CenterPoint Energy Reports Solid Second Quarter 2003 Operating Results

Operating improvements across all business segments mitigate higher interest costs

Houston - July 29, 2003 - CenterPoint Energy, Inc. (NYSE: CNP) today reported income from continuing operations of $83 million, or $0.27 per diluted share for the quarter ended June 30, 2003. This compares to income from continuing operations of $86 million, or $0.29 per diluted share for the second quarter of 2002. For the six months ended June 30, 2003, income from continuing operations before cumulative effect of accounting change was $164 million, or $0.54 per diluted share, compared to $231 million, or $0.78 per diluted share for the same period of 2002.

CenterPoint Energy's net income for the second quarter of 2003 was $63 million, or $0.21 per diluted share, compared to $236 million, or $0.79 per diluted share, for the same period of 2002. During the second quarter of 2003, the company recorded a loss of $20 million from discontinued operations primarily related to the company's planned sale of its energy management services business. During the second quarter of 2002, the company recorded income from discontinued operations of $150 million primarily related to Reliant Resources, Inc.'s (RRI) results. As previously reported, the company distributed its investment in RRI to CenterPoint Energy shareholders on September 30, 2002, and RRI's historical results are reported as discontinued operations.

Net income for the six months ended June 30, 2003 was $232 million, or $0.76 per diluted share compared to $267 million, or $0.90 per diluted share for the first six months of 2002. During the first six months of 2003, the company recorded a benefit of $80 million relating to the implementation of SFAS No. 143, "Accounting for Asset Retirement Obligations" and a $13 million loss from discontinued operations. The first six months of 2002 included income from discontinued operations of $36 million primarily related to RRI.

"I'm very pleased with the financial results of the second quarter, especially in light of much higher interest costs this year," said David McClanahan, president and chief executive officer of CenterPoint Energy. "Each of our business segments reported improved operating performance even after taking into account a significant increase in pension and insurance costs. I'm very proud of what our employees have accomplished and their continued focus on what we do best -- delivering electricity and natural gas safely and reliably.

"In addition, we have made substantial progress in improving our financial stability and liquidity," said McClanahan. "We continued to access the capital markets during the second quarter, and so far this year we have raised over $3 billion. We used these proceeds to pre-fund maturing debt, to refinance higher coupon debt, to pay down the company's bank facility and enhance our liquidity."

SECOND QUARTER HIGHLIGHTS

The company's operating performance and cash flow for the second quarter of 2003 compared to the same period of 2002 were affected by:

- continued customer growth with the addition of almost 90,000 metered electric and gas customers since June of 2002, or an annualized 2 percent growth
- increased revenues of $9 million from rate increases in the natural gas distribution operations
- improved operating income for our subsidiary, Texas Genco Holdings, Inc. (NYSE:TGN) of $79 million
- a reduction in capital expenditures of approximately $81 million
- an increase in interest expense of $75 million
- higher pension and insurance expenses of $18 million

Other significant events during the second quarter include:

- raising nearly $1.5 billion by accessing the capital markets
- reducing the company's credit facility by approximately $1 billion, which eliminated all warrants associated with the credit facility and eliminated a second potential dividend restriction
- completing the company's exit from Latin America

OPERATING INCOME BY SEGMENT DETAILED

Electric Transmission & Distribution

The electric transmission & distribution segment reported operating income of $235 million in the second quarter of 2003 consisting of $134 million for the regulated electric transmission & distribution utility and non-cash operating income of $101 million associated with generation-related regulatory assets, or ECOM, as described below. For the second quarter of 2002, operating income was $275 million, consisting of $105 million for the regulated electric transmission & distribution utility and non-cash operating income of $170 million associated with ECOM.

The regulated electric transmission & distribution utility continues to benefit from solid customer growth. Revenues increased from the addition of over 51,000 metered customers since June 2002 as well as the positive impact of weather. Operating expenses declined from the comparable period of 2002. Higher benefit and insurance expenses were more than offset by reduced staffing levels, the non-recurrence of certain expenses related to the transition to the deregulated market in 2002 and process improvements.

Under the Texas electric restructuring law, a regulated utility may recover, in its 2004 stranded cost true-up proceeding, the difference between market prices received by its affiliated power generation company and the prices used in the ECOM model established by the Texas PUC. During 2002 and 2003, this difference, referred to as ECOM, produces non-cash income and is recorded as a regulatory asset. The reduction in ECOM of $69 million from 2002 to 2003 resulted primarily from an increase in capacity auction prices at Texas Genco.

Operating income for the six months ended June 30, 2003 was $440 million, consisting of $207 million for the regulated electric transmission & distribution utility and non-cash operating income of $233 million for ECOM. This compares to $528 million for the same period of 2002 consisting of $217 million for the regulated electric transmission & distribution utility and non-cash operating income of $311 million for ECOM.

Electric Generation

Texas Genco owns 14,175 MW of electric generation in Texas and sells capacity, energy, and ancillary services in the Texas electric market, primarily through capacity auctions. It reported operating income of $50 million for the second quarter of 2003 compared to an operating loss of $29 million for the same period of 2002.

Wholesale electricity prices were much higher in 2003 due to substantially higher natural gas prices which led to increased capacity auction revenues for Texas Genco's baseload products. Operating expenses increased in the quarter due to higher natural gas and purchased power costs and increased operation and maintenance expenses, partially offset by reduced taxes other than income taxes. Operation and maintenance expenses increased due to outage costs associated with baseload generation units, including $4 million related to an unplanned outage at Unit 1 of Texas Genco's 30.8 percent interest in the South Texas Project Electric Generating Station (STP) nuclear facility. In addition, higher pension, employee benefit and technical support costs contributed to the increase in operation and maintenance expenses. Texas Genco estimates that the added cost of replacement energy associated with the STP Unit 1 outage negatively impacted gross margin by approximately $20 million for the quarter.

Operating income for the six months ended June 30, 2003 was $33 million, compared to an operating loss of $81 million for the same period of 2002.

Natural Gas Distribution

The natural gas distribution segment reported operating income of $21 million for the second quarter of 2003 compared to the prior year's second quarter operating income of $11 million.

The increase in operating income in the natural gas distribution segment resulted from continued customer growth, higher revenues from rate increases implemented late last year and improved margins from our commercial and industrial sales. These improvements more than offset increased expenses associated with higher pension, employee benefit and insurance expenses. The costs associated with a receivables facility, which was modified in November 2002, reduced operating income by $3 million, whereas prior to the amendment, these costs were included in interest expense.

Operating income for the six months ended June 30, 2003 was $151 million, compared to $118 million for the same period of 2002.

Pipelines and Gathering

The pipelines and gathering segment reported operating income of $42 million in the second quarter of 2003 compared to $39 million for the same period of 2002. The operating improvement was primarily related to improved revenues in the gas gathering operations. The segment continues to produce consistent operating income and stable cash flows.

Operating income for the six months ended June 30, 2003 was $85 million, compared to $76 million for the same period of 2002.

Other Operations

The company's other operations reported an operating loss for the second quarter of 2003 of $2 million compared to an operating loss of $7 million for the same period of 2002. The operating loss for the six months ended June 30, 2003 was $2 million, compared to no operating income for the same period of 2002.

Discontinued Operations

During the second quarter of 2003, the company sold its remaining investment in Argentina, a 90 percent interest in Edese, an electric utility distribution company. Through this sale, the company completed its strategy of exiting Latin America. In addition, the company is negotiating to sell CenterPoint Energy Management Services, Inc. (CEMS), which provides district cooling to businesses in the downtown Houston area. In the second quarter of 2003, the company recorded a $3 million loss in discontinued operations related to exiting Latin America and a $16 million impairment related to CEMS.

In the second quarter of 2002, the company reported income from discontinued operations of $150 million primarily related to RRI's results.

2003 OUTLOOK

CenterPoint Energy confirms its 2003 earnings guidance of $0.85 to $1.00 per diluted share from continuing operations. This reflects the company's outlook for continued solid operational performance by its business segments.

WEBCAST OF EARNINGS CONFERENCE CALL

CenterPoint Energy's management will host an earnings conference call on Tuesday July 29, 2003, at 10:30 a.m. Central time. Interested parties may listen to a live, audio broadcast of the conference call at www.CenterPointEnergy.com/investors/events. 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 at least one year.

The management of Texas Genco, the company's 81 percent owned subsidiary, will host an earnings conference call on Tuesday July 29, 2003, at 9:00 a.m. Central time. Interested parties may listen to a live, audio broadcast of the conference call at www.txgenco.com/investor.html. 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 at least one year.

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 approximately $20 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 its subsidiaries' 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 its subsidiaries' filings with the Securities and Exchange Commission.

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