

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

FORM 10-K/A  
AMENDMENT NO. 2

(MARK ONE)

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 1-13265

CENTERPOINT ENERGY RESOURCES CORP.  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

76-0511406  
(I.R.S. Employer  
Identification Number)

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 -----
NorAm Financing I 6 1/4% Convertible Trust Originated Preferred Securities	New York Stock Exchange
6% Convertible Subordinated Debentures due 2012	New York Stock Exchange

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

NONE

CENTERPOINT ENERGY RESOURCES CORP. MEETS THE CONDITIONS SET FORTH IN  
GENERAL INSTRUCTION I(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS  
FORM 10-K WITH THE REDUCED DISCLOSURE FORMAT.

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

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 the registrant's 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.

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

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

The aggregate market value of the common equity held by non-affiliates as  
of June 30, 2004: None

EXPLANATORY NOTE

CenterPoint Energy Resources Corp. (CERC Corp. or the Company) hereby amends Items 7, 8 and 9A of Part II and Item 15 of Part IV of its Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 24, 2005 (Form 10-K), as amended by Amendment No. 1 thereto on Form 10-K/A filed on August 29, 2005 (Amendment No. 1), to reflect the restatement of the Company's consolidated financial statements as discussed in Note 13. Amendment No. 1 was filed solely for the purpose of supplementing the Form 10-K by filing the opinion of the Company's independent registered public accounting firm regarding the financial statement schedules contained in Item 15 that was inadvertently omitted from the Form 10-K. Contemporaneously with the filing of this Amendment No. 2 to the Form 10-K on this Form 10-K/A, CERC Corp. is filing amendments to its Quarterly Reports on Forms 10-Q/A for each of the first three quarters of 2005.

For purposes of this Form 10-K/A, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, each item of the Form 10-K, as amended by Amendment No. 1, that was affected by the restatement has been amended to the extent affected and restated in its entirety. NO ATTEMPT HAS BEEN MADE IN THIS FORM 10-K/A TO UPDATE OTHER DISCLOSURES AS PRESENTED IN THE FORM 10-K, AS AMENDED BY AMENDMENT NO. 1, EXCEPT AS REQUIRED TO REFLECT THE EFFECTS OF THE RESTATEMENT. ACCORDINGLY, THIS FORM 10-K/A SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S SEC FILINGS MADE SUBSEQUENT TO THE FILING OF THE FORM 10-K, INCLUDING ANY AMENDMENTS OF THOSE FILINGS. IN ADDITION, THIS FORM 10-K/A INCLUDES UPDATED CERTIFICATIONS FROM THE COMPANY'S CEO AND CFO AS EXHIBITS 31.1, 31.2, 32.1 AND 32.2.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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 11 in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 24, 2005.

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 II

### ITEM 7. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

The following narrative analysis should be read in combination with our consolidated financial statements and notes contained in Item 8 of this report.

#### RESTATEMENT

The following management narrative analysis gives effect to the restatement discussed in Note 13 to our consolidated financial statements.

#### BACKGROUND

We are an indirect wholly owned subsidiary of CenterPoint Energy, Inc. (CenterPoint Energy), a public utility holding company created on August 31, 2002, as part of a corporate restructuring of Reliant Energy, Incorporated (Reliant Energy). Our operating subsidiaries own and operate 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). For information about the 1935 Act, please read " -- Liquidity -- Certain Contractual and Regulatory Limits on Ability to Issue Securities and Pay Dividends."

#### BUSINESS SEGMENTS

Because we are an indirect wholly owned subsidiary of CenterPoint Energy, our determination of reportable segments considers the strategic operating units under which CenterPoint Energy manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. We have identified the following reportable business segments: Natural Gas Distribution, Pipelines and Gathering and Other Operations.

#### NATURAL GAS DISTRIBUTION

Our natural gas distribution business 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. Our 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

Our pipelines and gathering business operates two interstate natural gas pipelines as well as gas gathering facilities and also provides pipeline services. Our 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 our 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 provides monitoring activities at over 6,000 locations across Alabama, Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, Texas and Wyoming.

#### OTHER OPERATIONS

Our Other Operations business segment includes unallocated corporate costs and inter-segment eliminations.

## 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:

- state and federal legislative and regulatory actions or developments, 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;
- timely rate increases, including recovery of costs;
- 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 costs 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 of our services due to financial distress of our customers;
- our ability to control costs;
- the investment performance of CenterPoint Energy's 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 under "Risk Factors" in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 24, 2005 (CERC Corp. Form 10-K).

## CONSOLIDATED RESULTS OF OPERATIONS

Our results of operations are affected by seasonal fluctuations in the demand for natural gas and price movements of energy commodities. Our results of operations are also affected by, among other things, the actions of various federal and state governmental authorities having jurisdiction over rates we charge, competition in our various business operations, debt service costs and income tax expense.

The following table sets forth selected financial data for the years ended December 31, 2002, 2003 and 2004, followed by a discussion of our consolidated results of operations based on operating income. We have provided a reconciliation of consolidated operating income to net income below.

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
(IN MILLIONS)			
Revenues .....	\$4,208	\$5,650	\$6,472
Expenses:			
Natural gas .....	2,901	4,297	5,013
Operation and maintenance .....	667	688	732
Depreciation and amortization ....	167	176	187
Taxes other than income taxes ....	120	130	147
Total .....	3,855	5,291	6,079
Operating Income .....	353	359	393
Interest and other finance charges ..	(153)	(179)	(178)
Other income, net .....	8	8	16
Income Before Income Taxes .....	208	188	231
Income Tax Expense .....	(88)	(59)	(87)
Net Income .....	\$ 120	\$ 129	\$ 144

2004 Compared to 2003. We reported net income of \$144 million for 2004 as compared to \$129 million for 2003. The increase in net income of \$15 million was primarily due to increased operating income of \$20 million in our Natural Gas Distribution business segment, primarily due to rate increases, and increased operating income of \$22 million in our Pipelines and Gathering business segment, primarily from increased throughput, favorable commodity prices and increased ancillary services.

Our effective tax rate for 2004 and 2003 was 37.5% and 31.3%, respectively. The increase in the effective rate for 2004 compared to 2003 was primarily the result of a non-recurring decreased tax expense in 2003 relating to our Minnesota operations.

2003 Compared to 2002. We reported net income of \$129 million for 2003 as compared to \$120 million for 2002. The increase in net income of \$9 million was primarily due to increased operating income of \$4 million in our Natural Gas Distribution business segment, primarily due to rate increases, and increased operating income of \$5 million in our Pipelines and Gathering business segment, primarily from favorable commodity prices and increased ancillary services.

Our effective tax rate for 2003 and 2002 was 31.3% and 42.2%, respectively. The decrease in the effective rate for 2003 compared to 2002 was primarily the result of a non-recurring decreased tax expense in 2003 relating to our Minnesota operations.

#### RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The following tables present operating income for our Natural Gas Distribution and Pipelines and Gathering 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.

## NATURAL GAS DISTRIBUTION

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

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
Operating Revenues .....	\$3,960	\$5,435	\$6,173
Operating Expenses:			
Natural gas .....	2,995	4,428	5,120
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	5,951
Operating Income .....	\$ 198	\$ 202	\$ 222

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):

	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

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).

#### FLUCTUATIONS IN COMMODITY PRICES AND DERIVATIVE INSTRUMENTS

For information regarding our exposure to risk as a result of fluctuations in commodity prices and derivative instruments, please read "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of the CERC Form 10-K.

#### LIQUIDITY

Our liquidity and capital requirements are affected primarily by our results of operations, capital expenditures, debt service requirements, and working capital needs. Our principal cash requirements during 2005 are approximately \$357 million of capital expenditures and \$361 million principal amount of maturing debt. We expect that borrowings under our credit facility, anticipated cash flows from operations and borrowings from affiliates will be sufficient to meet our cash needs for 2005.

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" below.

Capital Requirements. We anticipate investing up to an aggregate \$1.6 billion in capital expenditures in the years 2005 through 2009. The following table sets forth our capital expenditures for 2004 and estimates of our capital requirements for 2005 through 2009 (in millions):

2004...	\$269
2005...	357
2006...	343
2007...	281
2008...	260
2009...	312

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) ..	\$2,368	\$ 367	\$158	\$ 7	\$307	\$ 7	\$1,522
Operating leases(3) .....	91	20	16	12	11	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 .....	\$3,924	\$1,220	\$575	\$216	\$349	\$15	\$1,549
	=====	=====	=====	=====	=====	=====	=====

(1) We expect to contribute approximately \$16 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.

- (3) For a discussion of operating leases, please read Note 9(b) to our consolidated financial statements.
- (4) For a discussion of other commodity commitments, please read Note 9(a) to our consolidated financial statements.

Off-Balance Sheet Arrangements. Other than operating leases, we have no off-balance sheet arrangements. However, we do participate in a receivables factoring arrangement. We formed a bankruptcy remote subsidiary, which we consolidate, for the sole purpose of buying receivables created by us 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 Sheets. 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. As of March 11, 2005, we had a \$250 million credit facility under which no borrowings had been made. The credit facility terminates on March 23, 2007.

Securities Registered with the SEC. At December 31, 2004, we had a shelf registration statement covering \$50 million of debt securities.

Money Pool. We participate in a "money pool" through which we and certain of our affiliates can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The money pool's net funding requirements are generally met by borrowings of CenterPoint Energy. The terms of the money pool are in accordance with requirements applicable to registered public utility holding companies under the 1935 Act and under an order from the SEC dated June 30, 2003 (June 2003 Financing Order) relating to our financing activities. The order expires in June 2005; however, we will seek approval for subsequent participation in the money pool prior to that date. Our money pool borrowing limit under such financing orders is \$600 million. At December 31, 2004, we had \$42 million invested in the money pool. The money pool may not provide sufficient funds to meet our cash needs.

Impact on Liquidity of a Downgrade in Credit Ratings. As of March 24, 2005, Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services, a division of The McGraw Hill Companies (S&P) and Fitch, Inc. (Fitch) had assigned the following credit ratings to our senior unsecured debt:

MOODY'S		S&P		FITCH	
RATING	REVIEW(1)	RATING	OUTLOOK(2)	RATING	OUTLOOK(3)
Ba1	Possible Upgrade	BBB	Negative	BBB	Stable

(1) A "review for possible upgrade" from Moody's indicates that a rating is under review for possible change in the short-term, usually within 90 days.

(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, the willingness of suppliers to extend credit lines to us on an unsecured basis and the execution of our commercial strategies.

A decline in credit ratings would increase borrowing costs under our \$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 as more fully described in " -- Certain Contractual and Regulatory Limits on Ability to Issue Securities and Pay Dividends" below. Additionally, a decline in credit ratings could increase cash collateral requirements and reduce margins of our Natural Gas Distribution business segment.

Our credit facility contains a "material adverse change" clause which relates to our ability to perform our obligations under the credit agreement.

CenterPoint Energy Gas Services, Inc. (CEGS), one of our wholly owned subsidiaries, 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, our senior unsecured debt 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 CenterPoint Energy's revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness exceeding \$50 million by us will cause a default. Pursuant to the indenture governing CenterPoint Energy's senior notes, a payment default by us, in respect of, or an acceleration of, borrowed money and certain other specified types of obligations, in the aggregate principal amount of \$50 million will cause a default. As of February 28, 2005, CenterPoint Energy 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 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; and
- various of the risks identified under "Risk Factors" in Item 1 of the CERC Corp. Form 10-K.

Certain Contractual and Regulatory Limits on Ability to Issue Securities and Pay Dividends. Limitations imposed on us under the 1935 Act affect our ability to issue securities, pay dividends on our common stock or take other actions to adjust our capitalization.

Our bank facility and our receivables facility limit our debt as a percentage of our total capitalization to 60% and contain an earnings before interest, taxes, depreciation and amortization (EBITDA) to interest covenant.

Our parent, CenterPoint Energy, is 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 parent's activities and those of its subsidiaries, including us. The 1935 Act, among other things, limits our parent's ability and the ability of its regulated subsidiaries, including us, 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, CenterPoint Energy has 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 CenterPoint Energy and its regulated subsidiaries, including us, without additional authorization but generally permit CenterPoint Energy and its regulated subsidiaries, including us, to refinance our existing obligations. We are in compliance with the authorized limits. The orders also permit our utilization of undrawn credit facilities. As of February 28, 2005, we are 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 \$430 million of additional debt by us.

The orders require that if CenterPoint Energy or any of its regulated subsidiaries, including us, issue any 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 June 2003 Financing Order requires us to maintain a ratio of common equity to total capitalization of 30%.

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

#### 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 of CenterPoint Energy.

#### 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.

#### UNBILLED REVENUES

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

#### 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 7(a) to our consolidated financial statements, we participate in CenterPoint Energy's qualified non-contributory pension plan covering substantially all employees. Pension expense for 2005 is estimated to be \$15 million based on an expected return on plan assets of 8.5% and a discount rate of 5.75% as of December 31, 2004. Pension expense for the year ended December 31, 2004 was \$35 million. Future changes in plan asset returns, assumed discount rates and various other factors related to the pension will impact our future pension expense. We cannot predict with certainty what these factors will be in the future.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES  
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)

STATEMENTS OF CONSOLIDATED INCOME

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004 (AS RESTATED - SEE NOTE 13)
	(IN THOUSANDS)		
REVENUES .....	\$4,207,836	\$5,649,720	\$6,472,478
EXPENSES:			
Natural gas .....	2,900,682	4,296,928	5,013,484
Operation and maintenance .....	666,502	688,639	731,959
Depreciation and amortization .....	167,456	175,975	187,228
Taxes other than income taxes .....	119,911	129,846	146,891
Total .....	3,854,551	5,291,388	6,079,562
OPERATING INCOME .....	353,285	358,332	392,916
OTHER INCOME (EXPENSE):			
Interest and other finance charges ..	(153,713)	(178,985)	(178,185)
Other, net .....	8,131	8,237	15,875
Total .....	(145,582)	(170,748)	(162,310)
INCOME BEFORE INCOME TAXES .....	207,703	187,584	230,606
Income Tax Expense .....	(87,643)	(58,706)	(86,497)
NET INCOME .....	\$ 120,060	\$ 128,878	\$ 144,109

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES  
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
(IN THOUSANDS)			
Net income .....	\$120,060	\$128,878	\$144,109
Other comprehensive income (loss), net of tax:			
Minimum non-qualified pension liability adjustment (net of tax of \$790) .....	1,468	--	--
Net deferred gain (loss) from cash flow hedges (net of tax of \$35,142, \$15,405 and \$30,740) .....	46,062	21,971	59,104
Reclassification of net deferred loss (gain) from cash flow hedges realized in net income (net of tax of \$5,681, \$569 and \$12,236) .....	381	1,297	(23,403)
Reclassification of deferred gain from de-designation of cash flow hedges to over/under recovery of gas costs (net of tax of \$36,766) .....	--	--	(68,280)
Other comprehensive income (loss) .....	47,911	23,268	(32,579)
Comprehensive income .....	<u>\$167,971</u>	<u>\$152,146</u>	<u>\$111,530</u>

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES  
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2003	2004 (AS RESTATED - SEE NOTE 13)
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents .....	\$ 34,447	\$ 140,466
Accounts receivable, net .....	462,988	545,348
Accrued unbilled revenue .....	323,844	502,163
Accounts and notes receivable -- affiliated companies, net ..	--	11,987
Inventory .....	187,226	200,801
Non-trading derivative assets .....	45,897	50,219
Taxes receivable .....	32,023	155,155
Deferred tax asset .....	--	12,256
Prepaid expenses .....	11,104	8,308
Other .....	71,597	92,160
	1,169,126	1,718,863
PROPERTY, PLANT AND EQUIPMENT, NET .....	3,735,561	3,834,083
OTHER ASSETS:		
Goodwill, net .....	1,740,510	1,740,510
Other intangibles, net .....	20,101	19,719
Non-trading derivative assets .....	11,273	17,682
Accounts and notes receivable -- affiliated companies, net ..	33,929	18,197
Other .....	142,162	118,089
	1,947,975	1,914,197
TOTAL ASSETS .....	\$6,852,662	\$7,467,143
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings .....	\$ 63,000	\$ --
Current portion of long-term debt .....	--	366,873
Accounts payable .....	528,394	732,853
Accounts and notes payable -- affiliated companies, net .....	23,351	--
Taxes accrued .....	65,636	77,802
Interest accrued .....	58,505	57,741
Customer deposits .....	58,372	60,164
Non-trading derivative liabilities .....	6,537	26,323
Accumulated deferred income taxes, net .....	8,856	--
Other .....	125,132	272,996
	937,783	1,594,752
OTHER LIABILITIES:		
Accumulated deferred income taxes, net .....	645,125	640,780
Non-trading derivative liabilities .....	3,330	6,412
Benefit obligations .....	130,980	128,537
Other .....	571,005	556,819
	1,350,440	1,332,548
LONG-TERM DEBT .....	2,370,974	2,000,696
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
STOCKHOLDER'S EQUITY .....	2,193,465	2,539,147
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY .....	\$6,852,662	\$7,467,143

See Notes to the Company's Consolidated Financial Statements



CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES  
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)

STATEMENTS OF CONSOLIDATED CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004 (AS RESTATED - SEE NOTE 13)
	(IN THOUSANDS)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income .....	\$ 120,060	\$ 128,878	\$ 144,109
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	167,456	175,975	187,228
Deferred income taxes .....	23,003	25,097	(8,332)
Amortization of deferred financing costs .....	2,770	8,424	9,618
Changes in other assets and liabilities:			
Accounts receivable and unbilled revenues, net .....	3,275	(121,864)	(162,759)
Accounts receivable/payable, affiliates .....	(65,688)	(3,784)	6,519
Inventory .....	8,762	(51,519)	(13,575)
Taxes receivable .....	(61,512)	29,489	118,387
Accounts payable .....	198,045	58,062	207,989
Fuel cost recovery .....	28,317	25,420	25,212
Interest and taxes accrued .....	7,653	18,000	11,402
Net non-trading derivative assets and liabilities ...	13,527	17,828	(38,964)
Other current assets .....	(32,833)	(36,998)	(17,783)
Other current liabilities .....	11,604	(1,268)	(20,332)
Other assets .....	100,118	19,663	47,224
Other liabilities .....	(92,064)	40,250	(6,454)
Other, net .....	1,370	(14,481)	(3,405)
Net cash provided by operating activities .....	433,863	317,172	486,084
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures .....	(266,208)	(265,061)	(269,395)
Decrease (increase) in affiliate notes receivable .....	96,562	5,168	(30,322)
Other, net .....	9,726	(7,581)	(3,163)
Net cash used in investing activities .....	(159,920)	(267,474)	(302,880)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payments of long-term debt .....	(6,653)	(507,795)	--
Proceeds from long-term debt .....	--	928,525	--
Increase (decrease) in short-term borrowings, net .....	1,473	(284,000)	(63,000)
Increase (decrease) in notes with affiliates, net .....	74,096	(74,096)	--
Dividends to parent .....	(350,000)	--	(12,500)
Debt issuance costs .....	--	(87,122)	(1,685)
Other, net .....	(47)	--	--
Net cash used in financing activities .....	(281,131)	(24,488)	(77,185)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....	(7,188)	25,210	106,019
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR .....	16,425	9,237	34,447
CASH AND CASH EQUIVALENTS AT END OF THE YEAR .....	\$ 9,237	\$ 34,447	\$ 140,466
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash Payments:			
Interest .....	\$ 146,244	\$ 164,040	\$ 175,871
Income taxes (refunds) .....	125,085	(49,033)	41,846

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES  
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)

STATEMENTS OF CONSOLIDATED STOCKHOLDER'S EQUITY

	2002		2003		2004	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
(IN THOUSANDS OF DOLLARS AND SHARES)						
<b>COMMON STOCK</b>						
Balance, beginning of year .....	1,000	\$ 1	1,000	\$ 1	1,000	\$ 1
Balance, end of year .....	1,000	1	1,000	1	1,000	1
<b>ADDITIONAL PAID-IN-CAPITAL</b>						
Balance, beginning of year .....		2,255,395		1,986,364		1,985,254
Dividend to parent .....		(272,907)		--		--
Contributions from parent .....		3,876		--		246,652
Other .....		--		(1,110)		--
Balance, end of year .....		1,986,364		1,985,254		2,231,906
<b>RETAINED EARNINGS</b>						
Balance, beginning of year .....		1,837		44,804		173,682
Net income .....		120,060		128,878		144,109
Dividend to parent .....		(77,093)		--		(12,500)
Balance, end of year .....		44,804		173,682		305,291
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>						
Balance, end of year:						
Net deferred gain from cash flow hedges .....		11,260		34,528		1,949
Total accumulated other comprehensive income, end of year ..		11,260		34,528		1,949
Total Stockholder's Equity .....		\$2,042,429		\$2,193,465		\$2,539,147

See Notes to the Company's Consolidated Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES  
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BACKGROUND AND BASIS OF PRESENTATION

CenterPoint Energy Resources Corp. (CERC Corp., and, together with its subsidiaries, the Company), owns and operates natural gas distribution facilities, interstate pipelines and natural gas gathering, processing and treating facilities. CERC Corp. is a Delaware corporation.

The Company's operations of its local distribution companies are conducted by three unincorporated divisions: Houston Gas, Minnesota Gas and Southern Gas Operations. In 2004, the naming conventions of the Company'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, the Company 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.

The Company is an indirect wholly owned subsidiary of CenterPoint Energy, Inc. (CenterPoint Energy), a public utility holding company created on August 31, 2002, as part of a corporate restructuring of Reliant Energy, Incorporated (Reliant Energy). 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 CenterPoint Energy and those of its regulated subsidiaries. The 1935 Act, among other things, limits the ability of CenterPoint Energy 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.

Basis of Presentation

The Company's reportable business segments include the following: Natural Gas Distribution, Pipelines and Gathering and Other Operations. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) RECLASSIFICATIONS AND USE OF ESTIMATES

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 CERC Corp. and its wholly owned and majority owned subsidiaries are included in the Company's 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 natural gas sales and services under the accrual method and these revenues are recognized upon delivery to customers. 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	2004
(IN MILLIONS)			
Natural gas distribution .....	5-50	\$2,316	\$2,494
Pipelines and gathering .....	5-75	1,722	1,767
Other property .....	3-40	49	35
Total .....		4,087	4,296
Accumulated depreciation .....		(351)	(462)
Property, plant and equipment, net ...		\$3,736	\$3,834

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

	DECEMBER 31, 2003		DECEMBER 31, 2004	
	CARRYING AMOUNT	ACCUMULATED AMORTIZATION	CARRYING AMOUNT	ACCUMULATED AMORTIZATION
(IN MILLIONS)				
Land Use Rights .....	\$ 7	\$(3)	\$ 7	\$(3)
Other .....	20	(4)	21	(5)
Total .....	\$27	\$(7)	\$28	\$(8)

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 47 to 75 years for land rights and 4 to 25 years for other intangibles.

Amortization expense for other intangibles for the years ended December 2002, 2003 and 2004 was \$1 million, \$2 million and \$2 million, respectively. Estimated amortization expense is approximately \$2 million per year for the five succeeding fiscal years.

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 reviews the carrying value of goodwill annually and at such times when events or changes in circumstances indicate that it may not be recoverable. 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, 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. A resulting impairment loss is highly dependent on these underlying assumptions.

(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 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	2004
	(IN MILLIONS)	
Regulatory assets in other long-term assets .....	\$ 34	\$ 21
Regulatory liabilities in other long-term liabilities ..	(434)	(433)
Total .....	<u>\$ (400)</u>	<u>\$ (412)</u>

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.

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 \$415 million and \$428 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.

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 .....	\$153	\$161	\$171
Other amortization expense .....	14	15	16
Total depreciation and amortization expense ..	<u>\$167</u>	<u>\$176</u>	<u>\$187</u>

(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 \$1 million, \$1 million and \$2 million, respectively.

(H) INCOME TAXES

The Company is included in the consolidated income tax returns of CenterPoint Energy. The Company calculates its income tax provision on a separate return basis under a tax sharing agreement with CenterPoint Energy. Pursuant to the tax sharing agreement with CenterPoint Energy, in 2004, the Company received an allocation of CenterPoint Energy's tax benefits totaling \$171 million. 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. Current federal and certain state income taxes are payable to or receivable from CenterPoint Energy. For additional information regarding income taxes, see Note 8.

(I) ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are net of an allowance for doubtful accounts of \$28 million at December 31, 2003 and 2004. The provision for doubtful accounts in the Company's Statements of Consolidated Income for 2002, 2003 and 2004 was \$15 million, \$24 million and \$26 million, respectively.

In connection with the Company'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 the Company 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 the Company were pledged to a gas supplier to secure obligations incurred in connection with the purchase of gas by the Company. Effective June 25, 2003, the Company reduced the purchase limit under the receivables facility from \$150 million to \$100 million. As of December 31, 2003, the Company had utilized \$100 million of its receivables facility.

In the first quarter of 2004, the Company replaced the receivables facility with a \$250 million committed one-year receivables facility. The bankruptcy remote subsidiary continues to buy the Company'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, the Company 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.

(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 ..	\$ 27	\$ 25
Natural gas .....	160	176
	----	----
Total inventory .....	\$187	\$201
	====	====

(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 stockholders' 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 Income.

As of December 31, 2003 and 2004, the Company held no "available-for-sale" or "trading" securities.

#### (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.

#### (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 Bulletin 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 (SPEs) 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 a subsidiary trust that has Mandatorily Redeemable Preferred Securities outstanding. The trust was determined to be a variable interest entity under FIN 46-R and the Company also determined that it is not the primary beneficiary of the trust. As of December 31, 2003, the Company deconsolidated the trust and instead reports its junior subordinated debentures due to the trust as long-term debt.

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.

### 3. REGULATORY MATTERS

#### (A) 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 in Oklahoma by approximately \$3 million annually.

(B) 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.



#### 4. RELATED PARTY TRANSACTIONS

The following table summarizes receivables from, or payables to, CenterPoint Energy or its subsidiaries:

	DECEMBER 31,	
	2003	2004
	(IN MILLIONS)	
Accounts receivable from affiliates .....	\$ 6	\$ 4
Accounts payable to affiliates .....	(29)	(34)
Note receivable from affiliates(1) .....	--	42
	----	----
Accounts and notes receivable/(payable) -- affiliated companies, net ..	\$(23)	\$ 12
	====	====
Long-term accounts receivable from affiliates .....	\$ --	\$ 64
Long-term accounts payable to affiliates .....	--	(45)
Long-term notes receivable from affiliates .....	67	--
Long-term notes payable to affiliates .....	(33)	(1)
	----	----
Long-term accounts and notes receivable -- affiliated companies, net ..	\$ 34	\$ 18
	====	====

(1) This note represents money pool investments.

For the years ended December 31, 2002, 2003 and 2004, the Company had net interest income (expense) related to affiliate borrowings of \$(2) million, \$3 million and \$9 million, respectively.

The 1935 Act generally prohibits borrowings by CenterPoint Energy from its subsidiaries, including the Company, either through the money pool or otherwise.

During 2002, the sales and services by the Company to Reliant Resources, Inc., (now named Reliant Energy, Inc.) (RRI), a former affiliate, totaled \$42 million. During 2002, 2003 and 2004, the sales and services by the Company to Texas Genco Holdings, Inc. (Texas Genco), a power generation affiliate, totaled \$28 million, \$31 million and \$22 million, respectively.

CenterPoint Energy provides some corporate services to the Company. The costs of services have been charged directly to the Company using methods that management believes are reasonable. These methods include negotiated usage rates, dedicated asset assignment, and proportionate corporate formulas based on assets, operating expenses and employees. These charges are not necessarily indicative of what would have been incurred had the Company not been an affiliate. Amounts charged to the Company for these services were \$107 million, \$113 million and \$116 million for 2002, 2003 and 2004, respectively, and are included primarily in operation and maintenance expenses.

In 2004, the Company paid a dividend of \$12.5 million to Utility Holding, LLC.

#### 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 Income 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.

(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	1
	---	---	---	---
Total .....	\$45	\$57	\$61	\$68
	===	===	===	===

(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), a former affiliate. As of December 31, 2004, Reliant Energy Services did not have an investment grade rating.

(C) GENERAL POLICY

CenterPoint Energy 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 CenterPoint Energy'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 CenterPoint Energy'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. 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:				
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(2) .....	6	--	6	--
Other .....	36	--	--	36
Unamortized discount and premium(3) .....	4	--	3	--
	-----	---	-----	---
Total long-term debt .....	2,371	--	2,001	367
	-----	---	-----	---
Total borrowings .....	\$2,371	\$63	\$2,001	\$367
	=====	===	=====	====

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

(2) The junior subordinated debentures were issued to a subsidiary trust in connection with the issuance by that trust 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 trust being reported as long-term debt. For further discussion, see Note 2(n).

(3) 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 remaining term of the related long-term debt.

(A) SHORT-TERM BORROWINGS

Credit Facilities. As of December 31, 2003, the Company 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 revolving credit facility. 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, the Company 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 London inter-bank offered rate (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.

Junior Subordinated Debentures (Trust Preferred Securities). 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 junior subordinated debentures discussed above were 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 million 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 consolidated maturities of long-term debt and sinking fund requirements are \$367 million in 2005, \$158 million in 2006, \$7 million in 2007, \$307 million in 2008 and \$7 million in 2009. The 2005 amount is net of the portion of a sinking fund payment that can be satisfied with debt that had been acquired and retired as of December 31, 2004.

#### (C) RECEIVABLES FACILITY

On January 21, 2004, the Company replaced its \$100 million receivables facility with a \$250 million receivables facility. As of December 31, 2004, the Company 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 the Company during the peak heating season of 2005, in view of recent levels of, and volatility in, gas prices.

### 7. EMPLOYEE BENEFIT PLANS

#### (A) PENSION PLANS

Substantially all of the Company's employees participate in CenterPoint Energy's qualified non-contributory pension plan. 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.

CenterPoint Energy's funding policy is to review amounts annually in accordance with applicable regulations in order to achieve adequate funding of projected benefit obligations. Pension expense is allocated to the Company based on covered employees. This calculation is intended to allocate pension costs in the same manner as a separate employer plan. Assets of the plan are not segregated or restricted by CenterPoint Energy's participating subsidiaries. The Company recognized pension expense of \$13 million, \$36 million and \$35 million for the years ended December 31, 2002, 2003 and 2004, respectively.

In addition to the Plan, the Company participates in CenterPoint Energy's non-qualified benefit restoration plan, which allows participants to retain the benefits to which they would have been entitled under the qualified pension plan except for federally mandated limits on these benefits or on the level of salary on which these benefits may be calculated. The expense associated with the non-qualified pension plan was \$2 million, \$3 million and less than \$1 million for the years ended December 31, 2002, 2003 and 2004, respectively.

(B) SAVINGS PLAN

The Company participates in CenterPoint Energy's qualified savings plan, which includes a cash or deferred arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended. 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. CenterPoint Energy matches 75% of the first 6% of each employee's compensation contributed. CenterPoint Energy 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. CenterPoint Energy allocates to the Company the savings plan benefit expense related to the Company's employees.

Savings plan benefit expense was \$17 million, \$15 million and \$16 million for the years ended December 31, 2002, 2003 and 2004, respectively.

(C) POSTRETIREMENT BENEFITS

The Company's employees participate in CenterPoint Energy's plans which provide 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 Company is required to fund a portion of its obligations in accordance with rate orders. All other obligations are funded on a pay-as-you-go basis.

The net postretirement benefit cost includes the following components:

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	----	----	----
	(IN MILLIONS)		
Service cost -- benefits earned during the period ..	\$ 2	\$ 2	\$ 2
Interest cost on projected benefit obligation .....	9	10	10
Expected return on plan assets .....	(2)	(2)	(2)
Net amortization .....	2	2	2
Other .....	--	--	1
	---	---	---
Net postretirement benefit cost .....	\$11	\$12	\$13
	===	===	===

The Company used the following assumptions to determine net postretirement benefit costs:

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	----	----	----
Discount rate .....	7.25%	6.75%	6.25%
Expected return on plan assets ..	9.5%	9.0%	8.5%

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.

Following are reconciliations of the Company's beginning and ending balances of its postretirement benefit plans benefit obligation, plan assets and funded status for 2003 and 2004.

	YEAR ENDED DECEMBER 31,	
	2003	2004
	(IN MILLIONS)	
<b>CHANGE IN BENEFIT OBLIGATION</b>		
Accumulated benefit obligation, beginning of year .....	\$ 155	\$ 171
Service cost .....	2	2
Interest cost .....	10	10
Benefit enhancement .....	--	1
Benefits paid .....	(18)	(21)
Participant contributions .....	4	4
Plan amendments .....	(2)	--
Actuarial loss .....	20	7
	-----	-----
Accumulated benefit obligation, end of year .....	\$ 171	\$ 174
	=====	=====
<b>CHANGE IN PLAN ASSETS</b>		
Plan assets, beginning of year .....	\$ 18	\$ 21
Benefits paid .....	(18)	(21)
Employer contributions .....	14	14
Participant contributions .....	4	4
Actual investment return .....	3	3
	-----	-----
Plan assets, end of year .....	\$ 21	\$ 21
	=====	=====
<b>RECONCILIATION OF FUNDED STATUS</b>		
Funded status .....	\$(150)	\$(153)
Unrecognized prior service cost .....	15	13
Unrecognized actuarial loss .....	40	46
	-----	-----
Net amount recognized .....	\$ (95)	\$ (94)
	=====	=====
<b>AMOUNTS RECOGNIZED IN BALANCE SHEETS</b>		
Benefit obligations .....	\$ (95)	\$ (94)
	-----	-----
Net amount recognized at end of year .....	\$ (95)	\$ (94)
	=====	=====
<b>ACTUARIAL ASSUMPTIONS</b>		
Discount rate .....	6.25%	5.75%
Expected long-term return on assets .....	8.5%	8.0%
Healthcare cost trend rate assumed for the next year ....	10.50%	9.75%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate) .....	5.5%	5.5%
Year that the rate reaches the ultimate trend rate .....	2011	2011
Measurement date used to determine plan obligations and assets.....	December 31, 2003	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 .....	\$--	\$--
Effect on the postretirement benefit obligation ..	6	5

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

	DECEMBER 31,	
	2003	2004
Domestic equity securities .....	40%	38%
International equity securities ..	10	11
Debt securities .....	49	50
Cash .....	1	1
	---	---
Total .....	100%	100%
	===	===

In managing the investments associated with the postretirement benefit plan, 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, which 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 asset allocation ranges for its postretirement benefit plan:

Domestic equity securities .....	33-43%
International equity securities ..	5-15%
Debt securities .....	48-58%
Cash .....	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.

The Company expects to contribute \$16 million to its postretirement benefits plan in 2005.

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

POSTRETIREMENT  
BENEFITS  
-----  
(IN MILLIONS)

2005 .....	\$ 17
2006 .....	18
2007 .....	19
2008 .....	20
2009 .....	21
2010-2014 ..	108

(D) POSTEMPLOYMENT BENEFITS

The Company participates in CenterPoint Energy's plan which provides postemployment benefits 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). Postemployment benefits costs were \$6 million, \$5 million and \$3 million in 2002, 2003 and 2004, respectively.

(E) OTHER NON-QUALIFIED PLANS

The Company participates in CenterPoint Energy's 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 benefits expense relating to these programs of \$1 million each year. Included in "Benefit Obligations" in the accompanying Consolidated Balance Sheets at December 31, 2003 and 2004, was \$10 million and \$9 million, respectively, relating to deferred compensation plans.

(F) OTHER EMPLOYEE MATTERS

As of December 31, 2004, approximately 30% of the Company's employees are subject to collective bargaining agreements. Four of these agreements, covering approximately 15% of the Company's employees, have expired or will expire in 2005.

8. INCOME TAXES

The Company's current and deferred components of income tax expense are as follows:

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(IN MILLIONS)		
Current			
Federal .....	\$56	\$30	\$86
State .....	9	4	10
	---	---	---
Total current ...	65	34	96
	---	---	---
Deferred			
Federal .....	12	11	(3)
State .....	11	14	(6)
	---	---	---
Total deferred ..	23	25	(9)
	---	---	---
Income tax expense ....	\$88	\$59	\$87
	===	===	===

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 before income taxes .....	\$ 208	\$ 188	\$ 231
Federal statutory rate .....	35%	35%	35%
	-----	-----	-----
Income tax expense at statutory rate .....	73	66	81
	-----	-----	-----
Increase (decrease) in tax resulting from:			
Capital loss benefit .....	(72)	--	--
State income taxes, net of valuation allowances and federal income tax benefit .....	13	12	2
Valuation allowance, capital loss .....	72	--	--
Changes in estimates for prior year items .....	--	(19)	--
Deferred tax asset write-off .....	--	--	4
Other, net .....	2	--	--
	-----	-----	-----
Total .....	15	(7)	6
	-----	-----	-----
Income tax expense .....	\$ 88	\$ 59	\$ 87
	=====	=====	=====
Effective Rate .....	42.2%	31.3%	37.5%



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
	----	----
Total current deferred tax assets .....	9	13
	----	----
Non-current:		
Employee benefits .....	63	81
Operating and capital loss carryforwards .....	81	30
Deferred gas costs .....	18	68
Other .....	52	66
Valuation allowance .....	(73)	(20)
	----	----
Total non-current deferred tax assets .....	141	225
	----	----
Total deferred tax assets .....	150	238
	----	----
Deferred tax liabilities:		
Current:		
Non-trading derivative liabilities, net .....	18	1
	----	----
Total current deferred tax liabilities .....	18	1
	----	----
Non-current:		
Depreciation .....	746	827
Regulatory liability .....	27	17
Other .....	13	22
	----	----
Total non-current deferred tax liabilities ..	786	866
	----	----
Total deferred tax liabilities .....	804	867
	----	----
Accumulated deferred income taxes, net .....	\$654	\$629
	====	====

The Company is included in the consolidated income tax returns of CenterPoint Energy. 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 had \$327 million 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 Contingencies. As of December 31, 2004, approximately \$13 million of federal tax reserve has been reclassified to current tax liability. The Company has also reserved for tax items primarily relating to certain positions taken with respect to state tax filings. The total amount reserved is approximately \$10 million.

## 9. COMMITMENTS AND CONTINGENCIES

### (A) COMMITMENTS

Environmental Capital Commitments. The Company has various commitments for capital and environmental expenditures. The Company anticipates no significant capital and other special project expenditures between 2005 and 2009 for environmental compliance.

Fuel Commitments. Fuel commitments include several long-term 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 derivative 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 under non-cancelable long-term operating leases, principally consisting of rental agreements for building space, data processing equipment and vehicles, including major work equipment (in millions):

2005.....	\$20
2006.....	16
2007.....	12
2008.....	11
2009.....	6
2010 and beyond...	26
	---
Total.....	\$91
	===

Total rental expense for all operating leases was \$31 million, \$28 million and \$30 million in 2002, 2003 and 2004, respectively.

(C) LEGAL MATTERS

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 of the Company's 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. The Company believes that there has been no systematic mismeasurement of gas and that the suits are without merit. The Company does not expect that the ultimate outcome will have a material impact on its financial condition or results of operations.

Gas Cost Recovery Litigation. In October 2002, a suit was filed in state district court in Wharton County, Texas against the Company, CenterPoint Energy, 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 the Company 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 the Company 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, CenterPoint Energy, 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 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, CenterPoint Energy 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 CenterPoint Energy 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 CenterPoint Energy.

#### (D) 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 the Company.

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

At December 31, 2004, the Company 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. The Company 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, the Company 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 the Company or may have been owned by one of its former affiliates. The Company has been named as a defendant in lawsuits under which contribution is sought by private parties for the cost to remediate former MGP sites based on the previous ownership of such sites by former affiliates of the Company or its divisions. The Company has also been identified as a PRP by the State of Maine for a site that is the subject of one of the lawsuits. The Company is investigating details regarding these sites and the range of environmental expenditures for potential remediation. However, the Company 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 and its designation as a PRP.

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.

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

In 2005, the Company received a communication from a regulatory agency indicating that the agency had ordered a predecessor company to remove certain components from a portion of its distribution system prior to the date the Company acquired it. Those components are not in compliance with current state and federal codes, and it is possible that some of those components remain in the Company's system. The Company has not completed its analysis of the cost to locate and replace such components; however, the Company believes that the disposition of this matter will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

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.

## 10. 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) ..	\$2,371	\$2,612	\$2,368	\$2,659
--	---------	---------	---------	---------

## 11. UNAUDITED QUARTERLY INFORMATION

As discussed in Note 13, the unaudited quarterly financial data for the interim periods ended March 31, 2004, June 30, 2004, September 30, 2004 and December 31, 2004 have been restated from amounts previously reported.

Summarized quarterly financial data for the years ended December 31, 2003 and 2004 is as follows:

	YEAR ENDED DECEMBER 31, 2003			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER

(IN MILLIONS)

Revenues .....	\$2,094	\$1,032	\$950	\$1,574
Operating income ....	172	67	33	87
Net income (loss) ...	88	15	(10)	36

	YEAR ENDED DECEMBER 31, 2004			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER

(IN MILLIONS)

Revenues .....	\$2,070	\$1,217	\$1,117	\$2,068
Operating income ....	160	64	32	137
Net income (loss) ...	74	11	(2)	61

## 12. REPORTABLE BUSINESS SEGMENTS

Because the Company is an indirect wholly owned subsidiary of CenterPoint Energy, the Company's determination of reportable business segments considers the strategic operating units under which CenterPoint Energy 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: Natural Gas Distribution, Pipelines and Gathering and Other Operations. 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.

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:

	NATURAL GAS DISTRIBUTION	PIPELINES AND GATHERING	OTHER OPERATIONS	RECONCILING ELIMINATIONS	CONSOLIDATED
	(IN MILLIONS)				
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002:					
Revenues from external customers and affiliates ...	3,953 (1)	255 (2)	--	--	4,208
Intersegment revenues .....	7	119	--	(126)	--
Depreciation and amortization .....	126	41	--	--	167
Operating income .....	198	153	2	--	353
Total assets .....	4,428	2,500	206	(685)	6,449
Expenditures for long-lived assets .....	196	70	--	--	266
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003:					
Revenues from external customers and affiliates ...	5,406 (1)	244 (2)	--	--	5,650
Intersegment revenues .....	29	163	9	(201)	--
Depreciation and amortization .....	136	40	--	--	176
Operating income (loss) .....	202	158	(1)	--	359
Total assets .....	4,661	2,519	388	(715)	6,853
Expenditures for long-lived assets .....	199	66	--	--	265
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004:					
Revenues from external customers and affiliates ...	6,170 (1)	306 (2)	(4)	--	6,472
Intersegment revenues .....	3	145	5	(153)	--
Depreciation and amortization .....	143	44	--	--	187
Operating income (loss) .....	222	180	(9)	--	393
Total assets .....	4,732	2,637	792	(694)	7,467
Expenditures for long-lived assets .....	197	73	(1)	--	269

- (1) Included in the Natural Gas Distribution revenues from external customers and affiliates are sales to RRI, a former affiliate, of \$9 million for the year ended December 31, 2002, and sales to Texas Genco, of \$26 million, \$28 million and \$20 million for the years ended December 31, 2002, 2003 and 2004, respectively.
- (2) Included in the Pipelines and Gathering revenues from external customers and affiliates are sales to RRI, a former affiliate, of \$33 million for the year ended December 31, 2002, and sales to Texas Genco of \$2 million, \$3 million and \$2 million for the years ended December 31, 2002, 2003 and 2004, respectively.

YEAR ENDED DECEMBER 31,  
2002      2003      2004  
(IN MILLIONS)

REVENUES BY PRODUCTS AND SERVICES:

Retail gas sales .....	\$3,857	\$5,310	\$6,072
Gas transportation .....	255	244	306
Energy products and services .....	96	96	94
Total .....	\$4,208	\$5,650	\$6,472

13. RESTATEMENT

Subsequent to the issuance of the Company's consolidated financial statements for the year ended December 31, 2004, CERC Corp. determined that, during 2004, certain transactions involving purchases and sales of natural gas among divisions within its Natural Gas Distribution segment were not properly eliminated in the consolidated financial statements. Consequently, revenues and natural gas expenses during 2004 were each overstated by approximately \$511 million. As a result, the accompanying 2004 consolidated financial statements have been restated from the amounts previously reported to reflect the elimination of interdivision purchases and sales of natural gas. There was no effect on the Company's previously reported operating income, net income or net cash flows for 2004.

A summary of the significant effects of the restatement is as follows:

YEAR ENDED DECEMBER 31, 2004  
 -----  
 AS RESTATED          AS PREVIOUSLY  
    REPORTED  
 -----  
 (IN MILLIONS)

STATEMENTS OF CONSOLIDATED INCOME:

Revenues .....	\$6,472	\$6,983
Expenses: Natural gas .....	5,013	5,524
Total Expenses .....	6,079	6,590

AS OF DECEMBER 31, 2004  
 -----  
 AS RESTATED          AS PREVIOUSLY  
    REPORTED  
 -----  
 (IN MILLIONS)

CONSOLIDATED BALANCE SHEETS:

Accounts receivable, net .....	545	613
Total current assets .....	1,719	1,785
Total assets .....	7,467	7,533
Accounts payable .....	733	799
Total current liabilities .....	1,595	1,661
Total liabilities and stockholder's equity ..	7,467	7,533

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder of  
CenterPoint Energy Resources Corp.  
Houston, Texas

We have audited the accompanying consolidated balance sheets of CenterPoint Energy Resources Corp. and subsidiaries (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of income, comprehensive income, cash flows, and stockholder's equity for each of the three years in the period ended December 31, 2004. These financial statements 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CenterPoint Energy Resources Corp. and subsidiaries at December 31, 2004 and 2003, 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.

As discussed in Note 13 to the consolidated financial statements, the accompanying 2004 consolidated financial statements have been restated.

DELOITTE & TOUCHE LLP

Houston, Texas

March 23, 2005 (January 10, 2006 as to the effects of the restatement discussed in Note 13 to the consolidated financial statements)



ITEM 9A. CONTROLS AND PROCEDURES.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with Exchange Act Rules 13a-15 and 15d-15, we have re-evaluated, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13(a)-15(e) under the Securities Exchange Act of 1934, as amended) 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, solely because of the material weakness in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of December 31, 2004. This conclusion is different than the conclusion disclosed in the original filing of our Annual Report on Form 10-K for the year ended December 31, 2004 in which management concluded that our disclosure controls and procedures were effective. As a result of the material weakness described below, which was identified subsequent to the original filing of our Annual Report on Form 10-K for the year ended December 31, 2004, management has re-evaluated the effectiveness of our disclosure controls and procedures.

We determined that, during 2004, certain transactions involving purchases and sales of natural gas among divisions within our Natural Gas Distribution segment were not properly eliminated in the consolidated financial statements. Consequently, revenues and natural gas expenses during 2004 were each overstated by approximately \$511 million and management concluded that a restatement of the 2004 consolidated financial statements was necessary to correct this error. Subsequent to the period covered by this report, in connection with the discovery of the error described above and the conclusion that we had a material weakness in our internal control over financial reporting related to ineffective controls over the process of eliminating certain interdivision purchases and sales of natural gas within our Natural Gas Distribution segment in the consolidation process, we improved procedures related to the recording and reporting of purchases and sales of natural gas, including increased review and approval controls by senior financial personnel over the personnel that will prepare the accruals and enhanced analysis of the recorded activity, including ensuring that intercompany activity is properly eliminated in consolidation.

There has been no change in our internal control 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 control over financial reporting. However, subsequent to the date of filing our original Annual Report on Form 10-K for the fiscal year ended December 31, 2004, we took the remedial action described above.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements.

Statements of Consolidated Income for the Three Years Ended December 31, 2004 (as restated).....	10
Statements of Consolidated Comprehensive Income for the Three Years Ended December 31, 2004.....	11
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Statements of Consolidated Cash Flows for the Three Years Ended December 31, 2004 (as restated).....	13
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(a)(2) Financial Statement Schedules for the Three Years Ended  
December 31, 2004.

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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:

I, III, IV and V.

(a)(3) Exhibits.

See Index of Exhibits beginning on page 42.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder of  
CenterPoint Energy Resources Corp.  
Houston, Texas

We have audited the consolidated financial statements of CenterPoint Energy Resources Corp. and subsidiaries (the Company) as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, and have issued our report thereon dated March 23, 2005, January 10, 2006, as to the effects of the restatement discussed in Note 13 (which report expresses an unqualified opinion and includes explanatory paragraph relating to the restatement discussed in Note 13 to the consolidated financial statements); such report is included elsewhere in this Form 10-K/A. Our audits also included the consolidated financial statement schedule of the Company listed in the index at Item 15 (a)(2). This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP  
Houston, Texas

March 23, 2005

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES  
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)

SCHEDULE II -- QUALIFYING VALUATION ACCOUNTS  
FOR THE THREE YEARS ENDED DECEMBER 31, 2004

COLUMN A ----- DESCRIPTION -----	COLUMN B BALANCE AT BEGINNING OF PERIOD -----	COLUMN C ADDITIONS ----- CHARGED TO TO INCOME      CHARGED TO OTHER ACCOUNTS(1) -----		COLUMN D DEDUCTIONS FROM RESERVES(2) -----	COLUMN E BALANCE AT END OF PERIOD -----
		(IN THOUSANDS)			
Year Ended December 31, 2004:					
Accumulated provisions:					
Uncollectible accounts receivable .....	\$27,975	\$ 26,017	\$ --	\$26,059	\$27,933
Deferred tax asset valuation allowance ....	73,248	(67,428)	14,114	--	19,934
Year Ended December 31, 2003:					
Accumulated provisions:					
Uncollectible accounts receivable .....	19,568	23,713	--	15,306	27,975
Deferred tax asset valuation allowance ....	82,880	(9,632)	--	--	73,248
Year Ended December 31, 2002:					
Accumulated provisions:					
Uncollectible accounts receivable .....	33,047	15,391	--	28,870	19,568
Deferred tax asset valuation allowance ....	14,999	67,881	--	--	82,880

(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 10th day of January, 2006.

CENTERPOINT ENERGY RESOURCES CORP.  
(Registrant)

By: /s/ DAVID M. MCCLANAHAN

-----  
David M. McClanahan  
President and Chief Executive  
Officer

CENTERPOINT ENERGY RESOURCES CORP.

EXHIBITS TO THE ANNUAL REPORT ON FORM 10-K/A  
FOR FISCAL YEAR ENDED DECEMBER 31, 2004

INDEX OF EXHIBITS

Exhibits included with this report are designated by a cross (+); exhibits previously filed with our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 as filed on March 24, 2005 are designated by two crosses (++); all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
2(a)(1)	-- Agreement and Plan of Merger among the Company, HL&P, HI Merger, Inc. and NorAm dated August 11, 1996	HI's Form 8-K dated August 11, 1996	1-7629	2
2(a)(2)	-- Amendment to Agreement and Plan of Merger among the Company, HL&P, HI Merger, Inc. and NorAm dated August 11, 1996	Registration Statement on Form S-4	333-11329	2(c)
2(b)	-- Agreement and Plan of Merger dated December 29, 2000 merging Reliant Resources Merger Sub, Inc. with and into Reliant Energy Services, Inc.	Registration Statement on Form S-3	333-54526	2
3(a)(1)	-- Certificate of Incorporation of RERC Corp.	Form 10-K for the year ended December 31, 1997	1-3187	3(a)(1)
3(a)(2)	-- Certificate of Merger merging former NorAm Energy Corp. with and into HI Merger, Inc. dated August 6, 1997	Form 10-K for the year ended December 31, 1997	1-3187	3(a)(2)
3(a)(3)	-- Certificate of Amendment changing the name to Reliant Energy Resources Corp.	Form 10-K for the year ended December 31, 1998	1-3187	3(a)(3)
3(a)(4)	-- Certificate of Amendment changing the name to CenterPoint Energy Resources Corp.	Form 10-Q for the quarter ended June 30, 2003	1-13265	3(a)(4)
3(b)	-- Bylaws of RERC Corp.	Form 10-K for the year ended December 31, 1997	1-3187	3(b)
4(a)(1)	-- Indenture, dated as of December 1, 1986, between NorAm and Citibank, N.A., as Trustee	NorAm's Form 10-K for the year ended December 31, 1986	1-13265	4.14
4(a)(2)	-- First Supplemental Indenture to Exhibit 4(a)(1) dated as of September 30, 1988	Form 10-K for the year ended December 31, 1997	1-3187	4(a)(2)
4(a)(3)	-- Second Supplemental Indenture to Exhibit 4(a)(1) dated as of November 15, 1989	Form 10-K for the year ended December 31, 1997	1-3187	4(a)(3)
4(a)(4)	-- Third Supplemental Indenture to Exhibit 4(a)(1) dated as of August 6, 1997	Form 10-K for the year ended December 31, 1997	1-3187	4(a)(4)
4(b)(1)	-- Indenture, dated as of March 31, 1987, between NorAm and Chase Manhattan Bank, N.A., as Trustee, authorizing 6% Convertible Subordinated Debentures due 2012	NorAm's Registration Statement on Form S-3	33-14586	4.20
4(b)(2)	-- Supplemental Indenture to Exhibit 4(b)(1) dated as of August 6, 1997	Form 10-K for the year ended December 31, 1997	1-3187	4(b)(2)
4(c)(1)	-- Form of Indenture between NorAm and The Bank of New York as Trustee	NorAm's Registration Statement on Form S-3	33-64001	4.8

EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
4(c)(2)	-- Form of First Supplemental Indenture to Exhibit 4(c)(1)	NorAm's Form 8-K dated June 10, 1996	1-13265	4.01
4(c)(3)	-- Second Supplemental Indenture to Exhibit 4(c)(1) dated as of August 6, 1997	Form 10-K for the year ended December 31, 1997	1-3187	4(d)(3)
4(d)	-- Indenture, dated as of December 1, 1997, between RERC Corp. and Chase Bank of Texas, National Association	Registration Statement on Form S-3	333-41017	4.1
4(e)(1)	-- Indenture, dated as of February 1, 1998, between RERC Corp. and Chase Bank of Texas, National Association, as Trustee	Form 8-K dated February 5, 1998	1-13265	4.1
4(e)(2)	-- Supplemental Indenture No. 1, dated as of February 1, 1998, providing for the issuance of RERC Corp.'s 6 1/2% Debentures due February 1, 2008	Form 8-K dated February 5, 1998	1-13265	4.2
4(e)(3)	-- Supplemental Indenture No. 2, dated as of November 1, 1998, providing for the issuance of RERC Corp.'s 6 3/8% Term Enhanced ReMarkettable Securities	Form 8-K dated November 9, 1998	1-13265	4.1
4(e)(4)	-- Supplemental Indenture No. 3, dated as of July 1, 2000, providing for the issuance of RERC Corp.'s 8.125% Notes due 2005	Registration Statement on Form S-4	333-49162	4.2
4(e)(5)	-- Supplemental Indenture No. 4, dated as of February 15, 2001, providing for the issuance of RERC Corp.'s 7.75% Notes due 2011	Form 8-K dated February 21, 2001	1-13265	4.1
4(e)(6)	-- Supplemental Indenture No. 5, dated as of March 25, 2003, providing for the issuance of CERC Corp.'s 7.875% Senior Notes due 2013	Form 8-K dated March 18, 2003	1-13265	4.1
4(e)(7)	-- Supplemental Indenture No. 6, dated as of April 14, 2003, providing for the issuance of CERC Corp.'s 7.875% Senior Notes due 2013	Form 8-K dated April 7, 2003	1-13265	4.2
4(e)(8)	-- Supplemental Indenture No. 7, dated as of November 3, 2003, providing for the issuance of CERC Corp.'s 5.95% Senior Notes due 2014	Form 8-K dated October 29, 2003	1-13265	4.2
4(f)	-- \$250,000,000 Credit Agreement, dated as of March 23, 2004, among CERC Corp., as borrower, and the Initial Lenders named therein, as Initial Lenders	Form 8-K dated March 31, 2004	1-13265	4.1

There have not been filed as exhibits to this Form 10-K/A certain long-term debt instruments, including indentures, under which the total amount of securities do not exceed 10% of the total assets of CERC. CERC hereby agrees to furnish a copy of any such instrument to the SEC upon request.

EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
10(a)	-- Service Agreement by and between Mississippi River Transmission Corporation and Laclede Gas Company dated August 22, 1989	NorAm's Form 10-K for the year ended December 31, 1989	1-13265	10.20
++12	-- Computation of Ratios of Earnings to Fixed Charges			
+23	-- Consent of Deloitte & Touche LLP			
+31.1	-- Rule 13a-14(a)/15d-14(a) Certification of David M. McClanahan			
+31.2	-- Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			
+32.1	-- Section 1350 Certification of David M. McClanahan			
+32.2	-- Section 1350 Certification of Gary L. Whitlock			



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-128187 on Form S-3 of our reports relating to i) the consolidated financial statements of CenterPoint Energy Resources Corp. and subsidiaries dated March 23, 2005, January 10, 2006, as to the effects of the restatement discussed in Note 13 to the consolidated financial statements (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the restatement discussed in Note 13 to the consolidated financial statements), and ii) the consolidated financial statement schedule dated March 23, 2005 appearing in this Amendment No. 2 to the Annual Report on Form 10-K/A of CenterPoint Energy Resources Corp. for the year ended December 31, 2004.

DELOITTE & TOUCHE LLP  
Houston, Texas

January 10, 2006

CERTIFICATIONS

I, David M. McClanahan, certify that:

1. I have reviewed this amended Annual Report on Form 10-K/A of CenterPoint Energy Resources Corp.;

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 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)) 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) 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

(c) 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 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: January 10, 2006

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

## CERTIFICATIONS

I, Gary L. Whitlock, certify that:

1. I have reviewed this amended Annual Report on Form 10-K/A of CenterPoint Energy Resources Corp.;

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 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)) 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) 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

(c) 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 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: January 10, 2006

/s/ Gary L. Whitlock

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 Gary L. Whitlock  
 Executive Vice President and Chief  
 Financial Officer

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 amended Annual Report of CenterPoint Energy Resources Corp. (the "Company") on Form 10-K/A 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, that, to the best of my knowledge:

(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.

Date: January 10, 2006

/s/ David M. McClanahan

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David M. McClanahan  
President and Chief Executive Officer

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 amended Annual Report of CenterPoint Energy Resources Corp. (the "Company") on Form 10-K/A 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, that, to the best of my knowledge:

(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.

Date: January 10, 2006

/s/ Gary L. Whitlock

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Gary L. Whitlock  
Executive Vice President and Chief  
Financial Officer