

2004

A YEAR OF MILESTONES

2004 ANNUAL REPORT



MILESTONE HIGHLIGHTS



- Sold our power generation subsidiary, Texas Genco, for \$3.65 billion in two phases, the second of which was completed in mid April 2005
- Received approval from the Public Utility Commission of Texas (PUC) for the recovery of a portion of our true-up request
- Reduced our debt and cut interest costs

A YEAR OF MILESTONES

A major part of our plan when we formed CenterPoint Energy was to sell Texas Genco, our power generation subsidiary. Mission accomplished. We sold our 81 percent interest in Texas Genco for \$2.9 billion. With proceeds from the sale, we began paying down debt.

Recovering the amounts due the company under the 1999 Texas Electric Restructuring Law was another important part of the original plan for CenterPoint Energy. However, the PUC granted our electric transmission and distribution subsidiary considerably less than we requested. We were disappointed in the PUC's actions and filed an appeal with the Texas courts. In the meantime, we received approval of a financing order that would allow us to issue approximately \$1.8 billion in transition bonds. Unfortunately, appeals by other parties will delay our issuance of the bonds. In addition, about \$600 million will be recovered over time through a charge to retail electric providers.

Proceeds from the sale of Texas Genco and the amounts we receive under the Texas Electric Restructuring Law will allow us to significantly reduce our debt and save hundreds of millions of dollars in interest during 2006.



CenterPoint Energy, Inc., based in Houston, Texas, is a domestic energy delivery company with operations that include electric transmission and distribution, natural gas distribution and sales, interstate pipelines and natural gas gathering. The company serves nearly five million metered electric and natural gas distribution customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. Assets total about \$17 billion after the sale of our subsidiary, Texas Genco. With more than 9,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 130 years. For more information, please visit our Web site at www.CenterPointEnergy.com.



Above: Jim Brush, Lead Construction and Maintenance Technician in Little Rock, welds pipe before installation; Pam Riche supervises gathering services in Shreveport, and from left, Linemen Roy McDonald, Shannon Thames and James Kohler head out prepared for inclement weather.

On the Cover:

Outside top: Ronald Bruno, Cable Splicer, Underground, emerges from a manhole in downtown Houston. Bottom: Fred Pitcher, Construction Inspector, conducts an inspection at a natural gas construction site in Houston. Inside from top left clockwise: Peaches Hardison reads meters in Houston; Robert Zych, left, and Kevin Fahey are part of a construction and maintenance crew in Minnesota; Chivonne Miller dispatches repair jobs in Minnesota; and John Lobue is a Gathering Technician at Stateline Waskom on the Texas-Louisiana border.

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O V E R 1 3 0 Y E A R S O F R E L I A B L E S E R V I C E

FINANCIAL HIGHLIGHTS

	Year Ended December 31		
	2002	2003	2004
(In Millions Of Dollars Except Per Share Amounts)			
Revenues	\$ 6,438	\$ 7,790	\$ 8,510
Operating Income	\$ 1,440	\$ 1,355	\$ 864
Income From Continuing Operations ⁽¹⁾	\$ 482	\$ 409	\$ 205
Per Share of Common Stock:			
Income From Continuing Operations, Basic ⁽¹⁾	\$ 1.62	\$ 1.35	\$ 0.67
Income From Continuing Operations, Diluted ⁽¹⁾	\$ 1.61	\$ 1.24	\$ 0.61
Book Value – Year End	\$ 4.74	\$ 5.77	\$ 3.59
Market Price – Year End	\$ 8.01	\$ 9.69	\$ 11.30
Common Dividend Paid	\$ 1.07	\$ 0.40	\$ 0.40
Capitalization:			
Long-term Debt (Includes Current Maturities)	\$ 9,996	\$ 10,939	\$ 9,029
Trust Preferred Securities ⁽²⁾	\$ 706	\$ —	\$ —
Common Stock Equity	\$ 1,422	\$ 1,761	\$ 1,106
Total Capitalization (Includes Current Maturities)	\$ 12,124	\$ 12,700	\$ 10,135
Total Assets ⁽³⁾	\$ 16,041	\$ 17,217	\$ 16,597
Capital Expenditures ⁽³⁾	\$ 566	\$ 497	\$ 530
Common Stock Outstanding ⁽⁴⁾ (in thousands)	300,102	305,385	308,045
Number of Common Shareholders	67,308	63,660	59,448
Number of Employees	12,019	11,046	9,093

1. Before extraordinary loss.

2. See footnote (4) on page 34.

3. Excluding discontinued operations. See page 34.

4. Excludes ESOP shares of 4,915,577 and 911,847 at December 31, 2002, and 2003, respectively.



Milton Carroll, left, Chairman of the Board,
and David McClanahan, President and
Chief Executive Officer

DEAR FELLOW SHAREHOLDERS,

Thank you for investing your trust in CenterPoint Energy. Our vision is “to be recognized as America’s leading energy delivery company . . . and more.” We believe we will have achieved this vision when CenterPoint Energy delivers world-class performance to four key stakeholder groups beginning with you, our shareholders, but also including our customers, our employees and the communities we serve. We are pleased with the progress we made in 2004, but we know there is more work that needs to be done.

Investors today seek sound investments in companies that share their values. At CenterPoint Energy, our core values of integrity, accountability, initiative and respect guide everything we do. To achieve our vision, we need strong values and a sound corporate strategy. Though detailed in its execution, our strategy can be easily summarized: “One Company, Get it Right, and Grow.”

By “One Company,” we mean that we will leverage our talents and resources across our entire company rather than operate as a collection of smaller, autonomous business units. By “Get it Right,” we mean that we will constantly focus on making our businesses more efficient and cost-effective. Finally, by “Grow,” we mean that we want to

**OUR VISION IS “TO BE RECOGNIZED AS
AMERICA’S LEADING ENERGY DELIVERY
COMPANY . . . AND MORE.”**

expand our company and increase the value of your investment over time. (See page 21 of this report for examples of our One Company, Get it Right, and Grow strategic initiatives).

Sale of Texas Genco and our electric subsidiary

“true-up” proceeding

2004 was a watershed year. Since CenterPoint Energy was created in 2002 as a regulated utility company with a significant amount of debt, we have looked forward to completing the two key events that would allow us to return to debt levels more typical for a utility our size and help solidify our investment-grade credit ratings. These two important events were the sale of our electric generation assets and the recovery of our “stranded” costs associated with the restructuring of the Texas electric market. We are pleased to report we made significant progress on both events last year.

In July 2004, we announced the sale of our electric generation business, Texas Genco, for \$3.65 billion. CenterPoint Energy received \$2.9 billion for our 81 percent interest in the company. The sale was structured in two phases. We finished the first phase, for which we received

\$2.2 billion, in late 2004 with the sale of 11 coal, lignite and gas-fired power plants. Following approval of the Nuclear Regulatory Commission, we were able to complete the final phase of the sale in April 2005 by selling our investment in the South Texas Project nuclear power plant for \$700 million.

The second key event is the recovery of costs associated with the transition to electric competition in Texas. The recovery of these costs was provided for in the 1999 law that restructured Texas’ electric utility industry. In March 2004, we filed a “true-up” request with the Public Utility Commission of Texas (PUC) to recover \$3.7 billion in stranded costs and regulatory assets, excluding interest. In December, the PUC approved (subject to certain adjustments) approximately \$2.3 billion, including interest through August 31.

Frankly, we were very disappointed by this ruling. We don’t believe the Commission followed the law or its own regulations on a number of significant issues, and in January, we filed an appeal with the Texas state courts. However, it will likely take a number of years before the appeals process is complete.



With the proceeds from the first step in the sale of Texas Genco, we were able to reduce our company's indebtedness by \$2 billion in 2004. This year, by combining the proceeds from the second step in the sale of our interest in the power generation subsidiary along with the sale of approximately \$1.8 billion in low-cost transition bonds, we will be in position to further reduce our company's debt. These low-cost bonds cover most of the transition costs that were approved by the PUC in our true-up case.

Unfortunately, several parties have appealed the financing order authorizing the bond sale, which will delay our recovery of these costs for a number of months. We will, however, continue to earn interest on the approved amount during the consideration of these appeals.

The sale of our power generation subsidiary and the transition bonds are not, however, the only ways we are working to improve our company. Through our One Company, Get it Right and Grow strategic initiatives, we are taking important steps to make our company more efficient, cost effective and profitable.

2004: a solid year for core electric, gas and pipeline operations

Even as our senior management team focused much attention in 2004 on the sale of Texas Genco and our true-up case, employees in our core electric, gas and pipeline operations turned in their best performance in our brief history as CenterPoint Energy.

In Houston, our electric transmission and distribution operations continued to show overall improvement. We increased our core operating income by \$33 million over 2003, added nearly 47,000 new metered customers and met system reliability goals after establishing an aggressive special program to cut outage times.

Our natural gas delivery and gas marketing operations also had their best year, raising operating income by \$20 million. Spurred by strong growth in the metropolitan areas of Houston and Minneapolis, we added about 45,000 customers. We also achieved high customer satisfaction scores. Our gas marketing business increased sales to electric and gas utilities as well as to large commercial and industrial customers.

WE SOLD OUR POWER GENERATION BUSINESS
FOR \$2.9 BILLION AND SIGNIFICANTLY
REDUCED OUR DEBT

Likewise, our pipeline group had its best year ever, improving operating income by \$22 million. We connected a record number of new natural gas wells and began an expansion of our pipelines, storage facilities and remote wellhead monitoring services.

2005: positioned for the future

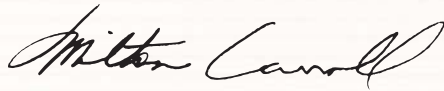
We achieved much in 2004, and we're excited about our future. In the near term, we will continue to execute our plan to reduce the company's debt and enhance operations to better serve our customers.

As the financial strength of the company continues to improve, we will actively pursue potential growth opportunities in areas that complement our core energy delivery business. However, we will pursue these opportunities only when we believe they will create sustainable shareholder value.

The CenterPoint Energy management team is committed to achieving our vision and strategy. We believe our accomplishments last year are evidence of this. We met the difficult challenges we faced in 2004 and we feel the

company is well positioned to successfully pursue our vision of being recognized as America's leading energy delivery company ... and more.

Thank you for your continued confidence in us.



Milton Carroll
Chairman of the Board



David M. McClanahan
President and Chief Executive Officer



*"I think investing in
CenterPoint Energy stock is a
great way for me to help build a
future for my daughter, Raina."*

*Delores Garner
Shareholder/Employee*



Inset photo: Key finance executives, Brenda Cauthen, VP Audit Services, Jim Brian, Senior VP and Chief Accounting Officer, and Walter Fitzgerald, VP and Controller, examine internal controls and audit processes in compliance with the new federal rules related to the Sarbanes-Oxley Act.

A YEAR OF EXCEPTIONAL PROGRESS

CenterPoint Energy is committed to providing shareholders a well-managed company dedicated to paying competitive dividends and building shareholder value. As described on the inside front cover of this report, we are focused on using proceeds from the sale of Texas Genco and the true-up proceeding to reduce debt and interest costs. While we reported losses in 2004 related to the sale of our generating assets and stranded cost proceedings, our core electric, gas and pipeline delivery businesses posted solid gains in operating income.

All core segments report higher operating income

Our electric transmission and distribution business continued to perform well in 2004, ending the year with core operating income of \$441 million (excluding the impact of ECOM revenues, the transition bond company and the final fuel reconciliation). Driven primarily by the addition of nearly 47,000 new metered customers, core operating income increased by \$33 million (excluding the impact of ECOM revenues, the transition bond company and the final fuel reconciliation). Operating income also benefited from lower employee-related costs and proceeds from a land sale, but was partially offset by decreased usage due to milder weather and higher transmission costs.

Our natural gas distribution segment reported operating income of \$222 million, an increase from \$202 million in 2003. This higher income was the result of rate increases, a higher customer count and more efficient operations.

An aggressive restructuring plan that improved operational efficiencies and lowered ongoing operating expenses contributed to the income gains. However, one-time charges related to the restructuring plan, and mild winter weather that led to lower customer gas usage, partially offset these gains.

Our pipelines and gathering segment increased operating income to \$180 million from \$158 million in 2003. The increase was driven by favorable market pricing and higher demand on our interstate pipelines business, increased throughput, an increase in treating and processing by our gas gathering unit and higher third party earnings in Pipeline Services.

Customer base growing across our business

We experienced customer growth in each of our energy delivery businesses in 2004. These increases provided both current revenue growth and, we expect, the basis for future

OUR CORE ENERGY DELIVERY BUSINESSES ACHIEVED EXCELLENT FINANCIAL RESULTS WHILE CONTINUING TO MAKE OPERATIONAL IMPROVEMENTS

earnings growth. Houston and Minneapolis, two of the nation's fastest growing metropolitan areas, together added more than 91,000 electric and natural gas customers in 2004.

In the Houston area, we added a total of 47,000 new electric meters to our previous base of 1.8 million and 27,000 new natural gas customers to the 1 million we currently serve. The strong residential housing market in the Minneapolis area accounted for most of the approximately 17,000 new customers in Minnesota, where we serve 750,000 customers. We also added gas distribution customers in Little Rock, Ark., Shreveport, La., suburban Jackson, Miss., and the corridor between Austin and San Antonio, Texas.

Our interstate pipelines operations signed new seven-year contracts with our Arkansas, Louisiana and Texas gas distribution operations that will provide long-term stability. The gas gathering business enjoyed a record-setting year, connecting 393 new natural gas wells, completing eight new major gathering projects and installing 1,800 additional ServiceStar units, our remote wellhead monitoring and measuring product. Pipeline Services continued to make progress providing pipeline operations, maintenance and technical services to third party clients.

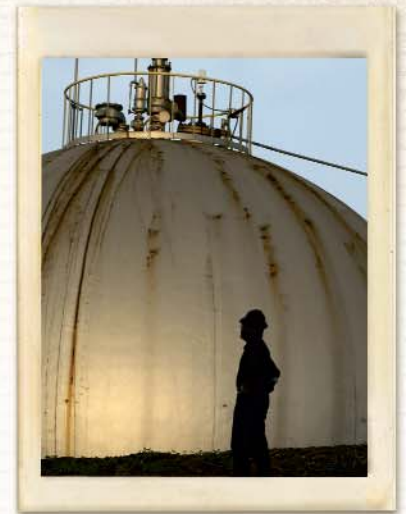
Improving earnings through rate relief and rate design

We remain committed to achieving our allowed rate of return in our regulated businesses. As part of this strategy, we will seek rate increases when necessary. In 2004, CenterPoint Energy sought and received significant rate relief in several jurisdictions.

In the Houston metropolitan area, we received approval for \$14 million in base rate increases from the Texas Railroad Commission, the city of Houston and 28 other cities. In addition to the base rate changes, we also established gas cost adjustment clauses that help mitigate fuel price risks by enhancing our ability to more quickly reflect the current estimated cost of gas in customers' bills.

We also obtained rate relief in Louisiana and Oklahoma, resulting in a \$2 million increase in base rates and service charges in our southern Louisiana service territory, a \$7 million increase in base rates and service charges in northern Louisiana and a \$3 million rate increase in Oklahoma. We also obtained rate stabilization clauses in northern Louisiana and Oklahoma, which are similar to the clause that is already in effect in southern Louisiana. The stabilization clauses allow us to make small annual

Robert Newberry, Project Manager, Corporate Communications, sizes up a storage tank at the Sligo Plant in Houghton, La.



adjustments to rates without filing expensive and time-consuming rate cases.

In Minnesota, our request for a \$22 million rate increase and new rate design to improve margin stability is currently under review by regulators. Interim rates of \$17 million went into effect on Oct. 1, 2004, for all customers, subject to refund. We have reached a settlement with the Minnesota Department of Commerce for an annualized increase of approximately \$9 million, subject to approval by the Minnesota Public Utilities Commission (MPUC). A decision by the MPUC is expected in the second quarter of 2005, and we expect to implement new rates by the end of the summer.



Jason Hobbs, Lineman at the Fort Bend Service Center near Houston, stands ready to serve customers.

In April 2005, we received approval from the Texas Railroad Commission for a \$2 million base rate increase for unincorporated areas in Texas. In November of 2004, we filed a request with the Arkansas Public Service Commission for about \$34 million in increases. We expect a decision to be made on this request in the second half of 2005.

Get it Right – improving our operating efficiency

A key element of our strategy to “Get it Right” is to leverage

our company’s size and skills to continually improve our operating performance.

CenterPoint Energy’s electric transmission and distribution organization is in the third year of its ongoing program to improve performance and achieve top-quartile status in service reliability, cost efficiency and customer satisfaction, while at the same time, lowering capital spending. They have had success in improving their operating income and reducing capital spending, and they are working to



Reynaldo Carabajal, Construction and Maintenance Technician, uncoils piping at a construction site in New Braunfels, Texas.

control costs and continue to make improvements in their overall performance.

Our gas delivery business turned in a strong performance in 2004. In Houston, we achieved our target earnings, despite warmer weather during the heating season, primarily by effectively managing costs. Employees were able to stay within budget while meeting service objectives and controlling capital expenditures and operating and maintenance costs.

Our pipeline businesses are ranked in the top quartile among pipeline companies with operations similar to ours, according to the results of an internal study conducted in 2004. The study benchmarked the operating costs for pipelines in the United States as a starting point for comparisons. We were ranked in the top quartile in all measures. Still, recognizing that newly enacted regulatory requirements are placing increased pressure on our operating costs, Pipeline Services and Field Services began a full review of our construction and maintenance processes in 2005 to ensure that we continue to operate our business at maximum efficiency.

Targeting new customers for growth

While we continue to experience strong customer growth in many of our service territories, we are committed to expanding our business by strategically targeting new growth opportunities.

In Minnesota, we are focusing our customer acquisition efforts on high-growth residential areas, ethanol production facilities and large natural gas-fired electric generation facilities. During 2004, we signed contracts to serve four new commercial/industrial customers who will use more than 5 billion cubic feet (Bcf) of natural gas annually, which is equivalent to the consumption of 50,000 residential customers. With nearly 240,000 repair plan customers, our appliance sales and repair business in Minnesota, Home Service Plus® (HSP), covers more than 1.3 million appliances and is the largest furnace and appliance repair provider in Minnesota. It is also the largest provider of residential heating, ventilation and air conditioning replacement equipment in the state.

In our pipelines business, we signed contracts and filed a request seeking regulatory approval for major pipeline growth and for an expansion of our Chiles Dome storage

commitment (ke·mit'·mint) 1. to
dedicate oneself to something or
someone 2. duty; promise

WE ARE COMMITTED TO STRATEGICALLY TARGETING NEW GROWTH OPPORTUNITIES

field in Oklahoma. Additionally, we are pursuing on- and off-system storage opportunities to meet increasing customer demand brought about by highly volatile commodity prices and shifts in gas flows. Increased traditional drilling in our major supply basins, new coal-bed methane drilling in the Arkoma Basin and strong relationships with our current customers offer us new and continuing opportunities to grow our field services operations.

Similarly, we are aggressively looking for ways to grow and leverage our ServiceStar business, an industry leading provider of remote monitoring automation and measurement services. Plans are under way to unbundle our current product offerings and add new services that include communication services, automation of existing electronic flow measurement devices and monitors, and development of a personal data application for manual monitoring.

Pipeline Services continued to expand in 2004, managing customer pipeline integrity projects and offering onshore and offshore pipeline operations and technical services. Pipeline Services also continued to provide services to our affiliated pipelines and distribution units. Major projects we completed included commissioning services

for Longhorn Partners Pipeline, LP; modernizing our Ada Storage compression facilities; completing our Integrity Management Plan; and developing a strategic workforce plan to ensure that we meet our future labor requirements.



No matter how remote, ServiceStar, in the fenced area to the right, can provide monitoring service for well and compression operations.



"We did for Florida and Alabama
what we do for our own
customers every day."

Dante Evans
Journeyman Lineman
Cypress Service Center
Houston

Clockwise from top left, Linemen Nick White left, and James Candelari ride high at a Houston freeway construction site; Scott O'Brien at Houston's H.O. Clarke Service Center and Dante Evans, who helped restore power in Florida after Hurricane Ivan caused damage that included leaving boats aground.

WE'RE "ALWAYS THERE" FOR OUR CUSTOMERS - DELIVERING SAFE AND RELIABLE ENERGY SERVICES

CenterPoint Energy has a strong commitment to delivering safe and reliable electric and natural gas service to our customers. This is at the heart of what we mean when we say we are "Always There" for our customers. In 2004, we delivered on that promise, not only for our own customers, but also for our neighbors in Florida and Alabama, who found themselves without power following four devastating hurricanes.

Electric Reliability – outage goals achieved

Despite assisting other utilities with their restoration efforts, and facing a series of small but powerful spring storms in the Houston area, our employees worked together to find a way to meet the company's electric service reliability goals.

We measure overall reliability results using the System Average Interruption Duration Index (SAIDI), which records the number of minutes the average customer is without power during the year. Following the unusual series of storms early in the year, it appeared unlikely we could meet our SAIDI goal. By the end of July, we were on a path that would exceed our total allowable outage time by 20 percent. To get back on track, we established a special SAIDI Recovery Plan. The plan set aggressive daily and

monthly targets designed to reduce allowable outage time a little each month so we could still meet our original goal by the end of the year. With hard work by everyone in service restoration, we reached our goal. This accomplishment is especially significant because it was achieved while alternating crews shuttled back and forth between Florida and Alabama to help neighboring utilities restore power following hurricanes Charley, Frances, Ivan and Jeanne.

Gas Reliability – emergency response times improve

Delivering natural gas to homes and businesses is one of the most reliable forms of energy delivery. We determine the reliability of our natural gas distribution businesses by measuring both the number of gas outages and how quickly our crews restore service when there is trouble.

In Houston, the reliability of our natural gas delivery system improved over the previous year. We experienced fewer gas outages and successfully reduced our emergency response time by 8.3 percent over 2003.

In Minnesota, system damage and damage location requests showed an 8.5 percent decrease. We also reduced the



Angel Dominguez reads meters in Houston.



Randy Draper, Gas Gathering Technician at the Houghton, La., office, checks a storage tank.

number of gas outages and the time customers were without service. There were 1,271 customers affected by gas outages in 2004, totaling 6,103 hours. This is an improvement over 2003 when 1,559 customers were without service for a total of 6,460 hours.

In our southern states, we created a combined Gas Control Group, which has the ability to track the status of the gas system in “real time.” This allows us to make quicker and more accurate decisions on how to respond to a cut line or other problem on the system. It also helps reduce the time necessary to restore the system and the number of people who may be affected by an outage.

Continuing award-winning safety in our communities

In the communities we serve, we recognize that customers count on us to provide safe and reliable energy delivery, and we honor the trust they have in us. Ensuring that our employees operate our systems safely is a key element of our continuing commitment to both our employees and our customers.

The overall safety record for our natural gas operations was very good last year, showing significant improvement over

2003. The safety record of our southern gas operations was exemplary, earning our company the American Gas Association’s (AGA) top safety award for 2003. We improved on the 2003 record during 2004, all but assuring a top ranking in the next AGA ratings. Similarly, our Houston operations received an AGA safety award last year for being a leader in accident prevention in 2003. Our employees in Houston worked 1 million hours without a lost time injury during a one-year period that ended Aug. 27, 2004.

In Minnesota, we did not reach our safety goals for preventable vehicle collisions, so we implemented several measures to reduce vehicle accidents in the future. We have:

- Implemented a program to address distracted driving;
- Provided National Safety Council courses for our drivers; and
- Changed our vehicle collision review process to include review boards with front-line employees, supervisors and managers from multiple divisions.

Our Pipeline Services business achieved the best safety performance in its history in 2004, reducing the

WE ARE COMMITTED TO CONTINUALLY IMPROVING OUR SERVICE TO CUSTOMERS

Occupational Safety & Health Administration (OSHA) Recordable Incident Rate by 15 percent while increasing the number of hours worked by 9 percent. Our pipelines safety record is one of the best in the industry.

Operational Excellence – improving service and response time

All of our business units reported successes in their operations in 2004.

Our electric operations unit expanded a shared trenching effort that now includes the installation of both telephone and cable lines in the same trench with our electric cable and gas pipe. As a result of this initiative, we lowered installation costs and expect to realize future savings through reduced cable cuts and buried line locator expenses.

Also, along with the rest of the Texas retail electric market, CenterPoint Energy helped launch and complete a massive two-year project to automate the move-in/move-out process for electricity customers. This was a major milestone involving a collaborative process in which market participants worked together to benefit customers. As a result, customers moving into a new home can expect



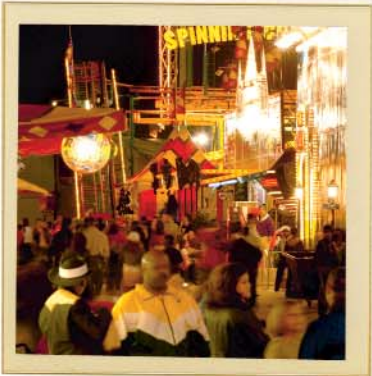
Construction Inspectors Johnny Rawls, left, and Fred Pitcher inspect work at a Houston construction site.

to receive timely electric service. The new system now identifies instances in which there are multiple service requests for a single address, and it “stacks” them so they can all be processed at the same time. As a result, CenterPoint Energy’s manual work load is reduced by 90 percent, saving us time and money.

Our natural gas delivery business is focusing on implementing new computer technology to reduce costs and improve



Fans of the Houston Livestock Show and Rodeo enjoy the benefits of electric power and natural gas.



service times. Currently, we are implementing a new customer care computer system that will replace three different computer applications and allow us to realize significant savings by retiring aging legacy computer systems. By the end of 2004, we had completed 43 percent of this system upgrade and achieved software and personnel cost savings. We are scheduled to complete this project by the end of 2005.

Additionally, approximately 80 percent of our natural gas distribution crews are now equipped with a new mobile data system, which uses laptop computers in our trucks, to give us more efficient dispatching and rapid customer service. We plan to have 100 percent of our business using mobile data systems by the fourth quarter of 2005.

Technological improvements, however, are not the only ways we are working to improve service quality. In our southern gas service territories in Arkansas, Louisiana, Mississippi, Oklahoma and Texas, we completed a major organizational restructuring program in 2004 without operational disruptions. This allowed us to reduce the number of payment centers across the service territory, centralize customer call center operations in Shreveport, La.,

and implement a new customer care computer system. We expect to realize annual savings of \$10 million beginning in 2005 as a result of these changes.

We also granted open access on our rural Texas distribution systems to qualified commercial and industrial customers. With open access, qualified customers obtain their own natural gas supplies and use CenterPoint Energy to transport these supplies to their facilities. This service was already available in Arkansas, northern Louisiana and Oklahoma. The conversion to open access will be complete when qualified commercial and industrial customers in southern Louisiana, Mississippi and Houston, Texas, are granted this option in the future.

In Arkansas, we replaced 84 miles of older cast iron and bare steel pipe with more than \$23 million worth of new piping. This is part of a 10-year, 1,700-mile pipe replacement program.

Customer Satisfaction – striving for top-quartile performance

Providing safe, reliable and efficient natural gas and electric service is where our commitment to customers begins, but

WE AIM FOR EXCELLENCE IN OUR WORK SO
OUR CUSTOMERS CAN ENJOY WHAT IS MOST
IMPORTANT IN THEIR LIVES



it doesn't end until we exceed their expectations for the products and services we provide. Our customer satisfaction results in 2004 were mostly positive, with high and improving scores in our gas operations, but lower scores in our electric operations. CenterPoint Energy's goal for all areas of our company remains top-quartile performance.

In the J.D. Power and Associates (JDPA) annual residential study of natural gas utilities, our Minnesota customers gave us a top quartile ranking for customer service in the Midwest region, an improvement from the second quartile ranking we achieved last year. Our gas operations in the southern states outside the city of Houston, which was ranked separately, also showed improved performance, moving up from the fourth to third quartile in the South region. In Houston, our natural gas customer satisfaction scores held steady compared to last year, maintaining a second quartile ranking.

Our electric customer satisfactions scores, however, declined from top quartile to third quartile in the power quality and reliability measure of the JDPA residential study of electric utilities. As described on page 15, our service territory was hit last spring by a number of unusually strong

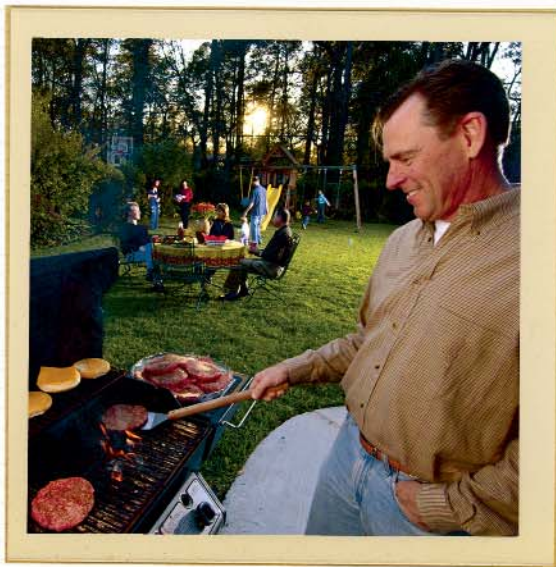


We help customers enjoy themselves by providing lighting at athletic fields.

storms. These storms occurred at the same time JDPA was surveying customers, which we believe resulted in the lower customer ratings.

Even though we ultimately achieved our 2004 electric reliability goals, we have renewed our focus on improving restoration plan performance by increasing our emphasis on tree trimming and developing a new strategy to address momentary outages.

WE STRIVE TO MAKE OUR CUSTOMERS' LIVES MORE
COMFORTABLE, PRODUCTIVE AND ENJOYABLE



CenterPoint Energy natural gas customers such as Ed Lowe enjoy backyard grilling with family and friends.

During 2004, we placed a heightened emphasis on increasing customer satisfaction in Pipelines and Field Services. The results of the independent Mastio Customer Satisfaction Survey showed significant improvements for both our interstate pipelines, CenterPoint Energy Gas Transmission Company (CEGT) and CenterPoint Energy-Mississippi River Transmission Corporation (MRT). Both pipelines were ranked in the top quartile, with MRT ranking third out of 42 pipelines in the Overall Satisfaction Index and CEGT ranking eighth. A Field Services survey also showed us with high marks for service, with 73 percent of our customers rating us either above average or excellent in meeting their expectations. When asked how well our services are adding value to their business versus expectations, 94 percent said we met or exceeded their expectations.

IN SUMMARY:

EXECUTING OUR CORPORATE STRATEGY

When CenterPoint Energy was created a little more than two years ago, we outlined our strategy of One Company, Get it Right and Grow. Our successes in 2004 include:

One Company

- We implemented a common computer network and work order processing system across our gas distribution businesses.
- We held employee conferences to improve communication between executives and front-line employees.
- We launched CNP University, providing employees access to career development resources and opportunities.
- We stopped using our heritage names, Arkla, Entex and Minnegasco.
- We launched our “On the Spot” ad campaign, leveraging safety, marketing and service messages to define CenterPoint Energy to customers.

Get It Right

- We completed a major restructuring program in our southern gas operations, estimated to save \$10 million annually beginning in 2005.
- We initiated rate relief proceedings in several jurisdictions (see pages 10-11 for details).

- We implemented training and reporting tools to improve internal controls and support Sarbanes-Oxley Act compliance.
- We expanded our joint trenching program, resulting in additional cost reductions.
- We helped implement an automated move-in/move-out process for electric customers.
- We installed design software that provides savings in overhead and underground electric line construction.
- We cut in half the prep time for building new electric service to subdivisions.

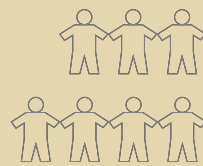
Grow

- We added more than 91,000 new metered customers.
- We expanded wholesale gas capabilities in the Midwest.
- We began an open access program to move qualified commercial and industrial gas distribution customers from distribution rates to transportation rates.
- We increased CenterPoint Energy Gas Services retail sales and sales to electric and gas utilities.
- We expanded the Pipeline Group’s gas gathering system.
- We launched pipeline and gas storage expansions.



"We utilize the feedback from all our team members to continually improve our processes."

*Leah Kasperek
Division VP
Human Resources*



Top photo from left, Leah Kasperek and H.O. Clarke Service Area Manager, Marie Bogan listen as Lineman Carlos Pereda recounts experiences on the job in Houston. Inset photo: Human Resources employees, from left, Alice Otchere, Director; Dinny Tan, Payroll Tax Accountant; Patricia Frank, Director; Ira Winsten, Director; Anthony Serrato, Labor Relations Manager; and Myrna Saavedra-Flores, Executive Secretary, discuss employee health plans.

WE WORK HARD FOR OUR EMPLOYEES' HEALTH, WELL-BEING AND OVERALL DEVELOPMENT

"For a forest to be green, each tree must be green."

– Maharishi Mahesh Yogi

CenterPoint Energy's employees are the source of our success. They operate and maintain our energy delivery infrastructure. They work to satisfy our customers' energy needs, whether on the front lines or in the back offices. They procure materials, process invoices and perform all the functions necessary and vital to our business. They lead the way in delivering energy to our customers, volunteer service to our communities and earnings to our shareholders.

Safety – our priority

Our first commitment to our employees is to keep them safe. We provide our employees safety training, wellness information, health and safety updates, and safety policies and practices. Our leadership attends safety meetings, and individual managers and supervisors conduct and document periodic on-site safety inspections. Safety initiatives and training, such as our online safety training Web sites, are regularly updated to help improve the safety of our employees. We track vehicular incident and lost time incident rates and other measures to assess progress toward our goal of first quartile safety performance in our industry.

Competitive Compensation – incentives, rewards and benefits

CenterPoint Energy strives to attract, motivate and retain employees by offering competitive pay and benefits. In addition to base pay, employees may receive awards for exceptional performance and annual short-term incentives for their role in achieving company goals. These objectives, which are tailored for each of our business units, focus on areas such as financial performance, safety, system reliability and customer satisfaction. Tied to overall company performance, the measures determine if employee bonuses are paid. Bonuses are paid only if the company's dividends are paid at least at the previous year's level. Bonuses were paid to employees in 2004.

Employees may also choose from an array of flexible benefits to select the medical, dental and vision plans that are right for them and their families. Our employee assistance program provides confidential counseling, legal help and financial services.

In addition to a company-funded pension plan, employees may contribute a portion of their pay to a 401(k) savings plan. Employees are immediately vested in the plan, to



teammate (tem'·mat) 1. an individual on the same team, with unique abilities, working toward the same goal

Customer Service Advisors and Representatives in Houston, from left, Carlos Bueno, Angie Ray, Dianna Ford, Gloria Pinnekins and Anna Nelson.

which the company makes a matching contribution based on a portion of eligible pay. When qualified employees retire, they receive credits based on their years of service to help them pay for medical and dental coverage.

Employee Surveys – every opinion counts

We recognize the critical role employees play in ensuring CenterPoint Energy's success, so we conduct an employee survey every 18 months to ask how we are doing. In 2004, we conducted the second CenterPoint Energy Employee Survey based on a set of questions the Hay Group developed specifically for CenterPoint Energy. The survey allows us to compare our work environment to 300 other companies and gives us an indication of how employees think we can improve.

The 2004 survey showed high employee satisfaction overall and provided both positive feedback and opportunities for further improvement in the company. The survey also indicated that employees understand and support the company's goals, and they believe they can make meaningful contributions to achieving them. Our employees are focused on our customers and are proud of the quality of service the company provides.

Our management team is carefully reviewing the suggestions made by employees and will develop and implement plans to make the suggested changes.

Employee Development –

building a world-class workforce

The survey highlighted our employees' continued belief in the importance of career growth and development opportunities. Company management agrees and has made developing employee skills a key element of our corporate strategy.

We took a major step toward improving employee development in 2004 by creating CNP University, an online resource of virtual and classroom training opportunities and helpful materials. In addition to a core curriculum of required training on CenterPoint Energy values, ethics and regulatory compliance issues, employees can access three Schools of Excellence: leadership, business excellence and personal effectiveness. Services offered include assessments and team-building for workgroups at on-site training facilities and a library of books, videos and other media.

OUR EMPLOYEES LEAD THE WAY IN DELIVERING ENERGY
TO OUR CUSTOMERS, VOLUNTEER SERVICE TO OUR
COMMUNITIES AND VALUE TO OUR SHAREHOLDERS



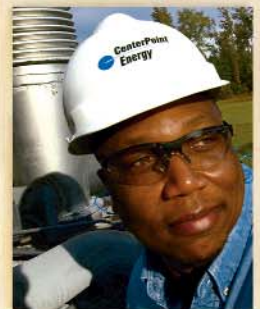
Ray Robbins, Gathering Technician, stays in touch at the Sligo Plant in Haughton, La.

CenterPoint Energy's employees are also committed to each other. As one generation of leaders prepares for retirement, it must transfer knowledge to help develop our leaders of tomorrow. Even after leaving their day-to-day employment at the company, our commitment to employees continues, as our retirement and savings plans show. In 2004, the company reaffirmed that commitment by contributing \$476 million to the pension plan. In addition to benefiting both current and retired employees, this move added \$350 million to shareholders' equity in 2004.

Dorothy Rodgers is a Measurement Analyst in Shreveport, La.

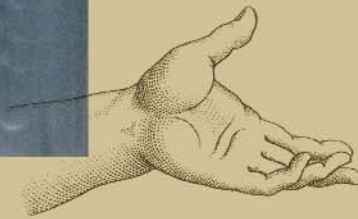
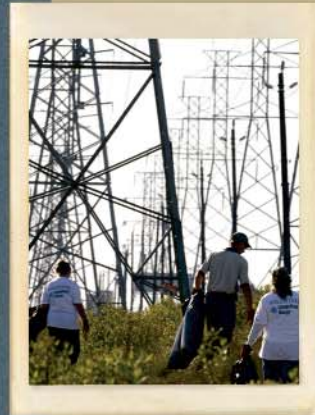


Dick Walker, Gathering Technician, works in Waskom, La.



Glenn Lea is a Construction & Maintenance Technician in New Braunfels, Texas.





"It gives me great personal fulfillment to be involved in CenterPoint Energy's community outreach programs."

*Adrian Moreno
CenterPoint Energy Volunteer*

Clockwise from top left, Adrian Moreno, Service Consultant, and Donna Novak, Field Service Representative, repair a home in Houston; inset: Volunteers clear away debris during a "Trash Bash" clean-up near Galveston, Texas; and, at left, Janie Norton and Julie Beitler, Engineering Systems, help restore native plants at the Dakota Peak Shaving Station in Minnesota.

WE ROLL UP OUR SLEEVES TO HELP OUR NEIGHBORS IN THE MANY COMMUNITIES WE SERVE

Respect for our communities is one of CenterPoint Energy's core values. Our employees take the initiative to make a difference in other people's lives through volunteer efforts, with a special focus on education and economic development.

Employee Giving – meeting community needs

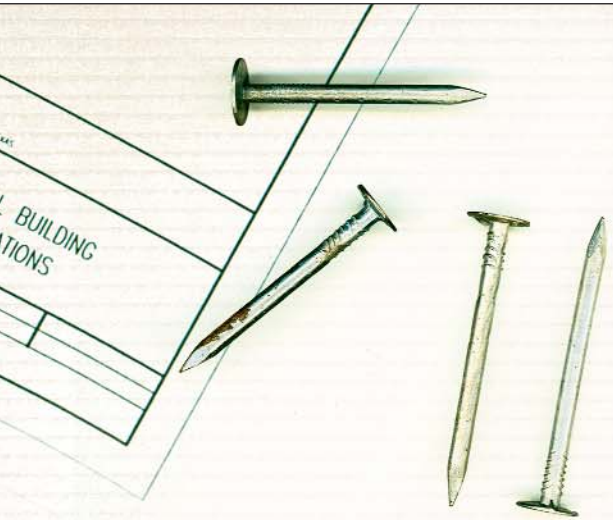
CenterPoint Energy employees volunteered 95,508 hours in 2004 at corporate-sponsored walkathons, food and blood drives, fundraising events and independent initiatives. Based on a standard volunteer rate of \$17.19 per hour, this represents \$1.6 million in benefits to our communities. Our company and employees also made more than \$2 million in direct cash contributions to support 85 United Way agencies across our service areas. Contributions by our Houston employees placed us among the top 10 givers in Houston. Also in the Houston area, the MS150 bicycle team had a record 100 plus riders and raised more than \$65,000 for the fight against multiple sclerosis.

In Oklahoma, employees raised thousands of dollars for the American Cancer Society Relay for Life. In Batesville, Ark., employees participated in the Special Olympics Master's Fun Day. Employees from Alice and Kingsville, Texas, flipped 600 flapjacks at the Premont Lion's Club's 51st Annual

Pancake Supper to help fund eye care and educational summer camps. In Brazoria County, Texas, employees held a holiday gift drive for disadvantaged children. In Minnesota, employees raised more than \$6,000 for the Food Share program – enough to feed 318 families of four for a week by selling 6,000 flowers. Food Share purchases supplies in bulk, and every dollar raised buys eight pounds of food.



Jina Faith, valedictorian at Chavez High School gets pointers from Ben Carranza, Senior Engineer, H.O. Clarke Service Center in Houston.



Community Partnerships – building for tomorrow

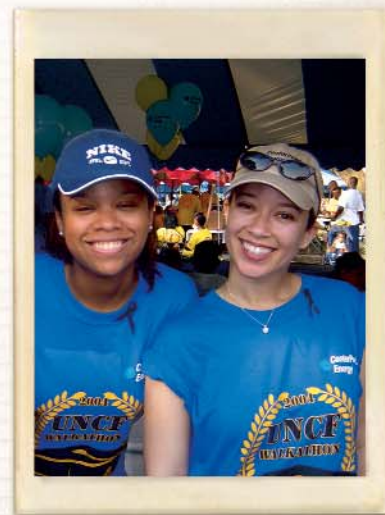
We live, work, worship and play in the communities we serve. We partner with organizations to make the community a better place. We provide sponsorships, grants and assistance for education, economic development and family programs. We also support the use and development of minority and women-owned business enterprises, and in 2004, spending with these diverse suppliers was nearly 12 percent of our total qualified procurement dollars, excluding fuel and certain other expenses. Additionally, our economic development department worked with 16 companies to expand or relocate to our Houston service area, bringing 2,251 new jobs and adding \$6 billion to the area's economy.

Our employees in Houston and Minnesota have partnered with Habitat for Humanity for 15 and 12 years, respectively, building homes for those in need. In June, more than 125 employees and retirees in Minnesota spent a week siding, insulating and building a home in Anoka. In Houston, we received the Texas Public Relations Association's Silver Spur Award for our partnership with the University of Houston in presenting the Power Tools for Nonprofits Conference. Over the past 11 years, this annual event has brought together more than 6,200 professionals from 2,600

nonprofit organizations to share strategies for managing political, social, economic and technological challenges for the improvement of life in our communities.

Supporting Education – helping young minds grow

CenterPoint Energy knows knowledge is power. In 2004, employees in our speaker's bureau made 574 speeches to a combined audience of 18,638 people. The Electric Universe and Energy Underground Web sites are popular resources for teachers and students. We sponsor or support education



Amanda Newsome, left, Employee Service Specialist, and Lena Clark, Project Manager, walked for the United Negro College Fund.

WE SUPPORT EDUCATIONAL AND ENVIRONMENTAL
EFFORTS THROUGHOUT THE COMMUNITIES
WHERE WE PROVIDE SERVICE



efforts such as the Houston Hispanic Forum's Career and Education Day, Junior Achievement and National Scholars Initiative. The Houston Independent School District recognized our 24-year partnership with the district by inducting CenterPoint Energy into the HISD Hall of Fame.

In Mississippi, the Ridgeland Chamber of Commerce recognized district manager Tina Lakey for her work with the Junior Diplomat program, which prepares future leaders. Stuart Mouton, a senior service technician in Abbeville, La., taught fourth graders that recognizing the odor of natural gas could save their lives.

CenterPoint Energy's sense of community stretches beyond our service territory. Our company and employees donated \$135,000 to aid tsunami victims in southeast Asia. Our employees spent weeks away from home helping restore power to hurricane-ravaged Florida and Alabama. And the children of the Destino del Reino orphanage in Honduras will remember their CenterPoint Energy friends who built the power lines that brought them electricity.

Caring for the environment

CenterPoint Energy cares about the environment in the

communities where we live. Several organizations recognized us in 2004 for the work we have done to preserve our environment. In Minnesota, employees are helping restore indigenous species of plants at the Dakota Peak Shaving Station in the Minnesota River Valley.

"Trees make our communities more livable," wrote The National Arbor Day Foundation when it named CenterPoint Energy a Tree Line USA Utility in recognition of our "national leadership in caring for trees while meeting service objectives." Tree Line USA is sponsored in cooperation with the National Association of State Foresters.

CenterPoint Energy received the Mayor's Proud Partners award from Houston Mayor Bill White and the Keep Houston Beautiful program after our volunteers helped remove 11 tons of trash from a two-plus mile stretch of Galveston Bay shoreline.

The National Pollution Prevention Roundtable presented CenterPoint Energy's ENERGY STAR program a national award for helping prevent pollution through the construction of more energy efficient homes.

BOARD OF DIRECTORS



Left to Right: Michael E. Shannon, Robert T. O'Connell, O. Holcombe Crosswell, David M. McClanahan, Milton Carroll, John T. Cater, Thomas F. Madison and Derrill Cody.

Milton Carroll, 54, is Chairman of the Board. He is also Chairman and founder of Instrument Products, Inc., an oilfield equipment manufacturing company in Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1992. He is Chairman of the Governance Committee and also serves on the Compensation Committee.

John T. Cater, 69, is a private investor and former Chairman of Compass Bank – Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1983. He is the Chairman of the Compensation Committee and also serves on the Finance and Governance Committees.

Derrill Cody, 66, is presently of counsel to the law firm of McKinney & Stringer, P.C. in Oklahoma City, Okla. He is a former Executive Vice President of Texas Eastern Corporation and Chairman and Chief Executive Officer of Texas Eastern Gas Pipeline Company. He has been a CenterPoint Energy board member since 2003. He serves on the Audit, Compensation and Governance Committees.

O. Holcombe Crosswell, 64, is President of Griggs Corporation, a real estate and investment company in Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1997. He is Chairman of the Finance Committee and also serves on the Audit Committee.

Thomas F. Madison, 69, is President and Chief Executive Officer of MLM Partners, a small business consulting and investments company in Minneapolis, Minn. He is a former President of US West Communications – Markets and served as Vice Chairman of

Minnesota Mutual Life Insurance Company. He has been a CenterPoint Energy board member since 2003. He serves on the Audit and Compensation Committees.

David M. McClanahan, 55, is President and Chief Executive Officer of CenterPoint Energy. He has been a member of the Board of Directors since 2002.

Michael E. Shannon, 68, is President of MESHannon & Associates, Inc., a corporate financial advisory services and investments company in Houston. He served as Chairman of the Board and Chief Administrative and Financial Officer of Ecolab, Inc., a Fortune 500 specialty chemical company. He has been a CenterPoint Energy board member since 2003. He is the Chairman of the Audit Committee and also serves on the Finance Committee.

Robert T. O'Connell, 66, is a business consultant focusing on financial, strategic and business development matters. He is a board member of Commonwealth Corporation and a member of the Boston Finance Commission, two Massachusetts public service entities. He previously served as a director of RWD Technologies, Inc.; as Senior Vice President and Chief Staff Officer of EMC Corporation; as Chief Financial Officer of General Motors Corporation and as Chairman of General Motors Acceptance Corporation. He has been a CenterPoint Energy board member since 2004 and serves on the Audit and Finance Committees.

OFFICERS



Left to Right: Dean Liollo, Preston Johnson, Georgianna Nichols, Gary Whitlock, Byron Kelley, David McClanahan, Tom Standish, Scott Rozzell, Gary Cerny and Wayne Stinnett.

Executive Committee

David M. McClanahan, 55
President
and Chief Executive Officer

Scott E. Rozzell, 56
Executive Vice President,
General Counsel
and Corporate Secretary

Gary L. Whitlock, 55
Executive Vice President
and Chief Financial Officer

Other Corporate Officers

James S. Brian, 57
Senior Vice President
and Chief Accounting Officer

Preston Johnson, Jr., 49
Senior Vice President
Human Resources and
Shared Services

Jeff W. Bonham, 42
Vice President
Government Relations

Brenda S. Cauthen, 43
Vice President
Audit Services

Walter L. Fitzgerald, 47
Vice President
and Controller

Carol R. Helliker, 44
Vice President,
Corporate Compliance Officer
and Associate General Counsel

Marc Kilbride, 52
Vice President
and Treasurer

Floyd J. LeBlanc, 45
Vice President
Corporate Communications

Joseph B. McGoldrick, 51
Vice President
Strategic Planning

Rufus S. Scott, 61
Vice President,
Deputy General Counsel
and Assistant Corporate Secretary

William J. Starr, 51
Vice President
Tax

Business Unit Leadership

Gary M. Cerny, 49
Division President
and Chief Operating Officer
CenterPoint Energy
Minnesota Gas

Byron R. Kelley, 57 *
Group President
and Chief Operating Officer
CenterPoint Energy Pipelines,
Pipeline Services and
Field Services

Constantine S. Liollo, 46
Division President
and Chief Operating Officer
CenterPoint Energy
Southern Gas Operations

Georgianna E. Nichols, 56
Division President
and Chief Operating Officer
CenterPoint Energy Houston Gas

Thomas R. Standish, 55 *
Group President and
Chief Operating Officer
CenterPoint Energy
Houston Electric &
Information Technology

Wayne D. Stinnett, 54
Division Senior Vice President
CenterPoint Energy Gas Services

* Also Corporate Officers (Senior Vice President)

The accompanying financial information regarding CenterPoint Energy and its subsidiaries should be read in conjunction with the company's consolidated financial statements as well as the management's discussion and analysis of financial condition and results of operations, which are presented in the company's 2004 Annual Report on Form 10-K.

Investors may request, without charge, the company's Annual Report on Form 10-K for the year ended Dec. 31, 2004, by writing or calling CenterPoint Energy Investor Services at 1-888-468-3020. Additional investor information can be found on the inside back cover of this report and on our Web site, www.CenterPointEnergy.com/investors.

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SELECTED FINANCIAL DATA

	Year Ended December 31,				
	2000	2001 ⁽¹⁾	2002	2003 ⁽²⁾	2004 ⁽³⁾
	(In millions, except per share amounts)				
Revenues	\$ 6,949	\$ 7,148	\$ 6,438	\$ 7,790	\$ 8,510
Income from continuing operations before extraordinary loss and cumulative effect of accounting change	52	357	482	409	205
Discontinued operations, net of tax	395	565	(4,402)	75	(133)
Extraordinary loss, net of tax	—	—	—	—	(977)
Cumulative effect of accounting change, net of tax	—	58	—	—	—
Net income (loss) attributable to common shareholders	\$ 447	\$ 980	\$ (3,920)	\$ 484	\$ (905)
Basic earnings (loss) per common share:					
Income from continuing operations before extraordinary loss and cumulative effect of accounting change	\$ 0.18	\$ 1.23	\$ 1.62	\$ 1.35	\$ 0.67
Discontinued operations, net of tax	1.39	1.95	(14.78)	0.24	(0.43)
Extraordinary loss, net of tax	—	—	—	—	(3.18)
Cumulative effect of accounting change, net of tax	—	0.20	—	—	—
Basic earnings (loss) per common share	\$ 1.57	\$ 3.38	\$ (13.16)	\$ 1.59	\$ (2.94)
Diluted earnings (loss) per common share:					
Income from continuing operations before extraordinary loss and cumulative effect of accounting change	\$ 0.18	\$ 1.22	\$ 1.61	\$ 1.24	\$ 0.61
Discontinued operations, net of tax	1.38	1.93	(14.69)	0.22	(0.37)
Extraordinary loss, net of tax	—	—	—	—	(2.72)
Cumulative effect of accounting change, net of tax	—	0.20	—	—	—
Diluted earnings (loss) per common share	\$ 1.56	\$ 3.35	\$ (13.08)	\$ 1.46	\$ (2.48)
Cash dividends paid per common share	\$ 1.50	\$ 1.50	\$ 1.07	\$ 0.40	\$ 0.40
Dividend payout ratio from continuing operations	833%	122%	66%	30%	60%
Return from continuing operations on average common equity	1.0%	5.8%	11.8%	25.7%	14.4%
Ratio of earnings from continuing operations to fixed charges	1.39	1.99	2.03	1.81	1.43

Year Ended December 31,

	2000	2001 ⁽¹⁾	2002	2003 ⁽²⁾	2004 ⁽³⁾
(In millions, except per share amounts)					
At year-end:					
Book value per common share	\$ 19.10	\$ 22.77	\$ 4.74	\$ 5.77	\$ 3.59
Market price per common share	43.31	26.52	8.01	9.69	11.30
Market price as a percent of book value	227%	116%	169%	168%	315%
Assets of discontinued operations	\$ 18,479	\$ 16,840	\$ 4,594	\$ 4,244	\$ 1,565
Total assets	35,936	32,020	20,635	21,461	18,162
Short-term borrowings	4,799	3,469	347	63	—
Long-term debt obligations, including current maturities	4,989	4,712	9,996	10,939	9,029
Trust preferred securities ⁽⁴⁾	705	706	706	—	—
Cumulative preferred stock	10	—	—	—	—
Capitalization:					
Common stock equity	49%	55%	12%	14%	11%
Trust preferred securities	6%	6%	6%	—	—
Long-term debt, including current maturities	45%	39%	82%	86%	89%
Capital expenditures, excluding discontinued operations	\$ 653	\$ 802	\$ 566	\$ 497	\$ 530

⁽¹⁾2001 net income includes the cumulative effect of an accounting change resulting from the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (\$58 million after-tax gain, or \$0.20 earnings per basic and diluted share). For additional information related to the cumulative effect of accounting change, please read Note 5 to our consolidated financial statements.

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

⁽³⁾2004 net income includes an after-tax extraordinary loss of \$977 million (\$3.18 and \$2.72 loss per basic and diluted share, respectively) based on our analysis of the Texas Utility Commission's deliberations in the 2004 True-Up Proceeding. Additionally, we recorded a net after-tax loss of approximately \$133 million (\$0.43 and \$0.37 loss per basic and diluted share, respectively) in 2004 related to our interest in Texas Genco. For more information on these and other matters currently affecting us, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Significant Events in 2005" in our 2004 Form 10-K.

⁽⁴⁾The subsidiary trusts that issued trust preferred securities have been deconsolidated as a result of the adoption of FIN 46 "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" (FIN 46) and the subordinated debentures issued to those trusts are now reported as long-term debt effective December 31, 2003. For additional information related to the adoption of FIN 46, please read Note 2(n) to our consolidated financial statements.

CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS

	Year Ended December 31,		
	2002	2003	2004
	(In thousands, except per share amounts)		
Revenues	\$ 6,437,505	\$ 7,789,681	\$ 8,510,428
Expenses:			
Natural gas	2,953,871	4,297,914	5,524,451
Other operating expenses	1,586,283	1,670,783	1,632,540
Depreciation and amortization	457,608	465,571	489,642
Total	4,997,762	6,434,268	7,646,633
Operating Income	1,439,743	1,355,413	863,795
Other Income (Expense)	(685,534)	(741,578)	(519,774)
Income From Continuing Operations Before Income Taxes and			
Extraordinary Loss	754,209	613,835	344,021
Income Tax Expense	(272,246)	(205,064)	(138,306)
Income From Continuing Operations Before Extraordinary Loss	481,963	408,771	205,715
Discontinued Operations, net of tax	(4,402,197)	74,896	(133,083)
Income (Loss) Before Extraordinary Loss	(3,920,234)	483,667	72,632
Extraordinary Loss, net of tax	—	—	(977,336)
Net Income (Loss)	\$ (3,920,234)	\$ 483,667	\$ (904,704)
Basic Earnings Per Share:			
Income from Continuing Operations	\$ 1.62	\$ 1.35	\$ 0.67
Discontinued Operations, net of tax	(14.78)	0.24	(0.43)
Extraordinary Loss, net of tax	—	—	(3.18)
Net Income (Loss)	\$ (13.16)	\$ 1.59	\$ (2.94)
Diluted Earnings Per Share:			
Income from Continuing Operations	\$ 1.61	\$ 1.24	\$ 0.61
Discontinued Operations, net of tax	(14.69)	0.22	(0.37)
Extraordinary Loss, net of tax	—	—	(2.72)
Net Income (Loss)	\$ (13.08)	\$ 1.46	\$ (2.48)

See Notes to the Consolidated Financial Statements in the Company's Form 10-K.

CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	Year Ended December 31,		
	2002	2003	2004
	(In thousands of dollars)		
Net income (loss)	\$(3,920,234)	\$ 483,667	\$ (904,704)
Other comprehensive income (loss), net of tax:			
Minimum pension liability adjustment	(414,254)	47,296	366,594
Other comprehensive income (loss) from continuing operations	(29,910)	30,988	(16,316)
Other comprehensive income (loss) from discontinued operations	161,176	680	(3,573)
Other comprehensive income (loss)	(282,988)	78,964	346,705
Comprehensive income (loss)	\$(4,203,222)	\$ 562,631	\$ (557,999)

See Notes to the Consolidated Financial Statements in the Company's Form 10-K.

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31,	
	2003	2004
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 86,922	\$ 164,645
Other current assets	1,967,944	2,158,111
Current assets of discontinued operations	301,765	513,768
Total current assets	2,356,631	2,836,524
Property, Plant and Equipment, net	8,084,924	8,186,393
Other Assets:		
Goodwill, net	1,740,510	1,740,510
Regulatory assets	4,930,793	3,349,944
Other non-current assets	405,936	997,428
Non-current assets of discontinued operations	3,942,296	1,051,158
Total other assets	11,019,535	7,139,040
Total Assets	\$ 21,461,090	\$ 18,161,957
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 223,927	\$ 1,835,988
Regulatory liabilities	186,239	225,158
Other current liabilities	1,794,936	2,677,080
Current liabilities of discontinued operations	332,125	448,974
Total current liabilities	2,537,227	5,187,200
Other Liabilities:		
Accumulated deferred income taxes and unamortized investment tax credits	2,292,263	2,468,833
Regulatory liabilities	1,358,030	1,081,370
Other non-current liabilities	1,278,646	705,643
Non-current liabilities of discontinued operations	1,277,760	420,393
Total other liabilities	6,206,699	4,676,239
Long-term Debt	10,777,934	7,193,016
Commitments and Contingencies		
Minority Interest in Discontinued Operations	178,673	—
Shareholders' Equity	1,760,557	1,105,502
Total Liabilities and Shareholders' Equity	\$ 21,461,090	\$ 18,161,957

See Notes to the Consolidated Financial Statements in the Company's Form 10-K.

CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2002	2003	2004
	(In thousands)		
Cash Flows from Operating Activities:			
Net income (loss)	\$ (3,920,234)	\$ 483,667	\$ (904,704)
Discontinued operations, net of tax	4,402,197	(74,896)	133,083
Extraordinary loss, net of tax	—	—	977,336
Income from continuing operations	481,963	408,771	205,715
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	570,443	606,209	582,096
Deferred income taxes and investment tax credit	341,552	501,318	257,407
Changes in net regulatory assets and liabilities	(1,062,130)	(772,604)	(519,830)
Changes in other assets and liabilities	123,392	(93,823)	(144,406)
Net Cash Provided By Operating Activities	455,220	649,871	380,982
Net Cash Provided By (Used In) Investing Activities	(513,301)	(504,429)	1,709,192
Net Cash Provided By (Used In) Financing Activities	722,763	(434,275)	(2,107,047)
Net Cash Provided By (Used In) Discontinued Operations	(378,586)	72,051	94,596
Net Increase (Decrease) in Cash and Cash Equivalents	286,096	(216,782)	77,723
Cash and Cash Equivalents at Beginning of Year	17,608	303,704	86,922
Cash and Cash Equivalents at End of Year	\$ 303,704	\$ 86,922	\$ 164,645

See Notes to the Consolidated Financial Statements in the Company's Form 10-K.

CONDENSED STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

	2002		2003		2004	
	Shares	Amount	Shares	Amount	Shares	Amount
(In thousands of dollars and shares)						
Common Stock, \$0.01 par value;						
authorized 1,000,000,000 shares						
Balance, beginning of year	302,944	\$ 3,029	305,017	\$ 3,050	306,297	\$ 3,063
Issuances related to benefit and investment plans	2,073	21	1,280	13	1,748	17
Balance, end of year	305,017	3,050	306,297	3,063	308,045	3,080
Additional Paid-in-Capital						
Balance, beginning of year	—	3,894,272	—	3,046,043	—	2,868,416
Issuances related to benefit and investment plans	—	11,866	—	(31,364)	—	22,919
Loss on issuance of subsidiaries' stock	—	(12,835)	—	—	—	—
Distribution of subsidiaries' stock	—	(847,200)	—	(146,263)	—	—
Other	—	(60)	—	—	—	—
Balance, end of year	—	3,046,043	—	2,868,416	—	2,891,335
Unearned ESOP stock						
Balance, beginning of year	(7,070)	(131,888)	(4,916)	(78,049)	(912)	(2,842)
Issuances related to benefit plan	2,154	53,839	4,004	75,207	912	2,842
Balance, end of year	(4,916)	(78,049)	(912)	(2,842)	—	—
Retained Earnings (Deficit)						
Balance, beginning of year		3,176,533		(1,062,083)		(700,033)
Net income (loss)		(3,920,234)		483,667		(904,704)
Common stock dividends		(318,382)		(121,617)		(122,834)
Balance, end of year		(1,062,083)		(700,033)		(1,727,571)
Accumulated Other Comprehensive Income (Loss)						
Balance, end of year:						
Minimum pension liability adjustment		(419,909)		(372,613)		(6,019)
Net deferred loss from cash flow hedges		(66,422)		(35,434)		(51,750)
Other comprehensive loss from discontinued operations		(680)		—		(3,573)
Total Accumulated Other Comprehensive Loss, end of year		(487,011)		(408,047)		(61,342)
Total Shareholders' Equity		\$ 1,421,950		\$1,760,557		\$ 1,105,502

See Notes to the Consolidated Financial Statements in the Company's Form 10-K.



Certifications

CenterPoint Energy has filed the CEO/CFO certifications required under Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 to its annual report on Form 10-K. In addition, following its annual meeting in 2004, CenterPoint Energy submitted its CEO certification to the New York Stock Exchange pursuant to Section 303A.12(a) of the NYSE's Listed Company's Manual.

CENTERPOINT ENERGY INVESTOR INFORMATION

Annual Meeting

The CenterPoint Energy, Inc. Board of Directors announced that the Annual Meeting of Shareholders will be held on Thursday, June 2, 2005, at 9 a.m. CDT in the CenterPoint Energy Tower auditorium, 1111 Louisiana Street, Houston, Texas. Shareholders who hold shares of CenterPoint Energy as of April 4, 2005, will receive notice of the meeting and be eligible to vote.

Investor Services

If you have questions about your CenterPoint Energy investor account, or if you would like to order any publications, please contact:

In Houston: (713) 207-3060

Toll Free: (800) 231-6406

Fax: (713) 207-3169

A list of publications and investor services may be found on the company's Web site at: www.CenterPointEnergy.com/investors.

Investor Services representatives are available from 8 a.m. to 4:30 p.m. Central time, Monday through Friday to help you with questions about CenterPoint Energy common stock, CenterPoint Energy Houston Electric first mortgage bonds and enrollment in the CenterPoint Energy Investor's Choice Plan. You also can enroll in Investor's Choice online at: www.netstockdirect.com.

The Investor's Choice Plan provides easy, inexpensive options, including direct purchase and sale of CenterPoint Energy common stock; dividend reinvestment; statement-based accounting and monthly or quarterly automatic investing by electronic transfer. You can become a registered CenterPoint Energy shareholder by making an initial investment of at least \$250 through Investor's Choice.

CenterPoint Energy Investor Services serves as transfer agent, registrar and dividend and interest disbursing agent for CenterPoint Energy common stock and CenterPoint Energy Houston Electric first mortgage bonds.

Information Requests

Call (888) 468-3020 toll-free for additional copies of:

2004 Annual Report

2005 Proxy Statement

2004 Form 10-K

Dividend Payments

Common stock dividends are generally paid quarterly in March, June, September and December. Dividends are subject to declaration by the Board of Directors, which establishes the amount of each quarterly common stock dividend and fixes record and payment dates.

Institutional Investors

Security analysts and other investment professionals should contact Marianne Paulsen, Director of Investor Relations at (713) 207-6500.

Stock Listing

CenterPoint Energy, Inc. common stock is traded under the symbol CNP on the New York and Chicago stock exchanges.

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