CenterPoint Energy reports strong 2002 earnings

Continuing operations report $1.29 EPS

Houston, TX - February 13, 2003 - CenterPoint Energy, Inc. (NYSE: CNP) today reported income from continuing operations before extraordinary item, cumulative effect of accounting change and preferred dividends (hereinafter referred to as income from continuing operations) of $386 million, or $1.29 per diluted share for the year ended December 31, 2002. The company reported income from continuing operations of $447 million, or $1.53 per diluted share for the year ended December 31, 2001.

The 2002 results consist of income from electric generation, electric transmission & distribution, natural gas distribution, pipelines and gathering and other operations. They also reflect the change in the company's electric operations due to the opening of the Texas market to retail electric competition in January 2002. Retail electric sales are no longer a part of CenterPoint Energy's operations, and electric generation is no longer subject to rate regulation as was the case in 2001. Thus, 2002 results cannot be meaningfully compared to 2001.

"I'm very proud of our employees, their commitment to serving our customers and their many accomplishments in 2002," said David McClanahan, president and chief executive officer of CenterPoint Energy. "We completed our separation from Reliant Resources, prepared for the partial distribution of Texas Genco common stock to shareholders and developed a comprehensive corporate strategy, all the while ensuring the successful performance of our utility businesses and improving operational productivity."

CenterPoint Energy also took a number of steps during the year to position it for the future. The company reached an agreement, subject to approval by the Public Utility Commission of Texas (PUC), that ensures the recovery of over $8.3 billion worth of fuel incurred by the former integrated electric utility over the last four and one half years prior to deregulation. The company agreed to defer an additional $200 million in fuel costs for consideration in the 2004 stranded cost true-up proceeding. The natural gas distribution operations obtained $50 million in annualized rate increases, primarily in Arkansas and Oklahoma, and expect additional rate relief in other areas of their service territory in 2003. Texas Genco streamlined its workforce through an early retirement program and the electric transmission & distribution business and several business service functions implemented staff reductions. Although the company incurred costs related to these activities in 2002, it expects to realize the benefits in 2003 and beyond.

For the 2002 fourth quarter, the loss from continuing operations was $8 million, or $0.03 per diluted share. For the same period in 2001, income from continuing operations was $19 million, or $0.07 per diluted share.

The company's operating performance for 2002 compared to 2001 benefited from the following:

- continued customer growth with the addition of over 100,000 metered electric and gas customers
- normal weather compared to milder than normal weather in 2001
- reduced bad debt expense for both electric and natural gas operations
- discontinuance of goodwill amortization in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", which the company adopted on January 1, 2002. The company recognized goodwill amortization of $49 million in 2001, including $12 million in the fourth quarter.
- charges of $79 million for 2001, including $74 million for the fourth quarter, related to the an impairment of the company's remaining Argentine investments
- increased revenues from rate increases of $20 million for the year, including $14 million for the quarter, for the natural gas distribution operations

The company's results for 2002 compared to 2001 were negatively impacted by the following:

- an increase in interest expense of $131 million for the year, including $126 million for the fourth quarter
- severance charges in the fourth quarter of $26 million associated with staff reductions in the electric transmission &

distribution operations and business service functions and an early retirement program in Texas Genco

- a $24 million charge in the fourth quarter as a result of the settlement with the parties to a PUC fuel reconciliation proceeding

Summary of Two New Reportable Business Segments

Results for 2001 reflect CenterPoint Energy's operation as an integrated electric utility. With the opening of the Texas market to retail electric competition in January 2002, generation and retail electric sales were deregulated. The company no longer makes retail electric sales. Pursuant to these changes, CenterPoint Energy started reporting two new business segments, electric transmission & distribution and electric generation. The electric transmission & distribution segment includes results from regulated transmission & distribution operations as well as the impact of generation-related stranded costs recoverable by the regulated utility. The previously regulated generation operations in Texas, Texas Genco Holdings, Inc., are reported as the electric generation segment.

As a result of deregulation, there are no meaningful comparisons for these segments against prior periods, which reflected a single business segment for integrated electric utility operations.

EBIT BY SEGMENT DETAILED

Electric Transmission & Distribution

The electric transmission & distribution segment generated earnings before interest and taxes (EBIT) of $1.1 billion in 2002 consisting of $421 million for the regulated electric transmission & distribution utility and non-cash EBIT of $697 million associated with generation-related regulatory assets, or Excess Cost Over Market (ECOM), as described below.

The electric transmission & distribution utility recovers the cost of its service through an energy delivery charge. This business benefited from growth in residential demand in 2002 over 2001, partially offset by an anticipated decline in deliveries to industrial customers who now generate their own power. Metered customers, totaling 1.79 million at the end of 2002, continued to grow at an annualized rate of 2 percent.

Under the Texas restructuring law, a regulated utility may recover the difference between market prices received by its affiliated power generation company and the prices used in the ECOM model established by the PUC as part of its 2004 stranded cost true-up proceeding. This difference produces non-cash EBIT and is recorded as a regulatory asset.

For the fourth quarter of 2002, EBIT for the segment was $175 million consisting of $29 million for the regulated transmission & distribution utility and non-cash EBIT for ECOM of $146 million. Utility earnings were negatively affected by $11 million of severance costs from approximately 200 staff reductions, and a $24 million charge associated with the settlement of the fuel reconciliation proceeding described above.

Electric Generation

Texas Genco owns 14,175 MW of electric generation in Texas and sells capacity, energy, and ancillary services in the Texas electric market, primarily through capacity auctions. On January 6, 2003, CenterPoint Energy distributed approximately 19 percent of Texas Genco common stock to CenterPoint Energy shareholders. However, for the year ended December 31, 2002, CenterPoint Energy reported the results of Texas Genco as a wholly-owned subsidiary. Texas Genco stock is traded on the New York Stock Exchange under the symbol TGN.

The publicly traded common stock of Texas Genco will be used to determine the market value of the generating assets formerly owned by the integrated electric utility in the quantification of the company's stranded costs in the 2004 true-up proceeding by the PUC. This method is prescribed by Senate Bill 7, the law enacted by the Texas legislature that opened the electric market to retail competition.

Texas Genco reported a loss before interest and taxes of $130 million for the year and a $59 million loss for the fourth quarter. These losses reflect the low prices received for the 2002 capacity auctions. In response to low seasonal demand for some of its gas-fired generation, Texas Genco mothballed 3,400 MW of gas-fired generation through at least May of 2003, and implemented an early retirement program at a cost of $12 million in the fourth quarter. In the fall of 2002, Texas Genco conducted capacity auctions that covered approximately 74 percent of its available capacity for 2003. These auctions resulted in substantially higher prices than for 2002.

Natural Gas Distribution

The natural gas distribution segment reported EBIT of $210 million for 2002, an increase of $61 million compared to the prior year's EBIT of $149 million. For the year, a reduction in bad debt expense in the second and third quarters contributed to the overall improvement in operating results.

For the fourth quarter, EBIT from the natural gas distribution segment increased to $86 million from $72 million for the same period of 2001. Normal weather compared to milder than normal weather in 2001 and higher customer usage during the quarter, combined with the implementation of rate increases and a 2 percent growth in customers, contributed to the fourth quarter increase. These factors helped to offset higher employee benefit costs in the quarter.

The amount of goodwill amortization recognized in 2001 was $31 million, including $8 million in the fourth quarter for this segment.

Pipelines and Gathering

The pipelines and gathering segment reported EBIT of $158 million in 2002 compared to $138 million for the prior year. Improved margins were offset by increased operating expenses, including higher benefit costs.

For the fourth quarter, the pipelines and gathering segment reported EBIT of $36 million compared to $31 million for the same period in 2001. Lower franchise tax expenses in the fourth quarter of 2002 offset higher benefit costs.

The amount of goodwill amortization recognized in 2001 was $16 million, including $4 million in the fourth quarter.

Other Operations

The company's other operations reported EBIT for 2002 of $5 million compared to a loss before interest and taxes of $137 million for 2001. For the fourth quarter, EBIT was $36 million compared to a $91 million loss before interest and taxes for the same period last year. The 2001 results include charges related to the impairment of the company's remaining Argentine investments totaling $79 million, including $74 million in the fourth quarter. The company continues to operate these businesses in the near term while evaluating their disposal. The carrying value of the remaining Argentine investments is approximately $11 million.

ACCOUNTING TREATMENT OF THE RELIANT RESOURCES SPIN-OFF AND EXTRAORDINARY ITEM

As reported in the third quarter, the company distributed its investment in Reliant Resources (RRI) to CenterPoint Energy shareholders on September 30, 2002. In accounting for this distribution, the company wrote down its $5.2 billion investment in RRI to its then fair value of $847 million. This write-down is reported as a non-cash charge in discontinued operations. The company also reduced additional paid-in-capital for the $847 million fair value to record the distribution as a return of capital. RRI's historical results are reported as discontinued operations.

Taking into account the write-down and the extraordinary item related to extinguishment of debt, CenterPoint Energy's net loss for 2002 was $3.9 billion, or $13.08 per diluted share. For 2001, net income was $980 million, or $3.35 per diluted share, which included a benefit of $59 million for the cumulative effect of accounting change.

The net loss for the 2002 fourth quarter was $63 million, or a loss of $0.21 per diluted share. This loss reflects an adjustment to the write-down of the company's RRI investment, and an extraordinary item related to extinguishment of debt. Net income for the fourth quarter of 2001 was $46 million, or $0.16 per diluted share.

CHARGE TO OTHER COMPREHENSIVE INCOME FOR PENSION MINIMUM LIABILITY

Due to a decline in current market value of the pension plan's assets and increased benefit obligations associated with a reduction in the discount rate from 7.25 percent to 6.75 percent, the value of the pension plan's assets is less than the accumulated pension benefit obligation. Consequently, during the fourth quarter of 2002, CenterPoint Energy recorded a minimum liability adjustment related to its pension plan, which resulted in an after-tax charge to other comprehensive income of $414 million. Recording this minimum liability adjustment did not affect the company's results of operations during 2002 nor its ability to meet any existing financial covenants related to its debt facilities. Additionally, the company was not required to make any pension plan contribution in 2002, nor will it be required to do so in 2003.

OUTLOOK FOR 2003

CenterPoint Energy expects 2003 diluted earnings per share to be between $0.85 and $1.00. This guidance reflects the company's outlook for continued strong operational performance by each of its business segments. However, higher interest expense on borrowings and increased pension expense of approximately $50 million, as well as higher insurance costs of over $20 million are expected to negatively impact 2003 results. As previously announced, Texas Genco expects to achieve 2003 earnings between $1.10 and $1.30 per diluted share.

The company is presently in discussions with its group of banks to modify the payment schedule and certain other terms of its $3.85 billion bank credit facility. Currently, the company expects to conclude negotiations with its banks by the end of February, when a $600 million payment is due under the existing facility. Results of these discussions could materially impact the 2003 guidance for CenterPoint Energy.

WEBCAST OF EARNINGS CONFERENCE CALL

CenterPoint Energy's management will host an earnings conference call on Thursday February 13, 2003, at 10:00 a.m. Central Standard Time. Interested parties may listen to a live audio broadcast of the conference call in the investor section of CenterPoint Energy's web site, www.CenterPointEnergy.com. A replay of the call can be accessed approximately two hours after the completion of the call, and will be archived on the web site for 14 days.

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

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

For more information contact:
Media: Leticia Lowe, 713.207.7702
Investors: Marianne Paulsen, 713.207.6500