/or Partnership Interests under any agreement entered into pursuant to Section 3.2(a)(ii) hereof.

6. DIVIDENDS AND OTHER DISTRIBUTIONS. Unless and until there shall have occurred and be continuing an Event of Default, all cash dividends, cash distributions, cash Proceeds and other cash amounts payable in respect of the Collateral shall be paid, free and clear of all Liens created hereby to the respective Pledgor, provided, that all cash dividends payable in respect of the pledged Subject Stock which are determined by the Pledgee to represent in whole or in part an extraordinary, liquidating or other distribution in return of capital shall be paid, to the extent so determined to represent an extraordinary, liquidating or other distribution in return of capital, to the Pledgee and retained by it as part of the Collateral. Except to the extent credited to an Account, the Pledgee shall be entitled to receive directly, and to retain as part of the Collateral:

(i) all other or additional stock, notes, certificates, limited liability company interests, partnership interests, instruments or other securities or property (including, but not limited to, cash dividends other than as set forth above) paid or distributed by way of dividend or otherwise in respect of the Collateral;

(ii) all other or additional stock, notes, certificates, limited liability company interests, partnership interests, instruments or other securities or property (including, but not limited to, cash (although such cash may be paid directly to the respective Pledgor so long as no Event of Default then exists)) paid or distributed in respect of the Collateral by way of stock-split, spin-off, split-up, reclassification, combination of shares or similar rearrangement; and

(iii) all other or additional stock, notes, certificates, limited liability company interests, partnership interests, instruments or other securities or property (including, but not limited to, cash) which may be paid in respect of the Collateral by reason of any consolidation, merger, exchange of stock, conveyance of assets, liquidation or similar corporate or other reorganization.

Nothing contained in this Section 6 shall limit or restrict in any way the Pledgee's right to receive the proceeds of the Collateral in any form in accordance with Section 3 of this Agreement. All dividends, distributions or other payments which are received by any Pledgor contrary to the provisions of this Section 6 or Section 7 hereof shall be received in trust for the benefit of the Pledgee, shall be segregated from other property or funds of such Pledgor and shall be forthwith paid over to the Pledgee as Collateral in the same form as so received (with any necessary endorsement).

7. REMEDIES IN CASE OF AN EVENT OF DEFAULT. (a) If there shall have occurred and be continuing an Event of Default, then and in every such case, the Pledgee shall be entitled to exercise all of the rights, powers and remedies (whether vested in it by this Agreement, any other Credit Document or by law) for the protection and enforcement of its rights in respect of the Collateral, and the Pledgee shall (subject to prior Liens in respect of Existing Collateral) be entitled to exercise all the rights and remedies of a secured party under the UCC as in effect in any relevant jurisdiction and also shall be entitled, without limitation, to exercise the following rights, which each Pledgor hereby agrees to be commercially reasonable:

(i) to receive all amounts payable in respect of the Collateral otherwise payable under Section 6 hereof to the respective Pledgor;

(ii) to transfer all or any part of the Collateral into the Pledgee's name or the name of its nominee or nominees;

(iii) to vote (and exercise all rights and powers in respect of voting) all or any part of the Collateral (whether or not transferred into the name of the Pledgee) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof (each Pledgor hereby irrevocably constituting and appointing the Pledgee the proxy and attorney-in-fact of such Pledgor, with full power of substitution to do so);

(iv) at any time and from time to time to sell, assign and deliver, or grant options to purchase, all or any part of the Collateral, or any interest therein, at any public or private sale, without demand of performance, advertisement or, notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise purchase or dispose (all of which are hereby waived by each Pledgor), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Pledgee in its absolute discretion may determine, provided at least 10 days' written notice of the time and place of any such sale shall be given to the respective Pledgor. The Pledgee shall not be obligated to make any such sale of Collateral regardless of whether any such notice of sale has theretofore been given. Each Pledgor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security or the Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Pledgee on behalf of the Secured Creditors may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Pledgee nor any other Secured Creditor shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto; and

(v) to set off any and all Collateral against any and all Obligations, and subject to the Intercreditor Agreements, apply the Existing Collateral to the payment of the Obligations.

(b) Subject to prior Liens in respect of Existing Collateral, if there shall have occurred and be continuing an Event of Default, then and in every such case, the Pledgee shall be entitled to vote (and exercise all rights and powers in respect of voting) all or any part of the Collateral (whether or not transferred into the name of the Pledgee) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof (each Pledgor hereby irrevocably constituting and appointing the Pledgee the proxy and attorney-in-fact of such Pledgor, with full power of substitution to do so).

8. REMEDIES, CUMULATIVE, ETC. Each and every right, power and remedy of the Pledgee provided for in this Agreement or in any other Credit Document, or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Pledgee or any other Secured Creditor of any one or more of the rights, powers or remedies provided for in this Agreement or any other Credit Document or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Pledgee or any other Secured Creditor of all such other rights, powers or remedies, and no failure or delay on the part of the Pledgee or any other Secured Creditor to exercise any such right, power or remedy shall operate as a waiver thereof. No notice to or demand on any Pledgor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Pledgee or any other Secured Creditor to any other or further action in any circumstances without notice or

demand. By accepting the benefits of this Agreement and each other Security Document, the Secured Creditors agree that this Agreement may be enforced only by the action of the Pledgee, in each case, acting upon the instructions of the Required Secured Creditors, and that no other Secured Creditor shall have any right individually to seek to enforce or to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by the Pledgee for the benefit of the Secured Creditors upon the terms of this Agreement, and with respect to the Existing Collateral, subject to the terms of the Intercreditor Agreements and applicable law relating to priority of Liens.

9. APPLICATION OF PROCEEDS. (a) All monies collected by the Pledgee upon any sale or other disposition of the Collateral, together with all other monies received by the Pledgee hereunder, shall be applied as follows:

(i) first, to the payment of all amounts owing the Pledgee of the type described in clauses (iii) and (iv) of the definition of "Obligations";

(ii) second, to the extent proceeds remain after the application pursuant to the preceding clause (i), to the payment of the outstanding Obligations in such order as will be determined by the Pledgee; and

(iii) third, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii), inclusive, and following the termination of this Agreement pursuant to Section 20(a) hereof, to the relevant Pledgor or to whomever may be lawfully entitled to receive such surplus.

(b) All payments required to be made hereunder shall be made to the Administrative Agent for the account of the Secured Creditors.

(c) It is understood and agreed that each Pledgor shall remain liable with respect to its respective Obligations to the extent of any deficiency between the amount of the proceeds of the Collateral pledged by it hereunder and the aggregate amount of such Obligations.

10. PURCHASERS OF COLLATERAL. Upon any sale of the Collateral by the Pledgee hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process or otherwise), the receipt of the Pledgee or the officer making such sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Pledgee or such officer or be answerable in any way for the misapplication or nonapplication thereof.

11. INDEMNITY. Each Pledgor jointly and severally agrees (i) to indemnify, reimburse and hold harmless the Pledgee and each other Secured Creditor and their respective successors, assigns, employees, agents and affiliates (individually an "Indemnitee", and collectively, the "Indemnitees") from and against any and all obligations, damages, injuries, penalties, claims, demands, losses, judgments and liabilities (including, without limitation, liabilities for penalties) of whatsoever kind or nature, and (ii) to reimburse each Indemnitee for all reasonable costs, expenses and disbursements, including reasonable attorneys' fees and expenses, in each case arising out of or resulting from this Agreement or the exercise by any

Indemnitee of any right or remedy granted to it hereunder or under any other Credit Document (but excluding any obligations, damages, injuries, penalties, claims, demands, losses, judgments and liabilities (including, without limitation, liabilities for penalties) or expenses of whatsoever kind or nature to the extent incurred or arising by reason of gross negligence or willful misconduct of such Indemnitee (as determined by a court of competent jurisdiction in a final and non-appealable decision)). In no event shall the Pledgee hereunder be liable, in the absence of gross negligence or willful misconduct on its part (as determined by a court of competent jurisdiction in a final and non-appealable decision), for any matter or thing in connection with this Agreement other than to account for monies or other property actually received by it in accordance with the terms hereof. If and to the extent that the obligations of any Pledgor under this Section 11 are unenforceable for any reason, such Pledgor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law. The indemnity obligations of each Pledgor contained in this Section 11 shall continue in full force and effect notwithstanding the full payment of all the Notes issued under the Credit Agreement and the payment of all other Obligations and notwithstanding the discharge thereof.

12. PLEDGEE NOT A PARTNER OR LIMITED LIABILITY COMPANY MEMBER. (a) Nothing herein shall be construed to make the Pledgee or any other Secured Creditor liable as a member of any limited liability company or as a partner of any partnership and neither the Pledgee nor any other Secured Creditor by virtue of this Agreement or otherwise (except as referred to in the following sentence) shall have any of the duties, obligations or liabilities of a member of any limited liability company or as a partner in any partnership. To the extent permitted by law, the parties hereto expressly agree that, unless the Pledgee shall become the absolute owner of Collateral consisting of a Limited Liability Company Interest or a Partnership Interest pursuant hereto, this Agreement shall not be construed as creating a partnership or joint venture among the Pledgee, any other Secured Creditor, any Pledgor and/or any other Person.

(b) Except as provided in the last sentence of paragraph (a) of this Section 12, the Pledgee, by accepting this Agreement, did not intend to become a member of any limited liability company or a partner of any partnership or otherwise be deemed to be a co-venturer with respect to any Pledgor, any limited liability company, partnership and/or any other Person either before or after an Event of Default shall have occurred. The Pledgee shall have only those powers set forth herein and the Secured Creditors shall assume none of the duties, obligations or liabilities of a member of any limited liability company or as a partner of any partnership or any Pledgor except as provided in the last sentence of paragraph (a) of this Section 12.

(c) The Pledgee and the other Secured Creditors shall not be obligated to perform or discharge any obligation of any Pledgor as a result of the pledge hereby effected.

(d) The acceptance by the Pledgee of this Agreement, with all the rights, powers, privileges and authority so created, shall not at any time or in any event obligate the Pledgee or any other Secured Creditor to appear in or defend any action or proceeding relating to the Collateral to which it is not a party, or to take any action hereunder or thereunder, or to expend any money or incur any expenses or perform or discharge any obligation, duty or liability under the Collateral.

13. FURTHER ASSURANCES; POWER-OF-ATTORNEY. (a) Each Pledgor agrees that it will join with the Pledgee in executing and, at such Pledgor's own expense, file and refile under the UCC or other applicable law such financing statements, continuation statements and other documents, in form reasonably acceptable to the Pledgee, in such offices as the Pledgee (acting on its own or on the instructions of the Required Secured Creditors) may reasonably deem necessary or appropriate and wherever required or permitted by law in order to perfect and preserve the Pledgee's security interest in the Collateral hereunder and hereby authorizes the Pledgee to file financing statements and amendments thereto relative to all or any part of the Collateral without the signature of such Pledgor where permitted by law, and agrees to do such further acts and things and to execute and deliver to the Pledgee such additional conveyances, assignments, agreements and instruments as the Pledgee may reasonably require or deem advisable to carry into effect the purposes of this Agreement or to further assure and confirm unto the Pledgee its rights, powers and remedies hereunder or thereunder.

(b) Each Pledgor hereby constitutes and appoints the Pledgee its true and lawful attorney-in-fact, irrevocably, with full authority in the place and stead of such Pledgor and in the name of such Pledgor or otherwise, from time to time after the occurrence and during the continuance of an Event of Default, in the Pledgee's discretion, to act, require, demand, receive and give acquittance for any and all monies and claims for monies due or to become due to such Pledgor under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings and to execute any instrument which the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement, which appointment as attorney is coupled with an interest.

14. THE PLEDGEE AS COLLATERAL AGENT. The Pledgee will hold in accordance with this Agreement all items of the Collateral at any time received under this Agreement. It is expressly understood, acknowledged and agreed by each Secured Creditor that by accepting the benefits of this Agreement each such Secured Creditor acknowledges and agrees that the obligations of the Pledgee as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement and in Section 12 of the Credit Agreement. The Pledgee shall act hereunder on the terms and conditions set forth herein and in Section 12 of the Credit Agreement.

15. TRANSFER BY THE PLEDGORS. (a) Except as permitted pursuant to the Credit Agreement, prior to the date all Obligations have been paid in full and all Commitments under the Credit Agreement have been terminated, no Pledgor will sell or otherwise dispose of, grant any option with respect to, or mortgage, pledge or otherwise encumber any of the Collateral or any interest therein.

(b) Notwithstanding anything to the contrary contained in the Cash Collateral Agreements, the Borrower shall not request the release of Existing Collateral from the Accounts (under and as defined in each Cash Collateral Agreement) until the Termination Date (defined below) has occurred.

16. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PLEDGORS. (a) Each Pledgor represents, warrants and covenants as to itself and each of its Subsidiaries that:

(i) it is the legal, beneficial and record owner of, and has good and marketable title to, all of its Collateral consisting of Subject Stock and that it has sufficient interest in all of its Collateral in which a security interest is purported to be created hereunder for such security interest to attach (subject, in each case, to no pledge, lien, mortgage, hypothecation, security interest, charge, option, Adverse Claim or other encumbrance whatsoever, except the liens and security interests created by this Agreement or permitted under the Credit Documents);

(ii) it has full power, authority and legal right to pledge all the Collateral pledged by it pursuant to this Agreement;

(iii) this Agreement has been duly authorized, executed and delivered by such Pledgor and constitutes a legal, valid and binding obligation of such Pledgor enforceable against such Pledgor in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in equity or at law);

(iv) except to the extent already obtained or made, no consent of any other party (including, without limitation, any stockholder, partner, member or creditor of such Pledgor or any of its Subsidiaries) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required to be obtained by such Pledgor in connection with (a) the execution, delivery or performance of this Agreement by such Pledgor, (b) the validity or enforceability of this Agreement against such Pledgor (except as set forth in clause (iii) above), (c) the perfection or enforceability of the Pledgee's security interest in such Pledgor's Collateral or (d) except for compliance with or as may be required by applicable securities laws, the exercise by the Pledgee of any of its rights or remedies provided herein;

(v) neither the execution, delivery or performance by such Pledgor of this Agreement or any other Credit Document to which it is a party, nor compliance by it with the terms and provisions hereof and thereof nor the consummation of the transactions contemplated therein: (i) will contravene any provision of any applicable law, statute, rule or regulation, or any applicable order, writ, injunction or decree of any court, arbitrator or governmental instrumentality, domestic or foreign, applicable to such Pledgor; (ii) will conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (except pursuant to the Security Documents) upon any of the properties or assets of such Pledgor or any of its Subsidiaries pursuant to the terms of any indenture, lease, mortgage, deed of trust, credit agreement, loan agreement or any other material agreement, contract or other instrument to which such Pledgor or any of its Subsidiaries is a party or is otherwise bound, or by which it or any of its properties or assets is bound or to which it may be subject; or (iii) will violate any provision of the certificate of incorporation, by-laws, certificate of partnership, partnership agreement, certificate of formation or limited liability company agreement (or equivalent organizational documents), as the case may be, of such Pledgor or any of its Subsidiaries;

(vi) all of such Pledgor's Collateral consisting of Subject Stock has been duly and validly issued, is fully paid and non-assessable and is subject to no options to purchase or similar rights;

(vii) the pledge, collateral assignment and delivery to the Pledgee of such Pledgor's Subject Stock consisting of Certificated Securities (if any) pursuant to this Agreement creates a valid and perfected first priority security interest in such Certificated Securities, and the proceeds thereof, subject to no prior Lien or encumbrance or to any agreement purporting to grant to any third party a Lien or encumbrance on the property or assets of such Pledgor which would include such Securities (other than the liens and security interests permitted under the Credit Documents then in effect) and the Pledgee is entitled to all the rights, priorities and benefits afforded by the UCC or other relevant law as enacted in any relevant jurisdiction to perfect security interests in respect of such Collateral;

(viii) "control" (as defined in Section 8-106 of the UCC) has been obtained by the Pledgee over all of such Pledgor's Subject Stock consisting of Securities (if any) with respect to which such "control" may be obtained pursuant to Section 8-106 of the UCC, except to the extent that the obligation of the applicable Pledgor to provide the Pledgee with "control" of such Collateral has not yet arisen under this Agreement; provided that in the case of the Pledgee obtaining "control" over Collateral consisting of a Security Entitlement, such Pledgor shall have taken all steps in its control so that the Pledgee obtains "control" over such Security Entitlement; and

(ix) no Limited Liability Company Interest listed on Annex C or Partnership Interest listed on Annex D hereto is a "Security" as defined in the UCC.

(b) Each Pledgor covenants and agrees that it will defend the Pledgee's right, title and security interest in and to such Pledgor's Collateral against the claims and demands of all persons whomsoever; and each Pledgor covenants and agrees that it will have like title to and right to pledge any other property at any time hereafter pledged to the Pledgee by such Pledgor as Collateral hereunder and will likewise defend the right thereto and security interest therein of the Pledgee and the other Secured Creditors.

17. LEGAL NAMES; TYPE OF ORGANIZATION (AND WHETHER A REGISTERED ORGANIZATION AND/OR A TRANSMITTING UTILITY); JURISDICTION OF ORGANIZATION; LOCATION; ORGANIZATIONAL IDENTIFICATION NUMBERS; CHANGES THERETO; ETC. The exact legal name of each Pledgor, the type of organization of such Pledgor, whether or not such Pledgor is a Registered Organization, the jurisdiction of organization of such Pledgor, such Pledgor's Location, the organizational identification number (if any) of each Pledgor, and whether or not such Pledgor is a Transmitting Utility, is listed on

Annex A hereto for such Pledgor. No Pledgor shall change its legal name, its type of organization, its status as a Registered Organization (in the case of a Registered Organization), its status as a Transmitting Utility or as a Person which is not a Transmitting Utility, as the case may be, its jurisdiction of organization, its Location, or its organizational identification number (if any), except that any such changes shall be permitted (so long as not in violation of the applicable requirements of the Credit Documents and so long as same do not involve (x) a Registered Organization ceasing to constitute same or (y) any Pledgor changing its jurisdiction of organization or Location from the United States or a State thereof to a jurisdiction of organization or Location, as the case may be, outside the United States or a State thereof) if (i) it shall have given to the Collateral Agent not less than 15 days' prior written notice of each change to the information listed on Annex A (as adjusted for any subsequent changes thereto previously made in accordance with this sentence), together with a supplement to Annex A which shall correct all information contained therein for such Pledgor, and (ii) in connection with the respective such change or changes, it shall have taken all action reasonably requested by the Collateral Agent to maintain the security interests of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect. In addition, to the extent that any Pledgor does not have an organizational identification number on the date hereof and later obtains one, such Pledgor shall promptly thereafter deliver a notification of the Collateral Agent of such organizational identification number and shall take all actions reasonably satisfactory to the Collateral Agent to the extent necessary to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby fully perfected and in full force and effect.

18. PLEDGORS' OBLIGATIONS ABSOLUTE, ETC. The obligations of each Pledgor under this Agreement shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever (other than termination of this Agreement pursuant to Section 20 hereof), including, without limitation:

(i) any renewal, extension, amendment or modification of, or addition or supplement to or deletion from any Credit Document (other than this Agreement in accordance with its terms), or any other instrument or agreement referred to therein, or any assignment or transfer of any thereof;

(ii) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreement or instrument including, without limitation, this Agreement (other than a waiver, consent or extension with respect to this Agreement in accordance with its terms);

(iii) any furnishing of any additional security to the Pledgee or its assignee or any acceptance thereof or any release of any security by the Pledgee or its assignee;

(iv) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; or

(v) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to any Pledgor or any Subsidiary of any Pledgor, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not such Pledgor shall have notice or knowledge of any of the foregoing.

19. SALE OF COLLATERAL WITHOUT REGISTRATION. If at any time when the Pledgee shall determine to exercise its right to sell all or any part of the Collateral consisting of Subject Stock pursuant to Section 7 hereof, and such Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Securities Act, as then in effect, the Pledgee may, in its sole and absolute discretion, sell such Collateral or part thereof by private sale in such manner and under such circumstances as the Pledgee may deem necessary or advisable in order that such sale may legally be effected without such registration. Without limiting the generality of the foregoing, in any such event the Pledgee, in its sole and absolute discretion (i) may proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Collateral or part thereof shall have been filed under such Securities Act, (ii) may approach and negotiate with a single possible purchaser to effect such sale, and (iii) may restrict such sale to a purchaser who will represent and agree that such purchaser is purchasing for its own account, for investment, and not with a view to the distribution or sale of such Collateral or part thereof. In the event of any such sale, the Pledgee shall incur no responsibility or liability for selling all or any part of the Collateral at a price which the Pledgee, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might be realized if the sale were deferred until the registration as aforesaid.

20. TERMINATION; RELEASE. (a) On the Termination Date (as defined below), this Agreement shall terminate (provided that all indemnities set forth herein including, without limitation, in Section 11 hereof shall survive any such termination) and the Pledgee, at the request and expense of such Pledgor, will execute and deliver to such Pledgor a proper instrument or instruments (including UCC termination statements) acknowledging the satisfaction and termination of this Agreement (including, without limitation, UCC termination statements and instruments of satisfaction, discharge and/or reconveyance), and will duly release from the security interest created hereby and assign, transfer and deliver to such Pledgor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Pledgee and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement, together with any moneys at the time held by the Pledgee or any of its sub-agents hereunder and, with respect to any Collateral consisting of an Uncertificated Security, a Partnership Interest or a Limited Liability Company Interest (other than an Uncertificated Security, Partnership Interest or Limited Liability Company Interest credited to an Account or on the books of a Clearing Corporation or Securities Intermediary), a termination of the agreement relating thereto executed and delivered by the issuer of such Uncertificated Security pursuant to Section 3.2(a)(ii) or by the respective partnership or limited liability company pursuant to Section 3.2(a)(iv)(2). As used in this Agreement, "Termination Date" shall mean the date upon which the Commitments under the Credit Agreement have been terminated, no Note (as defined in the Credit Agreement) is outstanding (and all Loans have been paid in full), and all other Obligations (other than indemnities described in Section 11 hereof and described in Section 13.01 of the Credit Agreement, and any other indemnities set forth in any

other Security Documents, in each case which are not then due and payable) then due and payable have been paid in full.

(b) In the event that any part of the Collateral is sold or otherwise disposed of (to a Person other than a Credit Party) (x) at any time prior to the time at which all Obligations have been paid in full and all Commitments under the Credit Agreement have been terminated, in connection with a sale or disposition permitted by Section 9.02 of the Credit Agreement or is otherwise released at the direction of the Required Lenders (or all the Lenders if required by Section 13.12 of the Credit Agreement) or (y) at any time thereafter, to the extent permitted by the other Credit Documents, and in the case of clauses (x) and (y), the proceeds of such sale or disposition (or from such release) are applied in accordance with the terms of the Credit Agreement or such other Credit Document, as the case may be, to the extent required to be so applied, the Pledgee, at the request and expense of such Pledgor, will duly release from the security interest created hereby (and will execute and deliver such documentation, including termination or partial release statements and the like in connection therewith) and assign, transfer and deliver to such Pledgor (without recourse and without any representation or warranty) such of the Collateral as is then being (or has been) so sold or released and as may be in the possession of the Pledgee (or, in the case of Collateral held by any sub-agent designated pursuant to Section 4 hereto, such sub-agent) and has not theretofore been released pursuant to this Agreement.

(c) At any time that any Pledgor desires that Collateral be released as provided in the foregoing Section 20(a) or (b), it shall deliver to the Pledgee (and the relevant sub-agent, if any, designated pursuant to Section 4 hereof) a certificate signed by an authorized officer of such Pledgor stating that the release of the respective Collateral is permitted pursuant to Section 20(a) or (b) hereof. If reasonably requested by the Pledgee (although the Pledgee shall have no obligation to make any such request), the relevant Pledgor shall furnish appropriate legal opinions (from counsel, reasonably acceptable to the Pledgee) to the effect set forth in the immediately preceding sentence.

(d) The Pledgee shall have no liability whatsoever to any other Secured Creditor as the result of any release of Collateral by it in accordance with (or which the Collateral Agent in good faith believes to be in accordance with) this Section 20.

21. NOTICES, ETC. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be sent or delivered by mail, telegraph, telex, telecopy, cable or courier service and all such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or telecopier, except that notices and communications to the Pledgee or any Pledgor shall not be effective until received by the Pledgee or such Pledgor, as the case may be. All notices and other communications shall be in writing and addressed as follows:

(a) if to any Pledgor, at its address set forth opposite its signature below;

(b) if to the Pledgee, at:

Deutche Bank AG New York Branch
60 Wall Street
New York, NY 10005
Attention: Joel Makowsky
Facsimile No.: (212) 797-4346

(c) if to any Secured Creditor, either (x) to the Administrative Agent, at the address of the Administrative Agent specified in the Credit Agreement, or (y) at such address as such Secured Creditor shall have specified in the Credit Agreement;

or at such other address or addressed to such other individual as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

22. WAIVER; AMENDMENT. Except as provided in Sections 30 and 32 hereof, none of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by each Pledgor directly affected thereby (it being understood that the addition or release of any Pledgor hereunder shall not constitute a change, waiver, discharge or termination affecting any Pledgor other than the Pledgor so added or released) and the Collateral Agent (with the written consent of the Required Secured Creditors).

23. SUCCESSORS AND ASSIGNS. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect, subject to release and/or termination as set forth in Section 20, (ii) be binding upon each Pledgor, its successors and assigns; provided, however, that no Pledgor shall assign any of its rights or obligations hereunder without the prior written consent of the Pledgee (with the prior written consent of the Required Secured Creditors), and (iii) inure, together with the rights and remedies of the Pledgee hereunder, to the benefit of the Pledgee, the other Secured Creditors and their respective successors, transferees and assigns. All agreements, statements, representations and warranties made by each Pledgor herein or in any certificate or other instrument delivered by such Pledgor or on its behalf under this Agreement shall be considered to have been relied upon by the Secured Creditors and shall survive the execution and delivery of this Agreement and the other Credit Documents regardless of any investigation made by the Secured Creditors or on their behalf.

24. HEADINGS DESCRIPTIVE. The headings of the several Sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

25. GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE. (a) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, IN EACH CASE WHICH ARE LOCATED IN THE COUNTY OF NEW YORK, AND, BY EXECUTION

AND DELIVERY OF THIS AGREEMENT, EACH PLEDGOR HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. EACH PLEDGOR HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK PERSONAL JURISDICTION OVER SUCH PLEDGOR, AND AGREES NOT TO PLEAD OR CLAIM IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN ANY OF THE AFORESAID COURTS THAT ANY SUCH COURT LACKS PERSONAL JURISDICTION OVER SUCH PLEDGOR. EACH PLEDGOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO ANY SUCH PLEDGOR AT ITS ADDRESS FOR NOTICES AS PROVIDED IN SECTION 21 ABOVE, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. EACH PLEDGOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY OTHER CREDIT DOCUMENT THAT SUCH SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE PLEDGEE UNDER THIS AGREEMENT, OR ANY SECURED CREDITOR, TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY PLEDGOR IN ANY OTHER JURISDICTION.

(b) EACH PLEDGOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

26. PLEDGOR'S DUTIES. It is expressly agreed, anything herein contained to the contrary notwithstanding, that each Pledgor shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the Pledgee shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement, except for the safekeeping of Collateral actually in Pledgor's possession, nor shall the Pledgee be required or obligated in any manner to perform or fulfill any of the obligations of any Pledgor under or with respect to any Collateral.

27. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with each Pledgor and the Pledgee.

28. SEVERABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

29. RECOURSE. This Agreement is made with full recourse to each Pledgor and pursuant to and upon all the representations, warranties, covenants and agreements on the part of such Pledgor contained herein and in the other Credit Documents and otherwise in writing in connection herewith or therewith.

30. ADDITIONAL PLEDGORS. It is understood and agreed that any Subsidiary of Holdings that is required to become a party to this Agreement after the date hereof pursuant to the requirements of the Credit Agreement or any other Credit Document, shall become a Pledgor hereunder by (x) executing a counterpart hereof and delivering same to the Pledgee, (y) delivering supplements to Annexes A through E, hereto as are necessary to cause such annexes to be complete and accurate with respect to such additional Pledgor on such date and (z) taking all actions as specified in this Agreement as would have been taken by such Pledgor had it been an original party to this Agreement, in each case with all documents required above to be delivered to the Pledgee and with all documents and actions required above to be taken to the reasonable satisfaction of the Pledgee.

31. LIMITED OBLIGATIONS. It is the desire and intent of each Pledgor and the Secured Creditors that this Agreement shall be enforced against each Pledgor to the fullest extent permissible under the laws applied in each jurisdiction in which enforcement is sought. Notwithstanding anything to the contrary contained herein, in furtherance of the foregoing, it is noted that the obligations of each Pledgor constituting a Guarantor have been limited as provided in the Guaranty.

32. RELEASE OF PLEDGORS. If at any time all of the Equity Interests of any Pledgor owned by the Borrower or any of its Subsidiaries are sold (to a Person other than a Credit Party) in a transaction permitted pursuant to the Credit Agreement (and which does not violate the terms of any other Credit Document then in effect), then, such Pledgor shall be released as a Pledgor pursuant to this Agreement without any further action hereunder (it being understood that the sale of all of the Equity Interests in any Person that owns, directly or indirectly, all of the Equity Interests in any Pledgor shall be deemed to be a sale of all of the Equity Interests in such Pledgor for purposes of this Section), and the Pledgee is authorized and directed to execute and deliver such instruments of release as are reasonably satisfactory to it. At any time that the Borrower desires that a Pledgor be released from this Agreement as provided in this Section 32, the Borrower shall deliver to the Pledgee a certificate signed by a principal executive officer of the Borrower stating that the release of such Pledgor is permitted pursuant to this Section 32. The Pledgee shall have no liability whatsoever to any other Secured Creditor as a result of the release of any Pledgor by it in accordance with, or which it believes in good faith to be in accordance with, this Section 32.

* * * *

IN WITNESS WHEREOF, each Pledgor and the Pledgee have caused this Agreement to be executed by their duly elected officers duly authorized as of the date first above written.

Address:

1111 Louisiana Street Houston, Texas 77002 Attention: Linda Geiger, Assistant Treasurer Facsimile: (713) 207-3301 copy to: Marc Kilbride, Treasurer Facsimile: (713) 207-3301	TEXAS GENCO HOLDINGS, INC., as a Pledgor By: /s/ Marc Kilbride ------------------------------------ Name: Marc Kilbride Title: Vice President and Treasurer

Address:

1111 Louisiana Street	TEXAS GENCO HOLDINGS, INC.,
Houston, Texas 77002	as a Pledgor
Attention: Linda Geiger,	
Assistant Treasurer	
Facsimile: (713) 207-3301	By: /s/ Marc Kilbride
copy to: Marc Kilbride, Treasurer	------------------------------------
Facsimile: (713) 207-3301	Name: Marc Kilbride
	Title: Vice President and Treasurer

Address:

1011 Centre Road, Suite 324
Wilmington, DE 19805
Telephone: (302) 225-0600
Facsimile: (302) 225-0625
Attention: President

TEXAS GENCO LP, LLC,
as a Pledgor

By: /s/ Patricia F. Genzel

Name: Patricia F. Genzel
Title: President and Secretary

with a copy to:
1111 Louisiana Street
Houston, Texas 77002
Attention: Linda Geiger,
Assistant Treasurer
Facsimile: (713) 207-3301
Copy to: Marc Kilbride, Treasurer
Facsimile: (713) 207-3301

Address:

<table>
<tr><td>c/o Texas Genco GP, LLC
1111 Louisiana Street
Houston, Texas 77002
Attention: Linda Geiger,

Assistant Treasurer

Facsimile: (713) 207-3301
copy to: Marc Kilbride, Treasurer
Facsimile: (713) 207-3301</td><td>TEXAS GENCO, LP
as a Pledgor

By: TEXAS GENCO GP, LLC,
its General Partner
By: /s/ Marc Kilbride

Name: Marc Kilbride
Title: Vice President and Treasurer</td></tr>
</table>

Accepted and Agreed to:

DEUTSCHE BANK AG NEW YORK BRANCH,
as Pledgee

By: /s/ Richard Henshall
\-------------------------
Name: Richard Henshall
Title: Director

By: /s/ Joel Makowsky
\-------------------------
Name: Joel Makowsky
Title: Director

ANNEX A
to
PLEDGE AGREEMENT

SCHEDULE OF LEGAL NAMES, TYPE OF ORGANIZATION
(AND WHETHER A REGISTERED ORGANIZATION AND/OR
A TRANSMITTING UTILITY), JURISDICTION OF ORGANIZATION,
LOCATION AND ORGANIZATIONAL IDENTIFICATION NUMBERS

Exact Legal Name of Each Pledgor	Type of Organization	Registered Organization? (Yes/No)	Jurisdiction of Organization	Pledgor's Location (for purposes of NY UCC Section 9-307)	Pledgor's Organization Identification Number (or, if it has none, so indicate)	Transmitting Utility? (Yes/No)
Texas Genco Holdings, Inc.	Corporation	Yes	Texas	Texas	800004728	No
Texas Genco GP, LLC	Limited Liability Company	Yes	Texas	Texas	800037793	No
Texas Genco LP, LLC	Limited Liability Company	Yes	Delaware	Delaware	3469190	No
Texas Genco, LP	Limited Partnership	Yes	Texas	Texas	800038960	Yes

ANNEX B
to
PLEDGE AGREEMENT

SCHEDULE OF SUBSIDIARIES

Entity	Jurisdiction of Organization	Ownership
Texas Genco GP, LLC	Texas limited liability company	1,000 outstanding Common Shares owned directly by Texas Genco Holdings, Inc. representing 100% of the outstanding equity.
Texas Genco LP, LLC	Delaware limited liability company	1,000 outstanding Common Shares owned directly by Texas Genco Holdings, Inc. representing 100% of the outstanding equity
Texas Genco, LP	Texas limited partnership	Texas Genco GP, LLC holds a 1% general partner interest; Texas Genco LP, LLC holds a 99% limited partner interest

ANNEX C
to
PLEDGE AGREEMENT

SCHEDULE OF LIMITED LIABILITY COMPANY INTERESTS

1. Texas Genco Holdings, Inc.

Name of Issuing Limited Liability Company	Type of Interest	Percentage Owned	Sub-clause of Section 3.2(a) of Pledge Agreement
Texas Genco GP, LLC	Common Shares	100%	None
Texas Genco LP, LLC	Common Shares	100%	None

ANNEX D
to
PLEDGE AGREEMENT

SCHEDULE OF PARTNERSHIP INTERESTS

1. Texas Genco GP, LLC

Name of Issuing Limited Partnership	Type of Interest	Percentage Owned	Sub-clause of Section 3.2(a) of Pledge Agreement
Texas Genco, LP	General Partner Interest	1%	None

2. Texas Genco LP, LLC

Name of Issuing Limited Partnership	Type of Interest	Percentage Owned	Sub-clause of Section 3.2(a) of Pledge Agreement
Texas Genco, LP	Limited Partner Interest	99%	None

ANNEX E
to
PLEDGE AGREEMENT

SCHEDULE OF CHIEF EXECUTIVE OFFICES

Name of Pledgor	Address(es) of Chief Executive Office
Texas Genco Holdings, Inc.	1111 Louisiana Street Houston, Texas 77002
Texas Genco GP, LLC	1111 Louisiana Street Houston, Texas 77002
Texas Genco LP, LLC	1011 Centre Road, Suite 324 Wilmington, Delaware 19805
Texas Genco, LP	1111 Louisiana Street Houston, Texas 77002

ANNEX F
to
PLEDGE AGREEMENT

Form of Agreement Regarding Uncertificated Securities, Limited Liability Company Interests and Partnership Interests

AGREEMENT (as amended, modified, restated and/or supplemented from time to time, this "Agreement"), dated as of [_______ __, 200_], among the undersigned pledgor (the "Pledgor"), Deutsche Bank AG New York Branch, not in its individual capacity but solely as Collateral Agent (the "Pledgee"), and [__________], as the issuer of the Uncertificated Securities, Limited Liability Company Interests and/or Partnership Interests (each as defined below) (the "Issuer").

WITNESSETH:

WHEREAS, the Pledgor, certain of its affiliates and the Pledgee have entered into a Pledge Agreement, dated as of February 3, 2005 (as amended, modified, restated and/or supplemented from time to time, the "Pledge Agreement"), under which, among other things, in order to secure the payment of the Obligations (as defined in the Pledge Agreement), the Pledgor has or will pledge to the Pledgee for the benefit of the Secured Creditors (as defined in the Pledge Agreement), and grant a security interest in favor of the Pledgee for the benefit of the Secured Creditors in, all of the right, title and interest of the Pledgor in and to any and all ["uncertificated securities" (as defined in Section 8-102(a)(18) of the Uniform Commercial Code, as adopted in the State of New York) ("Uncertificated Securities")] [Partnership Interests (as defined in the Pledge Agreement)] [Limited Liability Company Interests (as defined in the Pledge Agreement)], from time to time issued by the Issuer, whether now existing or hereafter from time to time acquired by the Pledgor (with all of such [Uncertificated Securities] [Partnership Interests] [Limited Liability Company Interests] being herein collectively called the "Issuer Pledged Interests"); and

WHEREAS, the Pledgor desires the Issuer to enter into this Agreement in order to perfect the security interest of the Pledgee under the Pledge Agreement in the Issuer Pledged Interests, to vest in the Pledgee control of the Issuer Pledged Interests and to provide for the rights of the parties under this Agreement;

NOW THEREFORE, in consideration of the premises and the mutual promises and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The Pledgor hereby irrevocably authorizes and directs the Issuer, and the Issuer hereby agrees, to comply with any and all instructions and orders originated by the Pledgee (and its successors and assigns) regarding any and all of the Issuer Pledged Interests without the further consent by the registered owner (including the Pledgor), and, following its receipt of a notice from the Pledgee stating that the Pledgee is exercising exclusive control of the Issuer Pledged Interests, not to comply with any instructions or orders regarding any or all of the Issuer Pledged Interests originated by any person or entity other than the Pledgee (and its successors and assigns) or a court of competent jurisdiction. Pledgee shall provide a copy of

such notice to the Pledgor and certify that such notice is in accordance with the Credit Documents.

2. The Issuer hereby certifies that (i) no notice of any security interest, lien or other encumbrance or claim affecting the Issuer Pledged Interests (other than the security interest of the Pledgee) has been received by it, and (ii) the security interest of the Pledgee in the Issuer Pledged Interests has been registered in the books and records of the Issuer.

3. The Issuer hereby represents and warrants that (i) the pledge by the Pledgor of, and the granting by the Pledgor of a security interest in, the Issuer Pledged Interests to the Pledgee, for the benefit of the Secured Creditors, does not violate the charter, by-laws, partnership agreement, membership agreement or any other agreement governing the Issuer or the Issuer Pledged Interests, and (ii) the Issuer Pledged Interests consisting of capital stock of a corporation are fully paid and nonassessable.

4. All notices, statements of accounts, reports, prospectuses, financial statements and other communications to be sent to the Pledgor by the Issuer in respect of the Issuer will also be sent to the Pledgee at the following address:

Deutsche Bank AG New York Branch
60 Wall Street
New York, NY 10005
Attention: Joel Makowsky
Facsimile: (212) 797-4346

5. Following its receipt of a notice from the Pledgee stating that the Pledgee is exercising exclusive control of the Issuer Pledged Interests and until the Pledgee shall have delivered written notice to the Issuer that all of the Obligations have been paid in full and this Agreement is terminated, the Issuer will send any and all redemptions, distributions, interest or other payments in respect of the Issuer Pledged Interests from the Issuer for the account of the Pledgee only by wire transfers to such account as the Pledgee shall instruct. If requested by the Pledgor, the Pledgee agrees to promptly provide such notice of termination in writing to the Issuer.

6. Except as expressly provided otherwise in Sections 4 and 5, all notices, instructions, orders and communications hereunder shall be sent or delivered by mail, telegraph, telex, telecopy, cable or overnight courier service and all such notices and communications shall, when mailed, telexed, telecopied, cabled or sent by overnight courier, be effective when deposited in the mails or delivered to overnight courier, prepaid and properly addressed for delivery on such or the next Business Day, or sent by telex or telecopier, except that notices and communications to the Pledgee or the Issuer shall not be effective until received. All notices and other communications shall be in writing and addressed as follows:

(a) if to the Pledgor, at:

____
____
____

____
Attention: _________
Telephone No.:
Fax No.:

(b) if to the Pledgee, at the address given in Section 4 hereof;

(c) if to the Issuer, at:

____
____
____

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder. As used in this Section 6, "Business Day" means any day other than a Saturday, Sunday, or other day in which banks in New York are authorized to remain closed.

7. This Agreement shall be binding upon the successors and assigns of the Pledgor and the Issuer and shall inure to the benefit of and be enforceable by the Pledgee and its successors and assigns. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever except in writing signed by the Pledgee, the Issuer and the Pledgor.

8. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its principles of conflict of laws.

IN WITNESS WHEREOF, the Pledgor, the Pledgee and the Issuer have caused this Agreement to be executed by their duly elected officers duly authorized as of the date first above written.

[______________________________],
as Pledgor

By ________________________________
Name:
Title:

DEUTSCHE BANK AG NEW YORK BRANCH
not in its individual capacity
but solely as Pledgee

By ________________________________
Name:
Title:

By ________________________________
Name:
Title:

[______________________________],
as the Issuer

By ________________________________
Name:
Title:

Table of Contents

Table of Contents
(Continued)

EXHIBIT 10(T)(7)

CENTERPOINT ENERGY, INC. SAVINGS PLAN

(As Amended and Restated Effective April 1, 1999)

Sixth Amendment

CenterPoint Energy, Inc., a Texas corporation, having reserved the right under Section 10.3 of the CenterPoint Energy, Inc. Savings Plan, as amended and restated effective as of April 1, 1999, and as thereafter amended (the "Plan"), to amend the Plan, does hereby amend the first paragraph of Section 6.6 of the Plan, effective as of January 1, 2005, by replacing all references to "$5,000" with "$1,000" therein.

IN WITNESS WHEREOF, CenterPoint Energy, Inc. has caused these presents to be executed by its duly authorized officer in a number of copies, all of which shall constitute one and the same instrument, which may be sufficiently evidenced by any executed copy hereof, on this 20th day of December 2004, but effective as of January 1, 2005.

CENTERPOINT ENERGY, INC.

By /s/ David M. McClanahan

David M. McClanahan
President and Chief Executive Officer

ATTEST:

/s/ Richard Dauphin
- ----------------------------------
Richard Dauphin
Assistant Secretary

EXHIBIT 10(T)(20)

CENTERPOINT ENERGY, INC. RETIREMENT PLAN
(As Amended and Restated Effective January 1, 1999)

Ninth Amendment

CenterPoint Energy, Inc., a Texas corporation, having reserved the right under Section 15.1 of the CenterPoint Energy, Inc. Retirement Plan, as amended and restated effective as of January 1, 1999, and as thereafter amended (the "Plan"), under Section 15.1 of the Plan, does hereby amend the first paragraph of Section 14.2 of the Plan, effective as of October 27, 2004, to read as follows:

"Each Employer shall contribute to the Plan every year such amount as shall be actuarially determined to be sufficient to fund the liability of the Plan. The amount of such contribution shall be determined annually by the Company, acting through its Chief Financial Officer or such other officer of the Company authorized by the Board, following actuarial determination. The Company shall, prior to the fixing of the amount of contributions by the respective Employers, cause such actuarial determination to be made by the Actuary appointed by it but the fixing of the amount of contributions by the Employers shall be made by the Company after considering the recommendation of such Actuary. In no event shall such annual contributions be less than the minimum amount required by the minimum funding standard of ERISA. The provisions of this Section 14.2 and Section 13.13 shall be deemed to be the procedure for establishing and carrying on the funding policy and method of the Plan. All expenses of administering the Plan shall be paid by the Employers on a pro rata basis."

IN WITNESS WHEREOF, CenterPoint Energy, Inc. has caused these presents to be executed by its duly authorized officer in a number of copies, all of which shall constitute one and the same instrument, which may be sufficiently evidenced by any executed copy hereof, on this 22nd day of November 2004, but effective as of the date specified herein.

CENTERPOINT ENERGY, INC.

By /s/ David M. McClanahan

David M. McClanahan
President and Chief Executive Officer

ATTEST:

/s/ Richard Dauphin
- ----------------------------------
Richard Dauphin
Assistant Secretary

EXHIBIT 10(T)(21)

CENTERPOINT ENERGY, INC. RETIREMENT PLAN

(As Amended and Restated Effective January 1, 1999)

Tenth Amendment

CenterPoint Energy, Inc., a Texas corporation, having reserved the right under Section 15.1 of the CenterPoint Energy, Inc. Retirement Plan, as amended and restated effective as of January 1, 1999, and as thereafter amended (the "Plan"), to amend the Plan, does hereby amend the Plan, effective as of January 1, 2005, as follows:

1. Section 9.2(c) of the Plan is hereby amended by replacing the reference to "Five Thousand Dollars ($5,000)" with "$1,000" therein.

2. Section 11.6 of the Plan is hereby amended by replacing the references to "Five Thousand Dollars ($5,000)" with "$1,000" therein.

3. Section 11.10(a) of the Plan is hereby amended by deleting the second sentence therein.

4. The penultimate paragraph of Section 17.7 of the Plan is hereby amended by replacing the reference to "$5,000" with "$1,000" therein.

IN WITNESS WHEREOF, CenterPoint Energy, Inc. has caused these presents to be executed by its duly authorized officer in a number of copies, all of which shall constitute one and the same instrument, which may be sufficiently evidenced by any executed copy hereof, on this 20th day of December 2004, but effective as of January 1, 2005.

CENTERPOINT ENERGY, INC.

By /s/ David M. McClanahan

David M. McClanahan
President and Chief Executive Officer

ATTEST:

/s/ Richard Dauphin
- -----------------------------------
Richard Dauphin
Assistant Secretary

EXHIBIT 10(LL)

CENTERPOINT ENERGY, INC.

SUMMARY OF NON-EMPLOYEE DIRECTOR COMPENSATION

The following is a summary of compensation paid to the non-employee directors of CenterPoint Energy, Inc. (the "Company") effective June 30, 2004. For additional information regarding the compensation of the non-employee directors, please read the definitive proxy statement relating to the Company's 2005 annual meeting of shareholders to be filed pursuant to Regulation 14A.

- Annual retainer fee of $50,000 for Board membership;
- Fee of $1,500 for each Board meeting attended;
- Fee of $1,500 for each committee meeting attended;
- Supplemental annual retainer of $7,500 for serving as a chairman of the Audit Committee; and
- Supplemental annual retainer of $5,000 for serving as a chairman of any other Board committee.

The Chairman receives the compensation payable to other non-employee directors plus supplemental compensation pursuant to a letter agreement with the Company incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

Stock Grants. Each non-employee director also receives an annual grant of up to 5,000 shares of CenterPoint Energy common stock which vest in one-third increments on the first, second and third anniversaries of the grant date. Upon the initial nomination to the Board, in addition to the annual grant, a non-employee director may be granted a one-time grant of up to but not exceeding 5,000 shares of CenterPoint Energy common stock.

Deferred Compensation Plan. Directors may elect each year to defer all or part of their annual retainer fees and meeting fees. Directors participating in these plans may elect to receive distributions of their deferred compensation and interest in three ways: (i) an early distribution of either 50% or 100% of their account balance in any year that is at least four years from the year of deferral up to the year in which they reach age 70, (ii) a lump sum distribution payable in the year after they reach age 70 or upon leaving the Board of Directors, whichever is later, or (iii) 15 annual installments beginning on the first of the month coincident with or next following age 70 or upon leaving the Board of Directors, whichever is later.

Director Benefits Plan. Non-employee directors elected to the Board before 2004 participate in a director benefits plan under which a director who serves at least one full year will receive an annual cash amount equal to the annual retainer (excluding any supplemental retainer) in effect when the director terminates service. Benefits under this plan begin the January following the later of the director's termination of service or attainment of age 65, for a period equal to the number of full years of service of the director.

Executive Life Insurance Plan. Non-employee directors who were elected to the Board before 2001 participate in CenterPoint Energy's executive life insurance plan. This plan provides endorsement split-dollar life insurance with a death benefit equal to six times the director's annual retainer, excluding any supplemental retainer, with coverage continuing after the director's termination of service at age 65 or later. Directors elected to the Board after 2000 may not participate in this plan.

EXHIBIT 10(MM)

CENTERPOINT ENERGY, INC.

SUMMARY OF NAMED EXECUTIVE OFFICER COMPENSATION

The following is a summary of compensation paid to the named executive officers of CenterPoint Energy, Inc. (the "Company"). For additional information regarding the compensation of the named executive officers, please read the definitive proxy statement relating to the Company's 2005 annual meeting of shareholders to be filed pursuant to Regulation 14A and the Company's Current Reports on Form 8-K referenced below.

Base Salary. The following table sets forth the annual base salary of the Company's named executive officers effective April 1, 2005:

NAME AND POSITION	2005 BASE SALARY
David M. McClanahan President and Chief Executive Officer	$880,000
Scott E. Rozzell Executive Vice President, General Counsel and Corporate Secretary	$405,000
Gary L. Whitlock Executive Vice President and Chief Financial Officer	$415,000
Byron R. Kelley Senior Vice President and Group President and Chief Operating Officer, CenterPoint Energy Pipelines and Field Services	$302,000
Thomas R. Standish Senior Vice President and Group President and Chief Operating Officer, CenterPoint Energy Houston Electric, LLC	$314,000

Short-Term Incentive Compensation Plan. Annual bonuses are paid to the Company's named executive officers pursuant to the Company's short-term incentive compensation plan, which provides for cash bonuses based on achievement over the course of the year of performance objectives approved by the Compensation Committee at the commencement of the year, in addition to cash bonuses which are based on individual performance and accomplishments.

Information regarding payouts under the short-term incentive compensation plan for fiscal year 2004 and performance goals for the named executive officers for 2005 is contained in the Company's Current Report on Form 8-K dated February 21, 2005.

Long-Term Incentive Compensation. Under the Company's long-term incentive plan, the Company's named executive officers may receive grants of (i) stock option awards, (ii) performance share awards and performance unit awards and/or (iii) restricted stock.

Information regarding certain awards to the Company's named executive officers pursuant to the Company's long-term incentive plan is contained in the Company's Current Reports on Form 8-K dated January 25, 2005 and February 21, 2005.

Exhibit 12

CENTERPOINT ENERGY, INCORPORATED AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(THOUSANDS OF DOLLARS)

YEAR ENDED DECEMBER 31,	2000	2001	2002	2003	2004
Income from continuing operations	$ 52,306	$ 356,621	$ 481,963	$ 408,771	$ 205,715
Income taxes for continuing operations	159,039	201,253	272,246	205,064	138,306
Minority interest expense (income)	(37)	(36)	11	(55)	(65)
Capitalized interest	(6,855)	(4,765)	(4,970)	(4,029)	(4,103)
Preference security dividend requirements of subsidiary	(1,572)	(1,338)	--	--	--
	202,881	551,735	749,250	609,751	339,853
Fixed charges, as defined:					
Interest	460,733	496,601	656,267	713,290	777,300
Capitalized interest	6,855	4,765	4,970	4,029	4,103
Distribution on trust preferred securities	44,976	45,278	55,545	27,797	--
Preference security dividend requirements of subsidiary	1,572	1,338	--	--	--
Interest component of rentals charged to operating expense	11,762	11,823	12,228	11,464	10,764
Total fixed charges	525,898	559,805	729,010	756,580	792,167
Earnings, as defined	$ 728,779	$ 1,111,540	$ 1,478,260	$ 1,366,331	$ 1,132,020
Ratio of earnings to fixed charges	1.39	1.99	2.03	1.81	1.43

EXHIBIT 21

SIGNIFICANT SUBSIDIARIES OF CENTERPOINT ENERGY, INC.

The following subsidiaries are deemed "significant subsidiaries" pursuant to Item 601(b) (21) of Regulation S-K:

Utility Holdings, LLC, a Texas corporation and a direct wholly owned subsidiary of CenterPoint Energy, Inc.

CNP Investment Management, Inc., a Texas corporation and a direct wholly owned subsidiary of CenterPoint Energy, Inc.

CenterPoint Energy Resources Corp., a Delaware corporation and an indirect wholly owned subsidiary of CenterPoint Energy, Inc.

CenterPoint Energy Houston Electric, LLC, a Texas corporation and an indirect wholly owned subsidiary of CenterPoint Energy, Inc.

(1) Pursuant to Item 601(b) (21) of Regulation S-K, registrant has omitted the names of subsidiaries, which considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" (as defined under Rule 1-02(w) of Regulation S-X) as of December 31, 2004.

(2) CenterPoint Energy Resources Corp. also conducts business under the names of its three unincorporated divisions: CenterPoint Energy Arkla, CenterPoint Energy Entex and CenterPoint Energy Minnegasco.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-120306, 333-116246, 333-114543, 333-114440 and 333-110348 on Form S-3; Registration Statement No. 333-123182 on Form S-4; Registration Statement Nos. 333-115976 and 333-105773 on Form S-8; Post-Effective Amendment No. 1 to Registration Statement Nos. 333-33301-99, 333-33303-99 and 333-58433-99 on Form S-3; Post Effective Amendment No. 1 to Registration Statement Nos. 333-32413-99, 333-49333-99, 333-38188-99, 333-60260-99, 333-98271-99 and 333-101202 on Form S-8; and Post-Effective Amendment No. 5 to Registration Statement No. 333-11329-99 on Form S-8 of our reports dated March 15, 2005 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the presentation of CenterPoint Energy, Inc.'s electric generating operations as discontinued operations), relating to the financial statements and financial statement schedules of CenterPoint Energy, Inc. and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of CenterPoint Energy for the year ended December 31, 2004.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
March 15, 2005

EXHIBIT 31.1

CERTIFICATIONS

I, David M. McClanahan, certify that:

1. I have reviewed this annual report on Form 10-K of CenterPoint Energy, Inc.;

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

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

4. The registrant's other certifying officer(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 13(a)-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: March 16, 2005

/s/ David M. McClanahan

David M. McClanahan
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Gary L. Whitlock, certify that:

1. I have reviewed this annual report on Form 10-K of CenterPoint Energy, Inc.;

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

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

4. The registrant's other certifying officer(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 13(a)-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: March 16, 2005

/s/ Gary L. Whitlock

Gary L. Whitlock
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Annual Report of CenterPoint Energy, Inc. (the "Company") on Form 10-K for the year ended December 31, 2004 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, David M. McClanahan, Chief 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

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David M. McClanahan
President and Chief Executive Officer
March 16, 2005

EXHIBIT 32.2

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

In connection with the Annual Report of CenterPoint Energy, Inc. (the "Company") on Form 10-K for the year ended December 31, 2004 (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
March 16, 2005