CenterPoint Energy Reports Solid First Quarter 2003 Operating Results

Operating improvements offset by higher interest costs
Refinancing and re-entry into capital markets provide financial stability

Houston - April 24, 2003 - CenterPoint Energy, Inc. (NYSE: CNP) today reported income from continuing operations before cumulative effect of accounting change (hereinafter referred to as income from continuing operations) of $81 million, or $0.27 per diluted share for the quarter ended March 31, 2003. The company reported income from continuing operations of $145 million, or $0.49 per diluted share for the quarter ended March 31, 2002.

CenterPoint Energy's reported net income for the first quarter of 2003 was $168 million, or $0.56 per diluted share, compared to $32 million, or $0.11 per diluted share, for the same period of 2002. During the first quarter of 2003 the company recorded a benefit of $80 million relating to the implementation of SFAS No. 143, "Accounting for Asset Retirement Obligations" and $7 million in discontinued operations related to the company's Latin America operations. As previously reported, the company distributed its investment in Reliant Resources, Inc. (RRI) to CenterPoint Energy shareholders on September 30, 2002, and RRI's historical results are reported as discontinued operations in 2002.

"I'm encouraged by the progress of our businesses and their performance in the first quarter of this year," said David McClanahan, president and chief executive officer of CenterPoint Energy. "However, this improved business performance only partially offset higher interest costs and increased pension and insurance expenses.

"There were some very positive developments for our company in the quarter, including successfully amending our $3.85 billion bank credit facility," said McClanahan. "It enabled us to access the capital markets on reasonable terms and has lifted the cloud of financial uncertainty under which we had been operating. We are now able to focus on doing what we do best -- delivering electricity and natural gas safely and reliably."

FIRST QUARTER HIGHLIGHTS

The company's operating performance and cash flow for the first quarter of 2003 compared to the same period of 2002 benefited from the following:

- continued customer growth with the addition of more than 91,000 metered electric and gas customers since March of 2002, or an annualized 2 percent growth
- increased revenues of $11 million from rate increases in the natural gas distribution operations
- colder than normal weather compared to milder than normal weather in 2002, primarily in Minnesota, impacting the quarter by $7 million
- improved performance by our subsidiary, Texas Genco Holdings, Inc. (NYSE:TGN)
- reduced capital expenditures by approximately $74 million

The company's operating performance and cash flow for the first quarter of 2003 compared to the same period of 2002 were negatively impacted by the following:

- an increase in interest expense of $107 million
- higher pension and insurance expenses of $24 million
- non-recurring transition earnings of $14 million realized in 2002 related to the opening of the Texas electric market to retail competition

Other significant events for CenterPoint Energy since the beginning of the year include:

- Successfully amended the company's existing $3.85 billion credit facility, extending the term of the facility to June 30, 2005 and eliminating $1.2 billion in mandatory payments this year

- Successfully accessed the capital markets for almost $1.7 billion including:
  - $762 million in general mortgage bonds at the electric transmission & distribution subsidiary, CenterPoint Energy Houston Electric LLC, with the proceeds used to repay existing third party and intercompany debt
  - $762 million in senior unsecured notes at the natural gas distribution and pipeline and gathering subsidiary, CenterPoint Energy Resources Corp. (CERC), with the proceeds used to repay an expiring bank credit facility and to refinance $360 million of a $500 million November 2003 maturity ($112 million closed in April 2003)
  - $175 million of pollution control bonds remarketed at CenterPoint Energy, Inc. (April 2003)
- Permanently reduced the company's $3.85 billion credit facility by $50 million which also eliminated approximately 12.5 percent of warrants due to vest on May 28, 2003
- Established a $200 million one-year revolving credit facility at CERC
- Distributed approximately 19 percent of Texas Genco's common stock to CenterPoint Energy shareholders, paving the way for determining the market value of Texas Genco's generating assets. The market value of this stock will be used in calculating the stranded costs that CenterPoint Energy will recover in the 2004 true-up proceeding at the Public Utility Commission of Texas (Texas PUC) Completed the company's exit from Latin America with sales of its investments in Argentina:
  - Argener, a cogeneration facility
  - the company's 90 percent interest in Edese, an electric utility distribution company (April 2003)

EARNINGS BEFORE INTEREST AND TAXES (EBIT) BY SEGMENT DETAILED

(for a reconciliation of the non-GAAP financial measure "EBIT" to the comparable GAAP financial measures, see "Reconciliation of Operating Income to EBIT and EBIT to Net Income" in the attached financial statements)

Electric Transmission & Distribution

The electric transmission & distribution segment reported EBIT of $214 million in the first quarter of 2003 consisting of $82 million for the regulated electric transmission & distribution utility and non-cash EBIT of $132 million associated with generation-related regulatory assets, or Excess Cost Over Market (ECOM), as described below. For the first quarter of 2002, EBIT was $259 million, consisting of $104 million for the regulated electric transmission & distribution utility, non-cash EBIT of $141 associated with ECOM, and $14 million related to the transition to the deregulated electric market.

The regulated electric transmission & distribution utility, excluding ECOM and transition related-EBIT, continues to benefit from solid customer growth. Reduced revenues from industrial customers and higher benefit and insurance costs more than offset increased revenues from the addition of over 50,000 metered customers since March 2002.

Under the Texas electric restructuring law, a regulated utility may recover, in its 2004 stranded cost true-up proceeding, the difference between market prices received by its affiliated power generation company and the prices used in the ECOM model established by the Texas PUC. During 2002 and 2003, this difference, referred to as ECOM, produces non-cash EBIT and is recorded as a regulatory asset. The reduction in ECOM of $9 million from 2002 to 2003 resulted from an increase in capacity auction prices at Texas Genco.

Electric Generation

Texas Genco owns 14,175 MW of electric generation in Texas and sells capacity, energy, and ancillary services in the Texas electric market, primarily through capacity auctions. It reported a loss before interest and taxes of $17 million for the first quarter of 2003 compared to a loss before interest and taxes of $52 million for the same period of 2002.

Wholesale electricity prices were much higher in early 2003 due to substantially higher natural gas prices which led to increased capacity auction revenues in the first quarter, particularly for Texas Genco's solid fuel baseload products. As a result, the first quarter loss in 2003 was much less than the same quarter last year. The first quarter is typically Texas Genco's lowest performing quarter due to seasonal revenue effects and the scheduling of planned maintenance on its generating units. In addition, the first quarter 2003 reflected a forced outage of Unit 2 of the South Texas Project Electric Generating Station (STP), a nuclear generating plant consisting of two 1,250 MW units. The company owns a 30.8 percent interest in STP. Unit 2 was taken out of service in December 2002 as a result of non-safety related mechanical failures and was returned to service on March 14, 2003. The added cost of replacement energy negatively impacted gross margin by approximately $23 million for the quarter and the outage was also a major contributor to a $10 million increase in operation and maintenance expense.

Natural Gas Distribution

The natural gas distribution segment reported EBIT of $134 million for the first quarter of 2003, an increase of $24 million compared to the prior year's first quarter EBIT of $110 million.

The reported 22 percent increase in EBIT resulted from continued customer growth, higher revenues from rate increases implemented late last year, colder weather and improved margins from our unregulated commercial and industrial sales. These improvements more than offset increased expenses including approximately $8 million associated with higher employee benefits and bad debts. The costs associated with a receivables facility, which was modified in November 2002, reduced EBIT by $4 million, whereas prior to the amendment, these costs were recorded as interest expense.

Pipelines and Gathering

The pipelines and gathering segment reported EBIT of $45 million in the first quarter of 2003 compared to $38 million for the same period of 2002. The EBIT improvement was primarily related to higher revenues from increased throughput and ancillary revenues. The business continues to produce consistent EBIT and stable cash flows.

Other Operations

The company's other operations reported a loss before interest and taxes for the first quarter of 2003 of $5 million compared to a loss before interest and taxes of $8 million for the same period of 2002.

Discontinued Operations

During the first quarter of 2003, the company recorded earnings of $7 million from discontinued operations related to the company's Latin American operations, primarily as a result of the sale of Argener, a cogeneration facility in Argentina. In early April, the company sold its remaining investment in Argentina, a 90 percent interest in Edese, an electric utility distribution company. Through these sales, the company completed its strategy of exiting Latin America. As previously reported, the company distributed its investment in RRI to CenterPoint Energy shareholders in September 2002. Consequently, for 2002 the company reported a loss from discontinued operations of $113 million reflecting RRI's historical results.

2003 OUTLOOK

CenterPoint Energy confirms its 2003 earnings guidance of $0.85 to $1.00 per diluted share. This reflects the company's outlook for continued solid operational performance by its business segments. In addition, Texas Genco, the company's 81 percent owned subsidiary, maintained its earnings guidance of $1.10 to $1.30 per diluted share.

WEBCAST OF EARNINGS CONFERENCE CALL

CenterPoint Energy's management will host an earnings conference call on Thursday April 24, 2003, at 10:30 a.m. Central time. Interested parties may listen to a live, audio broadcast of the conference call in the investor section of CenterPoint Energy's web site, www.CenterPointEnergy.com. A replay of the call can be accessed approximately two hours after the completion of the call, and will be archived on the web site for 14 days.

The management of Texas Genco, the company's 81 percent owned subsidiary, will host an earnings conference call on Thursday April 24, 2003, at 9:00 a.m. Central time. Interested parties may listen to a live, audio broadcast of the conference call in the investor relations section of Texas Genco's web site, www.txgenco.com. A replay of the call can be accessed approximately two hours after the completion of the call, and will be archived on the web site for 14 days.

CenterPoint Energy, Inc., headquartered in Houston, Texas, is a domestic energy delivery company that includes electric transmission & distribution, natural gas distribution and sales, interstate pipeline and gathering operations, and more than 14,000 megawatts of power generation in Texas. The company serves nearly five million metered customers primarily in Arkansas, Louisiana, Minnesota, Mississippi, Missouri, Oklahoma, and Texas. Assets total more than $19 billion. CenterPoint Energy became the new holding company for the regulated operations of the former Reliant Energy, Incorporated in August 2002. With more than 11,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 130 years.

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This news release includes forward-looking statements. Actual events and results may differ materially from those projected. Factors that could affect actual results include the timing and impact of future regulatory and legislative decisions, effects of competition, weather variations, changes in CenterPoint Energy's or Texas Genco's business plans, financial market conditions, the timing and extent of changes in commodity prices, particularly natural gas and other factors discussed in CenterPoint Energy's and Texas Genco's filings with the Securities and Exchange Commission.

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