

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

FORM 10-Q/A
AMENDMENT NO. 1

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2005

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 No.)

1111 LOUISIANA
HOUSTON, TEXAS 77002
(Address and zip code of
principal executive offices)

(713) 207-1111
(Registrant's telephone number,
including area code)

CENTERPOINT ENERGY RESOURCES CORP. MEETS THE CONDITIONS SET FORTH IN GENERAL
INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM 10-Q
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 whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange 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

As of August 1, 2005, all 1,000 shares of CenterPoint Energy Resources Corp.
common stock were held by Utility Holding, LLC, a wholly owned subsidiary of
CenterPoint Energy, Inc.

EXPLANATORY NOTE

CenterPoint Energy Resources Corp. (CERC Corp. or the Company) hereby amends Items 1, 2, and 4 of Part I and Item 6 of Part II of its Quarterly Report on Form 10-Q for the period ended June 30, 2005 as originally filed on August 11, 2005 (Form 10-Q) to reflect the restatement of the Company's unaudited condensed consolidated financial statements as discussed in Note 12. Contemporaneously with the filing of this Amendment No. 1 to the Form 10-Q on this Form 10-Q/A, the Company is filing Amendment No. 2 to its Annual Report on Form 10-K/A for the year ended December 31, 2004.

For purposes of this Form 10-Q/A, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, each item of the Form 10-Q 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-Q/A TO UPDATE OTHER DISCLOSURES AS PRESENTED IN THE FORM 10-Q EXCEPT AS REQUIRED TO REFLECT THE EFFECTS OF THE RESTATEMENT. ACCORDINGLY, THIS FORM 10-Q/A SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S SEC FILINGS MADE SUBSEQUENT TO THE FILING OF THE FORM 10-Q, INCLUDING ANY AMENDMENTS OF THOSE FILINGS. IN ADDITION, THIS FORM 10-Q/A INCLUDES UPDATED CERTIFICATIONS FROM THE COMPANY'S CEO AND CFO AS EXHIBITS 31.1, 31.2, 32.1 AND 32.2.

CENTERPOINT ENERGY RESOURCES CORP.
QUARTERLY REPORT ON FORM 10-Q/A
FOR THE QUARTER ENDED JUNE 30, 2005

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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.

The following are some of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements:

- state and federal legislative and regulatory actions or developments, constraints placed on our activities or business by the Public Utility Holding Company Act of 1935, as amended (1935 Act), the impact of the repeal of the 1935 Act and changes in or application of laws or regulations applicable to other aspects of our business and actions with respect to:
 - allowed rates of return;
 - rate structures;
 - recovery of investments; and
 - operation and construction of facilities;
- 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;
- effectiveness of our risk management activities;
- 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 to have the anticipated benefits to us; and
- other factors we discuss in "Risk Factors" beginning on page 25 in Item 5 of Part II of our Quarterly Report on Form 10-Q for the period ending June 30, 2005 filed on August 11, 2005.

Additional risk factors are described in other documents we file with the Securities and Exchange Commission.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
 (AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED STATEMENTS OF CONSOLIDATED INCOME
 (THOUSANDS OF DOLLARS)
 (UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2005	2004	2005
		(AS RESTATED,	SEE NOTE 12)	
REVENUES	\$1,216,622	\$1,425,796	\$3,286,677	\$3,673,782
EXPENSES:				
Natural gas	903,669	1,102,062	2,539,379	2,883,293
Operation and maintenance	170,147	171,254	351,980	344,529
Depreciation and amortization	45,613	49,642	92,139	98,818
Taxes other than income taxes	33,572	33,360	78,966	75,771
Total	1,153,001	1,356,318	3,062,464	3,402,411
OPERATING INCOME	63,621	69,478	224,213	271,371
OTHER INCOME (EXPENSE):				
Interest and other finance charges ...	(46,531)	(51,862)	(88,813)	(97,316)
Other, net	3,454	7,579	6,054	12,213
Total	(43,077)	(44,283)	(82,759)	(85,103)
INCOME BEFORE INCOME TAXES	20,544	25,195	141,454	186,268
Income Tax (Expense) Benefit	(9,792)	1,590	(56,511)	(63,526)
NET INCOME	\$ 10,752	\$ 26,785	\$ 84,943	\$ 122,742

See Notes to the Company's Interim Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS)
(UNAUDITED)

ASSETS

	DECEMBER 31, 2004	JUNE 30, 2005 (AS RESTATED, SEE NOTE 12)
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 140,466	\$ 379,540
Accounts and notes receivable, net	545,348	324,913
Accrued unbilled revenue	502,163	147,434
Accounts and notes receivable - affiliated companies, net ...	11,987	115,236
Materials and supplies	25,017	28,134
Natural gas inventory	175,784	168,672
Non-trading derivative assets	50,219	67,638
Taxes receivable	155,155	16,429
Deferred tax asset	12,256	--
Prepaid expenses	8,308	10,125
Other	92,160	87,136
	-----	-----
Total current assets	1,718,863	1,345,257
	-----	-----
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment	4,296,061	4,400,046
Less accumulated depreciation	(461,978)	(502,939)
	-----	-----
Property, plant and equipment, net	3,834,083	3,897,107
	-----	-----
OTHER ASSETS:		
Goodwill	1,740,510	1,744,252
Other intangibles, net	19,719	19,033
Non-trading derivative assets	17,682	56,349
Accounts and notes receivable - affiliated companies, net ...	18,197	16,582
Other	118,089	138,123
	-----	-----
Total other assets	1,914,197	1,974,339
	-----	-----
TOTAL ASSETS	\$7,467,143	\$7,216,703
	=====	=====

See Notes to the Company's Interim Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
 (AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED CONSOLIDATED BALANCE SHEETS -- (CONTINUED)
 (THOUSANDS OF DOLLARS)
 (UNAUDITED)

LIABILITIES AND STOCKHOLDER'S EQUITY

	DECEMBER 31, 2004	JUNE 30, 2005 (AS RESTATED, SEE NOTE 12)
	-----	-----
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 366,873	\$ 325,000
Accounts payable	732,853	439,365
Taxes accrued	77,802	60,292
Interest accrued	57,741	57,446
Customer deposits	60,164	58,994
Non-trading derivative liabilities	26,323	13,124
Accumulated deferred income taxes, net	--	4,311
Other	272,996	292,280
	-----	-----
Total current liabilities	1,594,752	1,250,812
	-----	-----
OTHER LIABILITIES:		
Accumulated deferred income taxes, net	640,780	616,726
Non-trading derivative liabilities	6,412	5,873
Benefit obligations	128,537	127,874
Other	556,819	591,831
	-----	-----
Total other liabilities	1,332,548	1,342,304
	-----	-----
LONG-TERM DEBT	2,000,696	1,999,334
	-----	-----
COMMITMENTS AND CONTINGENCIES (NOTES 1 AND 9)		
STOCKHOLDER'S EQUITY:		
Common stock	1	1
Additional paid-in capital	2,231,906	2,286,638
Retained earnings	305,291	328,033
Accumulated other comprehensive income	1,949	9,581
	-----	-----
Total stockholder's equity	2,539,147	2,624,253
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$7,467,143	\$7,216,703
	=====	=====

See Notes to the Company's Interim Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(THOUSANDS OF DOLLARS)
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	2004	2005

	(AS RESTATED, SEE NOTE 12)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 84,943	\$ 122,742
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	92,139	98,818
Amortization of deferred financing costs	4,956	4,514
Deferred income taxes	4,274	(23,499)
Changes in other assets and liabilities:		
Accounts receivable and unbilled revenues, net	386,956	575,244
Accounts receivable/payable, affiliates	(26,920)	(3,405)
Inventory	24,149	3,995
Taxes receivable	32,023	193,458
Accounts payable	(148,221)	(293,488)
Fuel cost recovery	53,376	(47,220)
Interest and taxes accrued	(5,230)	(17,805)
Net non-trading derivative assets and liabilities ...	(8,347)	1,252
Other current assets	11,384	3,207
Other current liabilities	558	32,857
Other assets	(6,155)	4,571
Other liabilities	(29,885)	(20,192)
Other, net	(970)	(1,362)
	-----	-----
Net cash provided by operating activities	469,030	633,687
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(104,285)	(148,971)
Increase in notes receivable from affiliates	(214,176)	(97,653)
Other, net	(5,539)	(4,952)
	-----	-----
Net cash used in investing activities	(324,000)	(251,576)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in short-term borrowings, net	(63,000)	--
Payments of long-term debt	--	(41,873)
Decrease in notes payable with affiliates	(31,985)	(575)
Debt issuance costs	(1,676)	(589)
Dividend to parent	(12,500)	(100,000)
	-----	-----
Net cash used in financing activities	(109,161)	(143,037)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,869	239,074
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	34,447	140,466
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 70,316	\$ 379,540
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Payments:		
Interest	\$ 84,344	\$ 90,916
Income taxes	70,939	84,421

See Notes to the Company's Interim Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) BACKGROUND AND BASIS OF PRESENTATION

General. Included in this Quarterly Report on Form 10-Q/A (Form 10-Q/A) of CenterPoint Energy Resources Corp. are the condensed consolidated interim financial statements and notes (Interim Financial Statements) of CenterPoint Energy Resources Corp. and its subsidiaries (collectively, CERC Corp. or the Company). The Interim Financial Statements are unaudited, omit certain financial statement disclosures and should be read with the Annual Report on Form 10-K of CERC Corp. for the year ended December 31, 2004 filed on March 24, 2005 (CERC Corp. Form 10-K), as amended by Amendment No. 1 thereto filed on August 29, 2005, and as amended by Amendment No. 2 thereto filed on January 10, 2006 (CERC Corp. Form 10-K/A).

Background. The Company's operating subsidiaries own and operate natural gas distribution facilities, interstate pipelines and natural gas gathering, processing and treating facilities. The Company's operations of its local distribution companies are conducted by three unincorporated divisions: Houston Gas, Minnesota Gas and Southern Gas Operations. 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) that implemented certain requirements of the Texas Electric Choice Plan. 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 subsidiaries. The 1935 Act, among other things, limits the ability of CenterPoint Energy and its 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. On August 8, 2005, President Bush signed the Energy Policy Act of 2005 (Energy Act), which, among other things, repeals the 1935 Act six months after the enactment of the Energy Act. After the effective date of repeal, CenterPoint Energy and its subsidiaries, including the Company, will no longer be subject to restrictions imposed under the 1935 Act. Until the repeal is effective, CenterPoint Energy and its subsidiaries remain subject to the provisions of the 1935 Act and the terms of orders issued by the Securities and Exchange Commission (SEC) under the 1935 Act. The Energy Act transfers to the Federal Energy Regulatory Commission (FERC) certain functions performed by the SEC under the 1935 Act, including the requirement that holding companies and their subsidiaries maintain certain books and records and make them available for review by FERC and, through FERC, to state regulatory authorities. The Energy Act requires FERC to issue regulations to implement its jurisdiction under the Energy Act. It is presently unknown what, if any, specific obligations under those rules may be imposed on the Company as result of that rulemaking.

Basis of Presentation. The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

The Company's Interim Financial Statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods. Amounts reported in the Company's Condensed Statements of Consolidated Income are not necessarily indicative of amounts expected for a full-year period due to the effects of, among other things, (a) seasonal fluctuations in demand for energy and energy services, (b) changes in energy commodity prices, (c) timing of maintenance and other expenditures and (d) acquisitions and dispositions of businesses, assets and other interests. In addition, certain amounts from the prior year have been reclassified to conform to the Company's presentation of financial statements in the current year. These reclassifications do not affect net income.

Note 2(e) (Regulatory Assets and Liabilities), Note 3 (Regulatory Matters), Note 5 (Derivative Instruments) and Note 9 (Commitments and Contingencies) to the consolidated annual financial statements in the CERC Corp. Form 10-K/A (CERC Corp. 10-K/A Notes) relate to certain contingencies. These notes, as updated herein, should be read with this Form 10-Q/A.

For information regarding environmental matters and legal proceedings, see Note 9 to the Interim Financial Statements.

(2) NEW ACCOUNTING PRONOUNCEMENTS

In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3" (SFAS No. 154). SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. The correction of an error in previously issued financial statements is not an accounting change and must be reported as a prior-period adjustment by restating previously issued financial statements. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In March 2005, the FASB issued FASB Interpretation No. (FIN) 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47). FIN 47 clarifies that an entity must record a liability for a "conditional" asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The Company does not expect the adoption of this standard to have a material effect on its financial position, results of operations or cash flows.

(3) REGULATORY MATTERS

(a) Rate Cases.

In November 2004, Southern Gas Operations filed an application for a general rate increase with the Arkansas Public Service Commission (APSC). Southern Gas Operations' adjusted request, if approved, would increase base rates by approximately \$28 million annually. The APSC staff has made a recommendation to the APSC for a rate decrease of \$13 million. Hearings in the rate case began in early August 2005 with billings under new rates expected to begin in the fourth quarter.

In April 2005, the Railroad Commission of Texas (Railroad Commission) approved a settlement that increased Southern Gas Operations' base rate and service revenues by a combined \$2 million in the unincorporated environs of its Beaumont/East Texas and South Texas Divisions. In June 2005, Southern Gas Operations filed a request to implement these rates within substantially all of the incorporated cities located in its Beaumont/East Texas and South Texas Divisions. If these rates are approved as requested, Southern Gas Operations' base rate and service revenues are expected to increase by an additional \$16 million annually.

In June 2005, the Minnesota Public Utilities Commission (MPUC) approved a settlement which increases Minnesota Gas' base rates by approximately \$9 million annually. An interim rate increase of \$17 million had been implemented in October 2004. A liability has been recorded for the excess of amounts collected in interim rates over those approved in the final settlement, which excess will be refunded to customers in the third quarter.

(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 was 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. On May 25, 2005, the Railroad Commission issued a final order finding that the Company had complied with its tariffs, acted

prudently in entering into its gas supply contracts, and prudently managed those contracts. An appeal from this order was taken by the City of Tyler to the Travis County District Court on August 10, 2005.

(c) Settlement of FERC Audit.

On June 27, 2005, CenterPoint Energy Gas Transmission Company (CEGT), a subsidiary of CERC Corp., received an Order from FERC accepting the terms of a settlement agreed upon by CEGT with the Staff of the FERC's Office of Market Oversight and Investigations (OMOI). The settlement brought to a conclusion an investigation of CEGT initiated by OMOI in August 2003. Among other things, the investigation involved a comprehensive review of CEGT's relationship with its marketing affiliates and compliance with various FERC record-keeping and reporting requirements covering the period from January 1, 2001 through September 22, 2004.

OMOI Staff took the position that some of CEGT's actions resulted in a limited number of violations of FERC's affiliate regulations or were in violation of certain record-keeping and administrative requirements. OMOI did not find any systematic violations of its rules governing communications or other relationships among affiliates.

The settlement included two remedies: a payment of a \$270,000 civil penalty and the execution of a compliance plan, applicable to both CEGT and its sister pipeline, CenterPoint Energy-Mississippi River Transmission Corporation (MRT). The compliance plan consists of a detailed set of Implementation Procedures that will facilitate compliance with FERC's Order No. 2004, the Standards of Conduct, which regulate behavior between regulated entities and their affiliates. The Company does not believe the compliance plan will have any material effect on CEGT's or MRT's ability to conduct their business.

(4) DERIVATIVE FINANCIAL 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 to mitigate the impact of changes in cash flows of its natural gas businesses on its operating results and cash flows.

Cash Flow Hedges. During the six months ended June 30, 2004 and 2005, hedge ineffectiveness was less than \$1 million from derivatives that qualify for and are designated as cash flow hedges. 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 income. Once the anticipated transaction occurs, the accumulated deferred gain or loss recognized in accumulated other comprehensive income 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 June 30, 2005, the Company expects \$12 million in accumulated other comprehensive income to be reclassified into net income during the next twelve months.

Other Derivative Financial Instruments. The Company also has natural gas contracts that are derivatives which are not hedged. Load following services that the Company offers its natural gas customers create an inherent tendency for the Company 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 \$0.3 million with a high of \$1 million during the first six months of 2005. 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 the six months ended June 30, 2004 and 2005, the Company recognized net gains (losses) related to unhedged positions amounting to \$(2) million and \$6 million, respectively. As of December 31, 2004, the Company 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. As of June 30, 2005, the Company had recorded short-term risk management assets and liabilities of \$3 million and \$3 million, respectively, included in other current assets and other current liabilities, respectively.

(5) GOODWILL AND INTANGIBLES

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

	DECEMBER 31, 2004	JUNE 30, 2005
	-----	-----
Natural Gas Distribution ..	\$1,085	\$1,085
Pipelines and Gathering ...	601	604
Other Operations	55	55
	-----	-----
Total	\$1,741	\$1,744
	=====	=====

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, 2005 and no impairment was indicated.

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

	DECEMBER 31, 2004		JUNE 30, 2005	
	CARRYING AMOUNT	ACCUMULATED AMORTIZATION	CARRYING AMOUNT	ACCUMULATED AMORTIZATION
	-----	-----	-----	-----
	(IN MILLIONS)			
Land use rights ..	\$ 7	\$(3)	\$ 7	\$(3)
Other	21	(5)	21	(6)
	---	---	---	---
Total	\$28	\$(8)	\$28	\$(9)
	===	===	===	===

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 June 30, 2005. 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 use rights and 4 to 25 years for other intangibles.

Amortization expense for other intangibles for the three months ended June 30, 2004 and 2005 was \$0.4 million and \$0.5 million, respectively. Amortization expense for other intangibles for the six months ended June 30, 2004 and 2005 was \$0.8 million and \$1.0 million, respectively. Estimated amortization expense for the remainder of 2005 is approximately \$1 million and is approximately \$2 million per year for each of the five succeeding fiscal years.

(6) LONG-TERM DEBT AND RECEIVABLES FACILITY

(a) Long-Term Debt.

Credit Facilities. In June 2005, the Company replaced its \$250 million three-year revolving credit facility with a \$400 million five-year revolving credit facility. The new credit facility terminates on June 30, 2010. Borrowings under this facility may be made at the London interbank offered rate (LIBOR) plus 55 basis points, including the facility fee, based on current credit ratings. An additional utilization fee of 10 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. As of June 30, 2005, 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. The amount of outstanding junior subordinated debentures was included in long-term debt as of December 31, 2004 and June 30, 2005.

The convertible preferred securities were 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 were 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 both December 31, 2004 and June 30, 2005, the liquidation amount of convertible preferred securities outstanding was \$0.3 million. The securities, and their underlying convertible junior subordinated debentures, bore interest at 6.25% and had a June 2026 maturity date. Subject to some limitations, CERC Corp. had the option of deferring payments of interest on the convertible junior subordinated debentures. During any deferral or event of default, CERC Corp. could not pay dividends on its common stock to CenterPoint Energy. As of June 30, 2005, no interest payments on the convertible junior subordinated debentures had been deferred.

On July 1, 2005, the remaining \$0.3 million of convertible preferred securities and the \$6 million of related convertible junior subordinated debentures were called for redemption on August 1, 2005. Most of the convertible preferred securities were converted prior to the redemption date and the remaining securities were redeemed.

(b) Receivables Facility.

In January 2005, the Company's \$250 million receivables facility was extended to January 2006 and temporarily increased, for the period from January 2005 to June 2005, to \$375 million to provide additional liquidity to CERC during the peak heating season of 2005. As of June 30, 2005, CERC had \$181 million of advances under its receivables facility.

The average outstanding balance on the receivables facility was \$181 million for the six months ended June 30, 2005. Sales of receivables were approximately \$0.6 billion and \$0.4 billion for the three months ended June 30, 2004 and 2005, respectively, and \$1.3 billion and \$0.9 billion for the six months ended June 30, 2004 and 2005, respectively.

(7) COMPREHENSIVE INCOME

The following table summarizes the components of total comprehensive income (net of tax):

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2004	2005	2004	2005
	(IN MILLIONS)			
Net income	\$11	\$27	\$85	\$123
Other comprehensive income:				
Net deferred gain from cash flow hedges	8	1	16	10
Reclassification of deferred gain from cash flow hedges realized in net income	(5)	(3)	(7)	(2)
Other comprehensive income (loss)	3	(2)	9	8
Comprehensive income	\$14	\$25	\$94	\$131
	===	===	===	====

The following table summarizes the components of accumulated other comprehensive income:

	DECEMBER 31, 2004	JUNE 30, 2005
	(IN MILLIONS)	
Net deferred gain from cash flow hedges	\$ 2	\$10
	===	===

(8) RELATED PARTY TRANSACTIONS

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

	DECEMBER 31, 2004	JUNE 30, 2005
	----- (IN MILLIONS) -----	
Accounts receivable from affiliates	\$ 4	\$ 4
Accounts payable to affiliates	(34)	(28)
Notes receivable from affiliates(1)	42	139
	----	----
Accounts and notes receivable -- affiliated companies, net	\$ 12	\$115
	====	====
Long-term accounts receivable from affiliates	\$ 64	\$ 65
Long-term accounts payable to affiliates	(45)	(48)
Long-term notes payable to affiliates	(1)	--
	----	----
Long-term accounts and notes receivable -- affiliated companies, net ...	\$ 18	\$ 17
	====	====

- - - - -
(1) Represents money pool investments.

For the three months ended June 30, 2004 and 2005, the Company had net interest income related to affiliate borrowings of \$2.5 million and \$1.4 million, respectively. For the six months ended June 30, 2004 and 2005, the Company had net interest income related to affiliate borrowings of \$4.1 million and \$2.6 million, respectively.

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

For the three and six months ended June 30, 2004, the sales and services provided by the Company to Texas Genco Holdings, Inc. (Texas Genco), a former subsidiary of CenterPoint Energy, totaled \$11 million and \$18 million, respectively. For the three and six months ended June 30, 2005, the Company provided no sales or services to CenterPoint Energy or its subsidiaries.

CenterPoint Energy provides some corporate services to the Company. The costs of services have been directly charged 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 margins, 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 \$28 million and \$31 million for the three months ended June 30, 2004 and 2005, respectively, and \$55 million and \$60 million for the six months ended June 30, 2004 and 2005, respectively, and are included primarily in operation and maintenance expenses.

Pursuant to the tax sharing agreement with CenterPoint Energy, the Company received an allocation of CenterPoint Energy's tax benefits totaling \$24 million and \$55 million for the three and six months ended June 30, 2005, respectively, which was recorded as an increase to additional paid-in capital.

In the second quarter of 2005, the Company paid a dividend of \$100 million to Utility Holding, LLC.

(9) COMMITMENTS AND CONTINGENCIES

(a) 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 the ultimate outcome to have a material impact on its financial condition, results of operations or cash flows.

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., all of which are subsidiaries of the Company. The plaintiffs alleged 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 Louisiana Public Service Commission (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 voluntarily 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. In June 2005, the Miller County case was remanded to state district court in Miller County. 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 expect the outcome of these matters to have a material impact on the financial condition, results of operations or cash flows of either the Company or CenterPoint Energy. The allegations in these cases are similar to those asserted in the City of Tyler proceeding described in Note 3(b).

Pipeline Safety Compliance. In 2005, the Company received an order from the Minnesota Office of Pipeline Safety to remove certain components from a portion of its distribution system by December 2, 2005. Those components were installed by a predecessor company and are not in compliance with current state and federal codes.

The Company estimates the range of expenditures to locate and replace such components to be \$35 to \$45 million. The Company will request return on and of the capitalized expenditures in future rate cases.

Minnesota Cold Weather Rule. In December 2004, the MPUC opened an investigation to determine whether the Company's practices regarding restoring natural gas service during the period between October 15 and April 15 (Cold Weather Period) are in compliance with the MPUC's Cold Weather Rule (CWR), which governs disconnection and reconnection of customers during the Cold Weather Period. The Minnesota Office of the Attorney General issued its report alleging the Company has violated the CWR and recommended a \$5 million penalty. The Company filed its reply comments in July 2005. In addition, in June 2005, the Company was named in a suit filed on behalf of a purported class of customers who allege that the Company's conduct under the CWR was in violation of the Minnesota Consumer Fraud Act and the Minnesota Deceptive Trade Practices Act and was negligent and fraudulent. The Company believes that it has not knowingly and intentionally violated the CWR and intends to vigorously contest the lawsuit. The Company does not expect this matter to have a material adverse effect on its financial condition, results of operations or cash flows.

(b) 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 does not expect the ultimate cost associated with resolving this matter to have a material impact on the financial condition, results of operations or cash flows 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 June 30, 2005, the Company had accrued \$18 million for remediation of certain Minnesota sites. At June 30, 2005, 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 June 30, 2005, 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 two 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. In March 2005, the court considering the other suit for contribution granted the Company's motion to dismiss on the grounds that the Company was not an "operator" of the site as had

been alleged. The plaintiff in that case has filed an appeal of the court's dismissal of the Company. 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 does not expect the costs of any remediation of these sites to 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 expect, based on its experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

(c) Other Proceedings.

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

(10) REPORTABLE BUSINESS SEGMENTS

Because CERC Corp. is an indirect wholly owned subsidiary of CenterPoint Energy, the Company's 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.

The Company has identified the following reportable business segments: Natural Gas Distribution, Pipelines and Gathering, and Other Operations. For descriptions of the reportable business segments, see Note 12 to the CERC Corp. 10-K/A Notes.

The following table summarizes financial data for the Company's reportable business segments:

	FOR THE THREE MONTHS ENDED JUNE 30, 2004		
	REVENUES FROM EXTERNAL CUSTOMERS	NET INTERSEGMENT REVENUES	OPERATING INCOME (LOSS)
	(IN MILLIONS)		
Natural Gas Distribution ...	\$1,138(1)	\$-	\$23
Pipelines and Gathering	79(2)	34	42
Other Operations	--	2	(1)
Eliminations	--	(36)	--
	-----	---	---
Consolidated	\$1,217	\$-	\$64
	=====	===	===

FOR THE THREE MONTHS ENDED JUNE 30, 2005

	REVENUES FROM EXTERNAL CUSTOMERS	NET INTERSEGMENT REVENUES	OPERATING INCOME (LOSS)
	(IN MILLIONS)		
Natural Gas Distribution ...	\$1,339	\$ 1	\$19
Pipelines and Gathering	87	38	52
Other Operations	--	1	(2)
Eliminations	--	(40)	--
Consolidated	<u>\$1,426</u>	<u>\$ --</u>	<u>\$69</u>

FOR THE SIX MONTHS ENDED JUNE 30, 2004

	REVENUES FROM EXTERNAL CUSTOMERS	NET INTERSEGMENT REVENUES	OPERATING INCOME (LOSS)	TOTAL ASSETS AS OF DECEMBER 31, 2004
	(IN MILLIONS)			
Natural Gas Distribution ...	\$3,142 (1)	\$ 1	\$140	\$4,732
Pipelines and Gathering	145 (2)	71	87	2,637
Other Operations	--	5	(3)	792
Eliminations	--	(77)	--	(694)
Consolidated	<u>\$3,287</u>	<u>\$ --</u>	<u>\$224</u>	<u>\$7,467</u>

FOR THE SIX MONTHS ENDED JUNE 30, 2005

	REVENUES FROM EXTERNAL CUSTOMERS	NET INTERSEGMENT REVENUES	OPERATING INCOME (LOSS)	TOTAL ASSETS AS OF JUNE 30, 2005
	(IN MILLIONS)			
Natural Gas Distribution ...	\$3,500	\$ 3	\$158	\$ 4,729
Pipelines and Gathering	171	75	116	2,798
Other Operations	3	3	(3)	1,069
Eliminations	--	(81)	--	(1,379)
Consolidated	<u>\$3,674</u>	<u>\$ --</u>	<u>\$271</u>	<u>\$ 7,217</u>

(1) Sales to Texas Genco for the three and six months ended June 30, 2004 of \$10 million and \$16 million, respectively, have been reclassified from sales to affiliates to revenues from external customers due to the sale of Texas Genco by CenterPoint Energy.

(2) Sales to Texas Genco for the three and six months ended June 30, 2004 of \$1 million and \$2 million, respectively, have been reclassified from sales to affiliates to revenues from external customers due to the sale of Texas Genco by CenterPoint Energy.

(11) EMPLOYEE BENEFIT PLANS

The Company's employees participate in CenterPoint Energy's postretirement benefit plan. The Company's net periodic cost includes the following components relating to postretirement benefits:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2005	2004	2005
	----	----	----	----
	(IN MILLIONS)			
Service cost.....	\$ 1	\$ 1	\$ 1	\$ 1
Interest cost.....	3	2	5	4
Expected return on plan assets...	(1)	(1)	(1)	(1)
Net amortization.....	--	--	1	1
Other	--	--	1	--
	----	----	----	----
Net periodic cost.....	\$ 3	\$ 2	\$ 7	\$ 5
	===	====	===	===

The Company previously disclosed in its financial statements for the year ended December 31, 2004, that it expected to contribute \$16 million to its postretirement benefits plan in 2005. As of June 30, 2005, \$5 million has been contributed.

(12) RESTATEMENT

Subsequent to the issuance of its condensed consolidated financial statements for the three- and six- month periods ended June 30, 2004 and 2005, the Company determined that, during 2004 and 2005, certain transactions involving purchases and sales of natural gas among divisions within the Company's Natural Gas Distribution segment were not properly eliminated in the Company's consolidated financial statements. Consequently, revenues and natural gas expenses for the three and six months ended June 30, 2004 were each overstated by approximately \$107 million and \$233 million, respectively. For the three and six months ended June 30, 2005, revenues and natural gas expenses were each overstated by approximately \$90 million and \$257 million, respectively, for the same reason. As a result, the accompanying condensed 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 the three and six months ended June 30, 2004 and 2005.

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

	THREE MONTHS ENDED JUNE 30, 2004		SIX MONTHS ENDED JUNE 30, 2004	
	AS RESTATED	AS PREVIOUSLY REPORTED	AS RESTATED	AS PREVIOUSLY REPORTED
	-----	-----	-----	-----
	(IN MILLIONS)			
STATEMENTS OF CONSOLIDATED INCOME:				
Revenues.....	\$1,217	\$1,324	\$3,287	\$3,520
Expenses: Natural gas.....	904	1,011	2,540	2,773
Total Expenses.....	1,153	1,260	3,063	3,296

	THREE MONTHS ENDED JUNE 30, 2005		SIX MONTHS ENDED JUNE 30, 2005	
	AS RESTATED	AS PREVIOUSLY REPORTED	AS RESTATED	AS PREVIOUSLY REPORTED
	-----	-----	-----	-----
	(IN MILLIONS)			
STATEMENTS OF CONSOLIDATED INCOME:				
Revenues.....	\$1,426	\$1,516	\$3,674	\$3,931
Expenses: Natural gas.....	1,103	1,193	2,884	3,141
Total Expenses.....	1,357	1,447	3,403	3,660

AS OF JUNE 30, 2005

AS PREVIOUSLY
AS RESTATED REPORTED

(IN MILLIONS)

CONSOLIDATED BALANCE SHEETS:

Accounts receivable, net.....	\$ 325	\$ 376
Total current assets.....	1,345	1,395
Total assets.....	7,217	7,267
Accounts payable.....	439	489
Total current liabilities.....	1,251	1,301
Total liabilities and stockholder's equity....	7,217	7,267

ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF THE RESULTS OF OPERATIONS

The following narrative analysis should be read in combination with our Interim Financial Statements contained in this Form 10-Q/A.

RESTATEMENT

The following management narrative analysis gives effect to the restatement discussed in Note 12 to our unaudited condensed consolidated financial statements.

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). 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 Our Ability to Issue Securities, Borrow Money and Pay Dividends."

The following discussion explains material changes in our revenue and expense items between the three and six months ended June 30, 2004 and the three and six months ended June 30, 2005. Reference is made to "Management's Narrative Analysis of the Results of Operations" in Item 7 of the Annual Report on Form 10-K of CERC Corp. for the year ended December 31, 2004 filed on March 24, 2005 (CERC Corp. Form 10-K), as amended by Amendment No. 1 thereto filed on August 29, 2005 and by Amendment No. 2 thereto filed on January 10, 2006 (CERC Corp. Form 10-K/A).

REPEAL OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

On August 8, 2005, President Bush signed the Energy Policy Act of 2005 (Energy Act), which, among other things, repeals the 1935 Act six months after the enactment of the Energy Act. After the effective date of repeal, CenterPoint Energy and its subsidiaries, including us, will no longer be subject to restrictions imposed under the 1935 Act. Until the repeal is effective, CenterPoint Energy and its subsidiaries remain subject to the provisions of the 1935 Act and the terms of orders issued by the Securities and Exchange Commission (SEC) under the 1935 Act. The Energy Act transfers to the Federal Energy Regulatory Commission (FERC) certain functions performed by the SEC under the 1935 Act, including the requirement that holding companies and their subsidiaries maintain certain books and records and make them available for review by FERC and, through FERC, to state regulatory authorities. The Energy Act requires FERC to issue regulations to implement its jurisdiction under the Energy Act. It is presently unknown what, if any, specific obligations under those rules may be imposed on us as result of that rulemaking.

CONSOLIDATED RESULTS OF OPERATIONS

Our results of operations are affected by, among other things, seasonal fluctuations in the demand for natural gas and price movements of energy commodities, the actions of various federal, state and municipal governmental authorities having jurisdiction over rates we charge, competition in our various business operations, debt service costs and income tax expense. For more information regarding factors that may affect the future results of operations of our business, please read "Risk Factors" beginning on page 25 in Item 5 of Part II of our Quarterly Report on Form 10-Q for the period ended June 30, 2005 filed on August 11, 2005 and "Management's Narrative Analysis of the Results of Operations -- Certain Factors Affecting Future Earnings" in Item 7 of the CERC Corp. Form 10-K, which is incorporated herein by reference.

The following table sets forth our consolidated results of operations for the three and six months ended June 30, 2004 and 2005, 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.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2005	2004	2005
	(IN MILLIONS)			
Revenues	\$1,217	\$1,426	\$3,287	\$3,674
Expenses:				
Natural gas	904	1,103	2,540	2,884
Operation and maintenance	170	171	352	344
Depreciation and amortization	45	50	92	99
Taxes other than income taxes	34	33	79	76
Total Expenses	1,153	1,357	3,063	3,403
Operating Income	64	69	224	271
Interest and Other Finance Charges ..	(47)	(52)	(89)	(97)
Other Income, net	3	8	6	12
Income Before Income Taxes	20	25	141	186
Income Tax (Expense) Benefit	(9)	2	(56)	(63)
Net Income	\$ 11	\$ 27	\$ 85	\$ 123

THREE MONTHS ENDED JUNE 30, 2005 COMPARED TO THREE MONTHS ENDED JUNE 30, 2004

We reported net income of \$27 million for the three months ended June 30, 2005 as compared to \$11 million for the same period in 2004. The increase in net income of \$16 million was primarily due to increased operating income of \$10 million in our Pipelines and Gathering business segment and a \$11 million decrease in income tax expense due to a favorable tax audit adjustment and lower state income taxes offset by a decrease in operating income in our Natural Gas Distribution business segment of \$4 million.

SIX MONTHS ENDED JUNE 30, 2005 COMPARED TO SIX MONTHS ENDED JUNE 30, 2004

We reported net income of \$123 million for the six months ended June 30, 2005 as compared to \$85 million for the same period in 2004. The increase in net income of \$38 million was primarily due to increased operating income of \$29 million in our Pipelines and Gathering business segment and increased operating income of \$18 million in our Natural Gas Distribution business segment. This increase was partially offset by increased income tax expense of \$7 million due to higher pre-tax income which was reduced by a favorable tax audit adjustment recorded in the second quarter of 2005.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The following table presents operating income for our Natural Gas Distribution and Pipelines and Gathering business segments for the three and six months ended June 30, 2004 and 2005. Some amounts from the previous year have been reclassified to conform to the 2005 presentation of the financial statements. These reclassifications do not affect consolidated net income. For information regarding factors that may affect the future results of operations of our business segments, please read "Risk Factors -- Principal Risk Factors Associated with Our Businesses," "-- Risk Factors Associated with Our Consolidated Financial Condition" and "-- Other Risks" beginning on page 25 in Item 5 of Part II of our Quarterly Report on Form 10-Q for the period ended June 30, 2005 filed on August 11, 2005.

NATURAL GAS DISTRIBUTION

The following table provides summary data of our Natural Gas Distribution business segment for the three and six months ended June 30, 2004 and 2005:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2005	2004	2005
	(IN MILLIONS, EXCEPT CUSTOMER DATA)			
Revenues	\$ 1,138	\$ 1,340	\$ 3,143	\$ 3,503
Expenses:				
Natural gas	920	1,123	2,583	2,931
Operation and maintenance	133	133	283	273
Depreciation and amortization	35	39	70	77
Taxes other than income taxes	27	26	67	64
Total expenses	1,115	1,321	3,003	3,345
Operating Income	\$ 23	\$ 19	\$ 140	\$ 158
Throughput (in billion cubic feet (Bcf)):				
Residential	21	21	106	98
Commercial and industrial	49	43	132	120
Non-rate regulated	167	148	306	331
Elimination (1)	(63)	(29)	(73)	(78)
Total Throughput	174	183	471	471
Average number of customers:				
Residential	2,793,297	2,833,773	2,802,379	2,842,645
Commercial and industrial	242,111	246,032	244,388	247,429
Non-rate regulated	6,265	6,533	6,228	6,522
Total	3,041,673	3,086,338	3,052,995	3,096,596

(1) Elimination of intrasegment sales.

THREE MONTHS ENDED JUNE 30, 2005 COMPARED TO THREE MONTHS ENDED JUNE 30, 2004

Our Natural Gas Distribution business segment reported operating income of \$19 million for the three months ended June 30, 2005 as compared to \$23 million for the same period in 2004. Increases in operating income from rate increases (\$5 million) and increased contributions from our competitive natural gas sales business (\$1 million) were more than offset by the impact of decreased throughput net of continued customer growth with the addition of approximately 47,000 customers since June 2004 (\$5 million) and increased depreciation expense primarily due to higher plant balances (\$4 million). Decreases in operation and maintenance expenses primarily from lower employee benefit expenses (\$7 million) and the capitalization of previously incurred restructuring expenses as allowed by a recent regulatory order from the Railroad Commission of Texas (\$4 million) offset other expense increases (\$11 million).

SIX MONTHS ENDED JUNE 30, 2005 COMPARED TO SIX MONTHS ENDED JUNE 30, 2004

Our Natural Gas Distribution business segment reported operating income of \$158 million for the six months ended June 30, 2005 as compared to \$140 million for the same period in 2004. Increases in operating income from rate increases (\$16 million) and increased contributions from our competitive natural gas sales business (\$4 million) were partially offset by the impact of milder weather and decreased throughput net of continued customer growth with the addition of approximately 47,000 customers since June 2004 (\$10 million). Operation and maintenance expense decreased \$10 million. 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 primarily due to lower employee benefit expenses (\$11 million) and the capitalization of previously incurred restructuring expenses as discussed above (\$4 million), which more than offset other expense

increases (\$13 million). These net increases to operating income were partially offset by increased depreciation expense primarily due to higher plant balances (\$7 million).

PIPELINES AND GATHERING

The following table provides summary data of our Pipelines and Gathering business segment for the three and six months ended June 30, 2004 and 2005:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2005	2004	2005
	----	----	----	----
	(IN MILLIONS)			
Revenues	\$113	\$125	\$216	\$246
	----	----	----	----
Expenses:				
Natural gas	18	18	28	25
Operation and maintenance	37	40	70	74
Depreciation and amortization ..	11	11	22	22
Taxes other than income taxes ..	5	4	9	9
	----	----	----	----
Total expenses	71	73	129	130
	----	----	----	----
Operating Income	\$ 42	\$ 52	\$ 87	\$116
	=====	=====	=====	=====
Throughput (in Bcf):				
Natural Gas Sales	4	3	7	4
Transportation	207	230	477	501
Gathering	79	87	154	170
Elimination (1)	(3)	(2)	(5)	(3)
	----	----	----	----
Total Throughput	287	318	633	672
	=====	=====	=====	=====

(1) Elimination of volumes both transported and sold.

THREE MONTHS ENDED JUNE 30, 2005 COMPARED TO THREE MONTHS ENDED JUNE 30, 2004

Our Pipelines and Gathering business segment reported operating income of \$52 million for the three months ended June 30, 2005 compared to \$42 million for the same period in 2004. Operating margins (revenues less natural gas costs) increased by \$12 million primarily due to increased demand for certain transportation and ancillary services (\$7 million) and increased throughput and demand for services related to our core gas gathering operations (\$9 million).

SIX MONTHS ENDED JUNE 30, 2005 COMPARED TO SIX MONTHS ENDED JUNE 30, 2004

Our Pipelines and Gathering business segment reported operating income of \$116 million for the six months ended June 30, 2005 compared to \$87 million for the same period in 2004. Operating margins (revenues less natural gas costs) increased by \$33 million primarily due to increased demand for certain transportation and ancillary services (\$18 million) and increased throughput and demand for services related to our core gas gathering operations (\$14 million). Additionally, operation and maintenance expenses increased by \$4 million primarily due to increased pipeline integrity compliance expenses.

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

For information on other developments, factors and trends that may have an impact on our future earnings, please read "Management's Narrative Analysis of Results of Operations -- Certain Factors Affecting Future Earnings" in Item 7 of Part II of the CERC Corp. Form 10-K, which is incorporated herein by reference, and "Risk Factors" beginning on page 25 in Item 5 of Part II of our Quarterly Report on Form 10-Q for the period ended June 30, 2005 filed on August 11, 2005.

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 for the last six months of 2005 are approximately \$276 million of capital expenditures and \$325 million principal amount of senior notes which were repaid in July 2005. We expect that borrowings under our credit facility, anticipated cash flows from operations and borrowings from affiliates under the money pool described below will be sufficient to meet our cash needs for 2005. Cash needs may also be met by issuing securities in the capital markets.

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

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 have a bankruptcy remote subsidiary, which we consolidate, which was formed 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 Sheet. In January 2005, the \$250 million facility was extended to January 2006 and temporarily increased, for the period from January 2005 to June 2005, to \$375 million. As of June 30, 2005, we had \$181 million of advances under our receivables facility.

Credit Facilities. In June 2005, we replaced our \$250 million three-year revolving credit facility with a \$400 million five-year revolving credit facility. The new credit facility terminates on June 30, 2010. Borrowings under this facility may be made at the London interbank offered rate (LIBOR) plus 55 basis points, including the facility fee, based on current credit ratings. An additional utilization fee of 10 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered.

Our \$400 million credit facility contains covenants, including a total debt to capitalization covenant of 65% and an earnings before interest, taxes, depreciation and amortization (EBITDA) to interest covenant. Borrowings under our \$400 million credit facility are available notwithstanding that a material adverse change has occurred or litigation that could be expected to have a material adverse effect has occurred, so long as other customary terms and conditions are satisfied.

As of August 1, 2005, our \$400 million credit facility was not utilized.

Securities Registered with the SEC. At June 30, 2005, we had a shelf registration statement covering \$50 million of debt securities.

Temporary Investments. On June 30, 2005, we had temporary investments with unrelated parties of \$366 million. Our temporary external investments were reduced by \$325 million in July 2005 when the proceeds from the liquidation of such investments were used to pay our maturing debt. As of August 1, 2005, we had temporary investments in a money market fund of \$9 million. Such investments may be utilized to meet our cash flow needs.

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 currently applicable to registered public utility holding companies under the 1935 Act and under an order from the SEC relating to our financing activities dated June 29, 2005 (June 2005 Financing Order). Our money pool borrowing limit under the existing order is \$600 million. At August 1, 2005, we had \$122 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. On July 22, 2005, Moody's upgraded our ratings, including our senior unsecured debt to Baa3 from Bal. These rating actions concluded the review for possible upgrade that was initiated on March 24, 2005.

As of August 1, 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	OUTLOOK(1)	RATING	OUTLOOK(2)	RATING	OUTLOOK(3)
Baa3	Stable	BBB	Negative	BBB	Stable

- (1) A "stable" outlook from Moody's indicates that Moody's does not expect to put the rating on review for an upgrade or downgrade within 18 months from when the outlook was assigned or last affirmed.
- (2) An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate to longer term.
- (3) A "stable" outlook from Fitch encompasses a one-to-two year horizon as to the likely ratings direction.

We cannot assure you that these ratings will remain in effect for any given period of time or that one or more of these ratings will not be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to buy, sell or hold our securities and may be revised or withdrawn at any time by the rating agency. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to obtain short- and long-term financing, the cost of such financings, 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 could increase borrowing costs under our \$400 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 Our Ability to Issue Securities, Borrow Money 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.

As described above under "-- Credit Facilities," our \$400 million credit facility does not contain a material adverse change clause with respect to borrowings.

CenterPoint Energy Services, Inc. (formerly CenterPoint Energy Gas Services, Inc.) (CES), one of our wholly owned subsidiaries, provides comprehensive natural gas sales and services to industrial and commercial customers, electric generators and natural gas utilities throughout the central United States. In order to hedge its exposure to natural gas prices, CES 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. We estimate that as of June 30, 2005, unsecured credit limits extended to CES by counterparties could aggregate \$105 million; however, utilized credit capacity is significantly lower. In addition, we purchase natural gas under supply agreements that contain an aggregate credit threshold of \$100 million based on our S&P Senior Unsecured Long-Term Debt rating of BBB. Upgrades and downgrades from this BBB rating will increase and decrease the aggregate credit threshold accordingly.

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 August 1, 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 and borrowings under our credit facility;
- various regulatory actions; and
- various of the risks identified in "Risk Factors" beginning on page 25 in Item 5 of Part II of our Quarterly Report on Form 10-Q for the period ended June 30, 2005 filed on August 11, 2005.

Certain Contractual and Regulatory Limits on Our Ability to Issue Securities, Borrow Money and Pay Dividends. Our bank facility and our receivables facility limit our debt as a percentage of our total capitalization to 65% and 60%, respectively, and contain an 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. On August 8, 2005, President Bush signed the Energy Act, which, among other things, repeals the 1935 Act six months after the enactment of the Energy Act. After the effective date of repeal, CenterPoint Energy and its subsidiaries, including us, will no longer be subject to restrictions imposed under the 1935 Act. Until the repeal is effective, CenterPoint Energy and its subsidiaries remain subject to the provisions of the 1935 Act and the terms of orders issued by the SEC under the 1935 Act. The Energy Act transfers to the FERC certain functions performed by the SEC under the 1935 Act, including the requirement that holding companies and their subsidiaries maintain certain books and records and make them available for review by FERC and, through FERC, to state regulatory authorities. The Energy Act requires FERC to issue regulations to implement its jurisdiction under the Energy Act. It is presently unknown what, if any, specific obligations under those rules may be imposed on us as result of that rulemaking.

The June 2005 Financing Order establishes 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 permits CenterPoint Energy to refinance its existing obligations and those of its regulated subsidiaries, including us. We are in compliance with the authorized limits. The order also generally permits utilization of our undrawn credit facilities. Unless we obtain a further order from the SEC, as of July 31, 2005, we are authorized to issue an additional \$367 million of debt or preferred securities.

In the June 2005 Financing Order, the SEC "reserved jurisdiction" over a number of matters, meaning that an order will be required from the SEC before we may conduct those activities. However, an order regarding the activities over which the SEC has reserved jurisdiction generally can be issued by the SEC more quickly than orders on other matters, although there is no assurance that a release of jurisdiction will be granted on a given matter or the terms under which such an order may be issued. In the June 2005 Financing Order, the SEC reserved jurisdiction over all authority otherwise granted if the common equity level of CenterPoint Energy falls below its level as of March 31, 2005 (11.4% net of securitization debt) or if the common equity ratio of either us or CenterPoint Energy Houston Electric, LLC, another wholly owned subsidiary of CenterPoint Energy, falls below 30%. Among the other transactions over which the SEC reserved jurisdiction are: (i) issuance of securities by CenterPoint Energy or any of its subsidiaries, including us, unless our and the issuer's other securities which are rated have an investment grade rating from at least one nationally recognized statistical rating organization, (ii) further investment in inactive subsidiaries and (iii) payment of dividends by us from capital or unearned surplus. The June 2005 Financing Order also contains certain requirements for interest rates, maturities, issuance expenses and use of proceeds in connection

with securities issued by us or any of our subsidiaries. So long as the common equity of CenterPoint Energy is less than 30% of its capitalization, the SEC also reserved jurisdiction over the use of proceeds from authorized financings for the acquisition of additional energy-related or gas-related companies. Finally, the SEC reserved jurisdiction over the issuance of \$500 million in incremental debt and preferred securities by us. The total authorized amount of debt and preferred securities that could be outstanding during the authorization period, including the amounts over which the SEC has reserved jurisdiction and undrawn amounts under our revolving credit facility is \$3.256 billion. The foregoing and the following restrictions contained in the June 2005 Financing Order, along with other restrictions contained in that order, will cease to apply to us on the effective date of repeal of the 1935 Act.

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 2005 Financing Order also requires that we maintain a ratio of common equity to total capitalization of 30%. At June 30, 2005, our ratio was 53%.

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 the consolidated financial statements in the CERC Corp. Form 10-K. 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 at least 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, 2005. 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 to the Interim Financial Statements for a discussion of new accounting pronouncements that affect us.

ITEM 4. 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 June 30, 2005. This conclusion is different than the conclusion disclosed in the original filing of our Quarterly Report on Form 10-Q for the period ended June 30, 2005 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 Quarterly Report on Form 10-Q for the period ended June 30, 2005, management has re-evaluated the effectiveness of our disclosure controls and procedures.

We determined that, during 2004 and 2005, 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 the three and six months ended June 30, 2004 were each overstated by approximately \$107 million and \$233 million, respectively. For the three and six months ended June 30, 2005, revenues and natural gas expenses were each overstated by approximately \$90 million and \$257 million, respectively, for the same reason and management concluded that a restatement of the consolidated financial statements for the three and six months ended June 30, 2004 and 2005 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 June 30, 2005 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 Quarterly Report on Form 10-Q for the period ended June 30, 2005, we took the remedial action described above.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

The following exhibits are filed herewith:

Exhibits included with this report are designated by a cross (+); exhibits previously filed with our Quarterly Report on Form 10-Q for the period ended June 30, 2005 as filed on August 11, 2005 are designated by two crosses (++); all exhibits not so designated are incorporated by reference to a prior filing of CenterPoint Energy Resources Corp.

EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
3.1.1	- Certificate of Incorporation of RERC Corp.	Form 10-K for the year ended December 31, 1997	1-13265	3(a)(1)
3.1.2	- 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	1-13265	3(a)(2)
3.1.3	- Certificate of Amendment changing the name to Reliant Energy Resources Corp.	Form 10-K for the year ended December 31, 1998	1-13265	3(a)(3)
3.1.4	- 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)
3.2	- Bylaws of RERC Corp.	Form 10-K for the year ended December 31, 1997	1-13265	3(b)
4.1	- \$400,000,000 Credit Agreement, dated as of June 30, 2005, among CERC Corp., as Borrower, and the Initial Lenders named therein, as Initial Lenders	Form 8-K dated June 29, 2005	1-13265	4.1
+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			
++99.1	- Items incorporated by reference from the CERC Corp. Form 10-K. Item 1 "Business -- Regulation" and "-- Environmental Matters," Item 3 "Legal Proceedings" and Item 7 "Management's Narrative Analysis of the Results of Operations -- Certain Factors Affecting Future Earnings" and Notes 2(e) (Regulatory Assets and Liabilities), 3 (Regulatory Matters), 5 (Derivative Instruments), 9 (Commitments and Contingencies) and 12 (Reportable Business Segments).			

SIGNATURES

Pursuant to the requirements 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.

CENTERPOINT ENERGY RESOURCES CORP.

By: /s/ James S. Brian

James S. Brian
Senior Vice President and Chief
Accounting Officer

Date: January 10, 2006

EXHIBIT INDEX

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CERTIFICATIONS

I, David M. McClanahan, certify that:

1. I have reviewed this amended Quarterly Report on Form 10-Q/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

 David M. McClanahan
 President and Chief Executive Officer

CERTIFICATIONS

I, Gary L. Whitlock, certify that:

1. I have reviewed this amended Quarterly Report on Form 10-Q/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

 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 Quarterly Report of CenterPoint Energy Resources Corp. (the "Company") on Form 10-Q/A for the period ended June 30, 2005 (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

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 Quarterly Report of CenterPoint Energy Resources Corp. (the "Company") on Form 10-Q/A for the period ended June 30, 2005 (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

Gary L. Whitlock
Executive Vice President and Chief
Financial Officer