



# STAYING POWER

YESTERDAY. TODAY. TOMORROW.  
Always There.®





## OUR CODE OF ETHICS

The CenterPoint Energy Ethics and Compliance Code is based on our core values of integrity, accountability, initiative and respect, and reflects the basic ethical principles that guide our conduct. Copies of our Ethics and Compliance Code are available in the Investors section of our Web site at [www.CenterPointEnergy.com](http://www.CenterPointEnergy.com).

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[on the cover] Steve Waters, speechwriter, Corporate Communications, needed staying power to finish the 2005 Houston Marathon in a personal best 3:39.01. [above] Patsy Pereira, executive secretary in Community Relations and Houston Marathon participant, has what it takes to go the distance for customers.

## OUR COMPANY AT A GLANCE

**ELECTRIC TRANSMISSION & DISTRIBUTION (T&D)** – The CenterPoint Energy (CNP) T&D utility serves nearly 2 million metered customers in the Houston metropolitan area. In our 5,000-square-mile electric service territory, 1.7 million customers are residential, 230,000 are commercial and 2,100 are industrial, accounting for 52 percent, 31 percent and 15 percent of revenues, respectively. The remaining 2 percent of revenues came from municipal sources.

**NATURAL GAS DISTRIBUTION** – CNP's natural gas distribution business serves 3 million customers in six states. We own and operate about 98,000 miles of main and service lines that deliver gas to more than 990 communities in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas, including the high growth areas of Houston and Minneapolis.

**PIPELINES AND FIELD SERVICES** – CNP's two interstate natural gas pipelines together have 8,200 miles of pipe and move more than 900 billion cubic feet (Bcf) of gas each year. Our gathering unit operates about 4,000 miles of gathering pipeline and handles approximately 1 Bcf of natural gas per day. Pipeline Services designs, constructs and maintains pipelines.

**COMPETITIVE NATURAL GAS SALES AND SERVICES** – This competitive business sells natural gas and related services to commercial, industrial and wholesale customers with a focus on the eastern half of the United States.

## FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31	2003	2004	2005
	IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)		
<b>REVENUES</b>	\$ 7,790	\$ 7,999	\$ 9,722
Operating Income	1,355	864	939
Income From Continuing Operations <sup>(1)</sup>	409	205	225
<b>PER SHARE OF COMMON STOCK</b>			
Income From Continuing Operations, Basic <sup>(1)</sup>	1.35	0.67	0.72
Income From Continuing Operations, Diluted <sup>(1)</sup>	1.24	0.61	0.67
Book Value - Year End	5.77	3.59	4.18
Market Value - Year End	9.69	11.30	12.85
Common Dividend Paid	0.40	0.40	0.40
<b>CAPITALIZATION</b>			
Transition Bonds (Includes Current Portion)	717	676	2,480
Other Long-term Debt (Includes Current Portion)	10,222	8,353	6,427
Common Stock Equity	1,760	1,106	1,296
Total Capitalization (Includes Current Portion)	12,699	10,135	10,203
Total Assets <sup>(2)</sup>	17,217	16,531	17,116
Capital Expenditures <sup>(2)</sup>	\$ 497	\$ 530	\$ 719
Common Stock Outstanding <sup>(3)</sup> (in thousands)	305,385	308,045	310,325
Number of Common Shareholders	63,660	59,448	55,294
Number of Employees	11,046	9,093	9,001
<sup>(1)</sup> Before Extraordinary Item. <sup>(2)</sup> Excluding discontinued operations. See Footnote (3) in Form 10-K. <sup>(3)</sup> Excludes ESOP shares of 911,847 at December 31, 2003.			



[left] David M. McClanahan, President and CEO,  
Milton Carroll, Chairman

## LETTER TO SHAREHOLDERS

Dear Shareholder,

Over the last three years, our company has been in transition. Following deregulation of the Texas electricity market and our emergence as an independent company, we've focused on restructuring the company, improving our balance sheet and preparing to achieve our vision of being recognized as America's leading energy delivery company ... and more. We've successfully completed our transition and we're optimistically looking to the future.

**REDUCING DEBT, RAISING THE DIVIDEND:** Reducing our debt to a level more typical for a company our size has been a key focus for us. In order to accomplish this, we needed to sell our electric generation assets and recover our electric market transition costs. Completing these steps would strengthen our balance sheet, provide us with financial flexibility and position us for future growth. We're pleased to report we made solid progress on all fronts:

- In April 2005, we completed the final step in the sale of Texas Genco Holdings, Inc., for \$700 million in cash, bringing total sale proceeds to \$2.9 billion. As a result, we no longer own any power generation assets.
- Last December, we closed on \$1.85 billion in transition bonds authorized by the Public Utility Commission of Texas (Texas PUC). This was one of the final steps in the transition to a competitive retail electric market that began in 2001.
- We reduced our debt levels, excluding transition bonds, from a high of almost \$11 billion to \$6.4 billion at the end of 2005, and successfully renegotiated our credit facilities to improve their terms and extend maturity dates. These transactions kept us true to our financing strategy to reduce borrowing costs, ensure adequate liquidity and provide financial flexibility for our company and subsidiaries.

These activities, along with continued solid results from our operating businesses, allowed us to raise our dividend in the first quarter of 2006. On an annualized basis, this change represents a 50 percent increase and reflects the confidence the board of directors has in our ability to deliver sustainable earnings and cash flow.

**BUILDING ON A SOLID FOUNDATION:** A quick review of each of our business segment's 2005 results demonstrates that we are prepared to run a strong race. Anchoring our team are our regulated gas and electric delivery operations. Together they generated about 70 percent of our 2005 operating income and continue to produce strong, predictable cash flow and earnings.

In addition, our pipelines and field services business reported outstanding results in 2005. This business segment produced \$235 million in operating income last year, an increase of 31 percent over 2004 and approximately 24 percent of our total.

Finally, last year we began reporting separately the results of our competitive natural gas sales unit, CenterPoint Energy Services. This business, which we had previously included as part of our natural gas distribution group, recorded a 36 percent increase in operating income over 2004. Though representing only 6 percent of CenterPoint Energy's 2005 operating income, we believe this business will play an important supporting role in our overall growth strategy.

**GROWTH ON THE HORIZON:** We are optimistic about our future growth. In October, we signed an agreement with an anchor shipper, XTO Energy Inc., to transport approximately 600 million cubic feet per day of XTO's natural gas production for 10 years. To fulfill the agreement, we will construct a 172-mile pipeline between Carthage, Texas, and our Perryville Hub in northeast Louisiana, and we expect it to be in service next year. In another project, CenterPoint Energy and Duke Energy subsidiaries signed an agreement to evaluate, market and develop a potential southeast pipeline connecting our Perryville Hub to Duke's partially owned affiliate, Gulfstream Natural Gas Systems. Potential shippers have expressed considerable interest in the project and, if we obtain enough binding agreements, this pipeline could be operational in mid-2008.

**CHALLENGES:** Amid our success, however, challenges still lie ahead. The Texas PUC ordered our Houston electric group to file a rate case by April 2006 to demonstrate that our current rates are just and reasonable. The Texas PUC also initiated a rulemaking regarding the appropriate rate of return for the Competition Transition Charge. We expect some changes as a result of these proceedings, but will work hard to achieve a fair outcome for our customers and the company.

Another hurdle we're working to manage is the recent rise in natural gas commodity prices. While this environment may present opportunities for our pipelines, field services and competitive gas sales businesses, it can also lead to more uncollectible customer accounts and bad debt write-offs for our regulated gas distribution operations. We will continue to assist our customers with their higher bills and will seek appropriate rate recovery if expenses increase.

Like many corporations, we're facing the challenges posed by an aging workforce as baby boomers near retirement. In addition, we recognize that demands on us continue to increase with rising expectations from our customers and regulators.

## OPERATIONAL IMPROVEMENTS AND COMPLETION OF OUR TRANSITION PERIOD ALLOW US TO DELIVER DIVIDENDS TO SHAREHOLDERS IN LINE WITH OUR STATED DIVIDEND PAYOUT TARGET.

Although we believe we have a strong operating model and excellent business practices, we see opportunities to strengthen our performance. We are restructuring our regulated operations to improve service to our customers and increase our efficiency and effectiveness. And to prepare our workforce for the future, we are also evaluating our processes, seeking automated solutions and enhancing employee development.

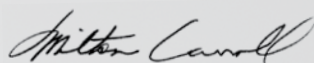
**GIVING OUR BEST:** While we were focused on executing our strategy and building our business, we also felt compelled to help people in need. When a tsunami in southeast Asia killed thousands and left countless people without food or shelter and when hurricanes Katrina and Rita left thousands homeless, including many of our employees and customers in south Louisiana and Mississippi, we matched employee contributions dollar-for-dollar to help provide much-needed financial assistance to the victims. More importantly, along the Gulf Coast, our employees were directly involved on the front lines restoring utility services and doing volunteer work to help people get their lives back in order.

Achieving our corporate vision means more than just doing business. It means doing business the right way – guided by a set of core values that define who we are and what we believe in. At CenterPoint Energy, we're committed to operating with integrity, accountability, initiative and respect – respect for our customers, employees, shareholders and our communities.

Your company and its employees performed well in 2005. We pledge to continue to keep our business on course, execute our strategy and increase shareholder value. We believe that our steady stride and measured pace will serve us well in achieving our vision.

Thank you for your continued trust and confidence in us.

Sincerely,



MILTON CARROLL  
Chairman



DAVID M. MCCLANAHAN  
President and CEO

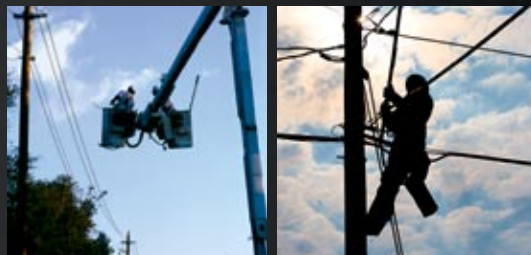


# STRETCHING THE LIMITS

IN ONE OF THE MOST ACTIVE HURRICANE SEASONS EVER, WE GREW OUR CUSTOMER BASE, INVESTED FOR THE FUTURE AND HELPED RESTORE POWER FROM FLORIDA TO TEXAS, WHILE STILL IMPROVING RELIABILITY.

[this page] Tessa Hickham, a senior tax analyst in Transaction Tax who has qualified for the time-based Boston Marathon, knows that proper preparation is essential for superior athletic and business performance.

## ELECTRIC TRANSMISSION & DISTRIBUTION



**IN 2005, OUR ELECTRIC UTILITY BUSINESS IMPROVED IN NEARLY EVERY AREA.** We increased the number of new metered customers by 3.2 percent, bringing the total number of electric delivery customers we serve to almost 2 million. Operating income for the year, excluding amounts related to our transition bonds, was \$448 million – in line with amounts earned in 2004 – and a clear demonstration of this unit’s consistent earning power.

**IMPROVING SYSTEM RELIABILITY:** Last year we stood out in restoring power in the Houston area and excelled in assisting other utilities when they needed help. In our own service territory, we continued to improve the quality of our electric delivery service, with electric reliability, as measured by our “System Average Interruption Duration Index,” improving 6.6 percent over 2004.

The dedication and skill of our employees in providing reliable electric service was most evident when Hurricane Rita struck our service territory, knocking out power to more than 700,000 customers. Working 16-hour days, CenterPoint Energy employees – joined by 2,400 workers from as far away as Ohio – restored power to 500,000 customers during the first 36 hours after the storm. Within four days, we had restored power to 97 percent of those affected by the hurricane.

Our crews also answered the call for help from neighboring utilities. CenterPoint Energy employees assisted Westar Energy, Mississippi Power, Alabama Power, Entergy and Florida Power & Light (FPL) following a severe ice storm and devastating hurricanes. We dispatched 426 employees and 261 vehicles to work a total of 69,000 hours to help fellow utilities get their customers’ power back on.

Looking ahead, our electric operations face a number of challenges. In addition to the rate case and increasing customer and regulator expectations discussed on page 3, we also face the challenge of improving employee safety. This was the only internal goal that we failed to meet last year, so we are implementing a proactive safety process that involves employees identifying unsafe behaviors and recommending changes. This program has a proven record of success, and we anticipate noticeable improvements in 2006.

**POSITIONING FOR GROWTH:** Despite these challenges, we believe we have laid a solid foundation for long-term success and growth. In 2005, we:

- Agreed to a 30-year extension of our franchise agreement with the city of Houston. Our new agreement with the city became effective July 1, 2005, ensuring we will be able to maintain our poles and power lines in the city's rights-of-way for the next 30 years. The franchise agreement we signed with the city in 1957 was due to expire in 2007.
- Received approval to build the Hillje transmission project. This new, 345,000 high-voltage transmission line, expected to cost about \$94 million, is designed to improve reliability and relieve congestion, both essential to electric service in Texas. After an extensive review, the Texas PUC approved the project and the route. The Electric Reliability Council of Texas estimates that the new line will reduce energy costs for Texas consumers by more than \$60 million annually.



## WE INCREASED DISTRIBUTION AND METER READING AUTOMATION AND EXPANDED MOBILE DATA, ALL OF WHICH ARE EXPECTED TO REDUCE COSTS AND IMPROVE SYSTEM RELIABILITY.

- Successfully completed our Broadband Over Powerlines (BPL) pilot, which has enabled us to begin limited deployment of our "Intelligent Grid" system. In the first quarter of 2006, we began installing the new system to about 40,000 electric and 23,000 gas customers. With IBM as our technology partner, the Intelligent Grid uses BPL technology to provide real-time data and remote operations capabilities. This allows us to use automation to read electric and gas meters, detect power outages and, in many cases, restore power remotely. If our field evaluation validates the system's potential benefits, we plan to phase in this new technology across our service territory.

**AWARD-WINNING PERFORMANCE:** We received several major awards in 2005. Our most coveted included two Edison Electric Institute (EEI) awards in one year; the U.S. Environmental Protection Agency's Excellence in Energy Efficiency and Environmental Education Award; the Mayor's (Houston) Proud Partner Award; and the Vietnamese Cultural and Science Association Corporate Citizen Award.





## “ALWAYS THERE” IN TIME OF DISASTER

**CENTERPOINT ENERGY CREWS HELPED RESTORE POWER IN WICHITA, KAN., AND IN CITIES ALL ALONG THE GULF COAST.** After an ice storm and four hurricanes wrought damage and destruction, our crews toiled more than 124,000 hours to restore normalcy at home and away.

Early in the year, we helped Westar Energy restore power after an ice storm paralyzed Wichita. We also assisted Alabama Power after Hurricane Dennis swept through Thomasville, Ala., FPL after Hurricane Katrina swamped Florida and, later, helped Entergy in Louisiana after Katrina left Florida and struck again on the Louisiana-Mississippi border. We assisted Entergy again after Hurricane Rita and helped FPL following Hurricane Wilma. At one point, CenterPoint Energy simultaneously had crews assisting FPL, Mississippi Power and Entergy in restoring power.

In addition, CenterPoint Energy’s assistance role was expanded far beyond the typical wires and poles: more than 230 company volunteers helped many of the 20,000 Louisiana evacuees who fled Hurricane Katrina and took up residence in Houston’s Astrodome stadium and the downtown George R. Brown Convention Center. The mayor of Houston asked CenterPoint Energy to head the city’s effort to provide for and take care of the evacuees at the city’s convention center.

Less than a month after Katrina struck, Hurricane Rita slammed onto the Texas-Louisiana coast, leaving more than 700,000 CenterPoint Energy customers without power. While we were working to restore power to our customers, Houston’s mayor called on CenterPoint Energy again, asking us to assist neighboring utility, Entergy, in restoring power to a pumping station that supplied water to the city of Houston and industrial facilities in the area.

For excellence in the face of these disasters, CenterPoint Energy accomplished a rare double recognition by EEI, capturing both the 2005 Emergency Response and Emergency Assistance awards.

Hurricane Katrina also greatly affected our natural gas operations, inundating 80 percent of our service territory in Mississippi. More than 350 of our natural gas employees from other parts of our service territory helped Mississippi employees respond to more than 10,000 emergencies to make the system safe. Nearly 10,000 customers are no longer there to receive gas service due to the devastation, but we remain ready to serve as the area redevelops.

## NATURAL GAS DISTRIBUTION

### OUR GAS DISTRIBUTION BUSINESS TURNED IN ANOTHER SOLID YEAR, ADDING 44,000 NEW CUSTOMERS.

This continued our record of expanding our customer base every year since 1992. While our customer base grew, higher natural gas prices made it difficult for some of our customers to pay their bills, leading to significantly higher bad debt expense. Operating income for the year was \$175 million, down slightly from the previous year.

To improve financial performance, we are focused on enhancing our operating model, capturing growth in our service area and obtaining rate relief where necessary.

**CONSISTENT PERFORMANCE IS THE RESULT OF CONTINUOUS IMPROVEMENT:** In 2005, we made significant strides in improving efficiency, reliability and customer service by:

- Creating a single Customer Service organization through implementation of an automated system that will standardize our call centers and billing processes
- Completing our mobile data roll-out, which uses laptop computers in service trucks for more efficient dispatching and improved response times
- Signing long-term agreements with our affiliate, CenterPoint Energy Gas Transmission (CEGT), for gas transportation and storage in Arkansas and Oklahoma that will help provide price stability for customers
- Receiving federal regulatory approval of several long-term service agreements for pipeline capacity and transportation services with the Northern Natural Gas Company that, beginning in 2007, will save our Minnesota customers millions of dollars in annual gas costs over the next 15 years.

**MAINTAINING THE PACE THROUGH RATE RELIEF:** We remain committed to achieving our allowed rate of return and will seek rate relief when the costs of providing service rises beyond our ability to offset them through operational improvements. Last year, we received rate relief in Texas and Minnesota. We also made some improvements in rate design. Our long-term goal for gas rates is to recover our fixed costs through a monthly customer charge and variable costs through volumetric charges. In our view, this will help foster proper energy conservation and efficiency objectives without negatively impacting the company's ability to recover costs.

**AWARD-WINNING YEAR:** After replacing about 30,000 service lines in 35 Minnesota communities in only seven months, the North Metro Mayors Association recognized us with its Outstanding Business of the Year Award. The project was the result of a company and state investigation that determined a previous service line owner had improperly installed mechanical couplings on some of the lines.

We ranked second overall in the Midwest – and first in Price and Value and Customer Service – in the J.D. Power and Associates annual survey of natural gas utilities. The U.S. Environmental Protection Agency also recognized us as a Best Workplace for Commuters in Minneapolis.

In addition, we exceeded employee safety goals in our southern gas operations in recordable incidents, preventable vehicle collisions and lost-time incidents. In Minnesota, we reduced the recordable injury rate and lost-time injury rate.

# ENDURING PERFORMANCE

EVEN AS WE FACED THE HEADWINDS OF RISING COMMODITY PRICES, OUR NATURAL GAS DISTRIBUTION BUSINESS CONTINUED ITS LONG RECORD OF RELIABLE, STEADY PERFORMANCE.



[this page] The powerful legs and strong stride of 2005 Ironman competition participant Chris Wood, financial analyst in Regulatory Reporting, are good examples of how hard work can lead to improved performance.



# GROWING STRONGER

WE PUSH OURSELVES TO THE HIGHEST LEVELS POSSIBLE,  
GROWING STRONGER AS WE ADD INFRASTRUCTURE AND ASSETS  
THAT EXPAND OUR REACH AND EARNINGS POTENTIAL.

[this page] Justin Penny, a former college athlete and wellness representative in the company's Wellness Center, helps employees grow stronger and stay healthy.



## PIPELINES AND FIELD SERVICES

**OUR PIPELINES AND FIELD SERVICES OPERATIONS HAD THEIR BEST YEAR EVER, SETTING OPERATING INCOME RECORDS IN BOTH BUSINESSES,** adding contract volumes for transporting and processing natural gas and signing agreements that will allow us to build a major pipeline expansion to bring significant volumes of new natural gas to the market.

**PIPELINES — BUILDING FOR GROWTH:** Our pipeline operations are driving new growth while maintaining outstanding system performance. In 2005, we continued to improve our system reliability, with runtimes for our compressors up 3 percent and total system throughput up 6 percent. We completed the installation of, and placed into service, several projects on our existing pipelines to improve capacity and increase operating income. More significantly, we are moving forward on two new major pipeline projects:

- **CARTHAGE TO PERRYVILLE**

This project is a major pipeline expansion that will connect new domestic natural gas supplies in East Texas to markets in the Midwest and Northeast. When finished, the \$400 million pipeline will consist of 172 miles of 42-inch diameter pipe from Carthage, Texas, to our Perryville Hub in Northeast Louisiana. It will connect multiple East Texas receiving points with our Perryville Hub and four new interstate pipeline interconnections, and will create approximately 1 billion cubic feet per day (Bcf/d) of capacity. We expect this pipeline to be in service next year.

- **SOUTHEAST SUPPLY HEADER**

In partnership with Duke Energy, we have begun development of a new pipeline project that will link natural gas supply from east Texas and north Louisiana basins to the growing U.S. southeast and northeast markets. The proposed pipeline, estimated to be approximately 270 miles, would provide about 1 Bcf/d of pipeline capacity and connect our Perryville Hub to Duke's partially owned Gulfstream system in southwest Alabama. This would create a new interconnection with major interstate pipelines serving the Eastern Seaboard and give customers an important alternative to offshore supply, which can be vulnerable to weather-related service disruptions. Based on the positive response we've received from potential shippers, we are working to sign definitive long-term agreements. The new line could be in service as early as the third quarter of 2008.

**FIELD SERVICES — STRENGTHENING OUR SYSTEM:** Our Field Services operations had an outstanding year, successfully negotiating contracts with customers on eight major projects that we estimate will provide \$8.5 million in annual operating income. In addition, average daily volumes were up 10 percent, and we added 383 new wells. The gas gathering system had about 1 Bcf/d throughput, a 25 percent increase in volumes over the past two years, and had a compressor runtime of 98.6 percent. Field Services also invested record capital in 2005 to build incremental gathering, processing and treating facilities that allow gas from increased drilling activity to reach the market. ServiceStar, our remote well monitoring and measurement service, added 40 new customers to our system and 2,536 new monitoring points, a 39 percent increase over 2004.

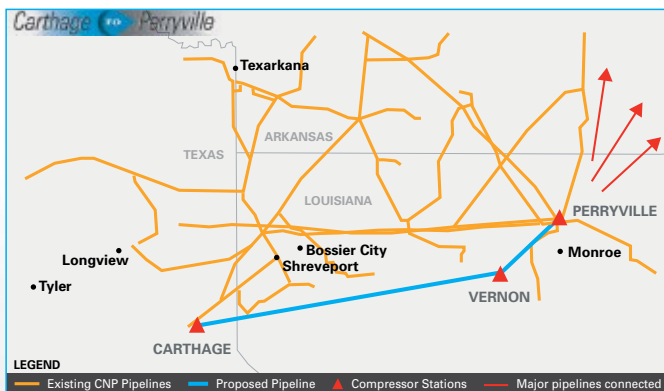
Both our Field Services and Pipeline Services employees continued to build on their already impressive safety record. Field Services once again improved its performance, while Pipeline Services received an American Gas Association Leader in Accident Prevention Award and is eligible for two Southern Gas Association safety awards – 1 million hours worked without a lost-time accident and two years without a recordable incident.



**OUR CHALLENGE IS TO CONTINUE OFFERING CUSTOMERS FLEXIBILITY, OUTSTANDING SERVICE AND ECONOMIC VALUE WHILE MANAGING RISING OPERATING AND MAINTENANCE COSTS DUE PRIMARILY TO INCREASED REGULATORY REQUIREMENTS.**

**DYNAMIC MARKETS, NEW OPPORTUNITIES:** Looking ahead, we continue to improve our work processes to offset the increasing costs associated with new pipeline integrity and public awareness programs. Last year, we began implementing changes to the way we plan and schedule work activities. When fully implemented by the second quarter of 2006, these changes should save us more than \$1 million annually.

Longer term, we expect market dynamics to continue allowing us to expand. Drilling activity in all basins along our system remains strong, providing Field Services opportunities to build, own and operate new facilities. Our focus for the pipeline business is to become a major participant in moving supply from the Rocky Mountains, Barnett Shale, Bossier Sand and Fayetteville Shale areas to the Midwest, Southeast and Northeast markets. Our Carthage to Perryville and Southeast Supply Header pipelines will link these supplies to these markets while positioning our Perryville Hub as one of the industry's major supply and market hubs. Additionally, we are exploring the development of a new 800-mile pipeline that would connect the Texas Panhandle to eastern U.S. markets. Called the Mid-Continent Crossing, this line would be capable of delivering 1.2 Bcf/d and would complement our other new pipelines. This project could be in service as early as the fourth quarter of 2008.



# GAINING MOMENTUM

WE EXTENDED OUR OPERATIONS IN THE EASTERN UNITED STATES, INCREASED OUR CAPACITY AND STORAGE ASSETS, AND EXPANDED OUR RETAIL AND WHOLESALE CUSTOMER BASE.

## COMPETITIVE NATURAL GAS SALES AND SERVICES

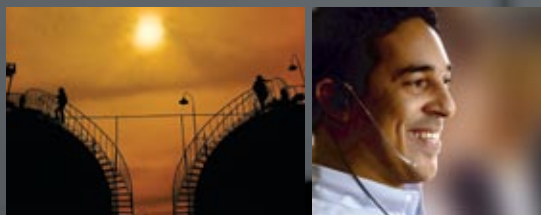
**CENTERPOINT ENERGY SERVICES, OUR NON-RATE REGULATED NATURAL GAS MARKETING AND SALES UNIT, CONTINUES TO GROW AT A RAPID PACE.** We improved operating income 36 percent, or \$16 million over 2004. We expect to build on this momentum by continuing to deliver low-cost, reliable energy services and by increasing our market share in the eastern half of the United States.

CenterPoint Energy Services is complementary to our gas distribution business. It provides competitive gas services for commercial, industrial and wholesale customers and is divided into three general functions: Retail, Wholesale and Intrastate Pipeline. Wholesale and Intrastate Pipeline are headquartered and managed in Houston, while Retail operates from seven regional offices in Minneapolis, Chicago, Madison, Wis., Merrillville, Ind., St. Louis, Mo., Shreveport, La., and Houston.

Retail sells natural gas and related services at competitive prices primarily to commercial customers who receive natural gas delivery from a local distribution company. Wholesale combines natural gas supplies with market demands and manages pipeline capacity and other assets. It sells natural gas and related services to industrial customers and utilities that are served by other pipelines and resellers. Intrastate Pipeline owns and manages physical assets to deliver gas directly to industrial customers and others under long-term agreements.

CenterPoint Energy Services is not without its challenges. Steadily increasing demand continues to tighten natural gas supplies and create more price volatility. To meet these challenges, our strategy is to increase our storage and transportation space, and add new capacity to bring gas supplies to market.

Looking forward, this business has opportunities to expand by increasing market share within the eastern half of the United States and focusing on earning a greater share of utility and power generation markets. We are well positioned, given the current market dynamics, to continue to grow our portfolio while minimizing risk.



[this page] Tessa Hickham, senior tax analyst, knows that momentum can take her a long way on the road to excellence.

# SETTING THE PACE

WHEN HURRICANE KATRINA FORCED THOUSANDS OF LOUISIANA RESIDENTS TO FLEE TO HOUSTON, OUR EMPLOYEES STEPPED TO THE FOREFRONT WITH ASSISTANCE.

## IN THE COMMUNITY

**CENTERPOINT ENERGY EMPLOYEES ARE WELL KNOWN FOR THEIR WILLINGNESS TO ROLL UP THEIR SLEEVES TO PERFORM VOLUNTEER WORK IN THEIR COMMUNITIES.** In addition to posting nearly 100,000 hours of volunteer service, employees raised \$1.5 million for community charities. We gave generously to organizations such as the United Way, the Juvenile Diabetes Research Foundation, the March of Dimes, Junior Achievement and the United Negro College Fund.

From Texas to Mississippi, from Louisiana to Minnesota and points in between, CenterPoint Energy employees participated in events that included blood drives, charity walks, debris clean-ups, parades and bicycle rides. We donated 4,100 units of blood and blood products, continuing our leadership in this area. We played a key role in the set-up and operation of Houston's George R. Brown Convention Center for Hurricane Katrina evacuees, with more than 230 employees contributing 8,500 hours of volunteer service. Under our new Grant Incentives for Volunteer Employees (GIVE) program, we awarded \$24,300 to organizations where employees volunteered at least 40 hours for the year.



Our volunteer spirit did not go unnoticed: In Houston, we received the Corporate Partner of the Year Award from the Ensemble Theatre; the Mayor's Proud Partner Award for the Edgewood Elementary Beautification Project; the Vietnamese Cultural and Science Association Corporate Citizen Award; and the Dragon Boat Regatta, First Place, Energy Industry Award. We also received a National Blood donor award.

Some of the larger events in which our employees participated were the **CenterPoint Energy Torchlight Parade** in Minneapolis; **Prairie Restoration** in Burnsville, Minn., to restore indigenous plants, grasses and wildflowers to the Minnesota River Valley; **Habitat for Humanity**, where we helped build several homes; the **CenterPoint Energy Mudbug Festival** in Shreveport, La.; the **Brantley Farm Dove Hunt** fundraiser for Children's Hospital in Arkansas; the **Camp Aldersgate** project where Little Rock employees cleared land to provide a camp experience for handicapped children; and the **Power Tools for Nonprofits Conference** in Houston, where each year we bring together hundreds of representatives from community groups to learn from experts how to enhance the effectiveness of their organizations.

[this page top] Zan May, manager in Investor Relations, jumps out front to set the pace for fellow CenterPoint Energy running team members.





**CENTERPOINT ENERGY BOARD MEMBERS** [STANDING FROM LEFT TO RIGHT] John T. Cater, Peter S. Wareing, O. Holcombe Crosswell, Thomas F. Madison, Donald R. Campbell, Michael E. Shannon [SEATED FROM LEFT TO RIGHT] Janiece M. Longoria, Milton Carroll, David M. McClanahan, Derrill Cody and Robert T. O'Connell.

## BOARD OF DIRECTORS

**DONALD R. CAMPBELL**, 65, is a private investor who formerly served as chief financial officer and as a director of Sanders Morris Harris Group, Inc., a regional investment banking firm. He has been a board member with CenterPoint Energy since June 2005. He serves on the Audit and Compensation Committees.

**MILTON CARROLL**, 55, is Chairman of the Board. He is also Chairman and founder of Instrument Products, Inc., an oilfield equipment manufacturing company in Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1992. He is Chairman of the Governance Committee and also serves on the Compensation Committee.

**JOHN T. CATER**, 70, is a private investor and former Chairman of Compass Bank – Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1983. He is the Chairman of the Compensation Committee and also serves on the Governance Committee.

**DERRILL CODY**, 67, is presently of counsel to the law firm of Tomlinson & O'Connell, P.C. in Oklahoma City, Okla. He has been a CenterPoint Energy board member since 2003. He serves on the Compensation and Governance Committees.

**O. HOLCOMBE CROSSWELL**, 65, is President of Griggs Corporation, a real estate and investment company in Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1997. He serves on the Governance and Audit Committees.

**JANIECE M. LONGORIA**, 53, is a partner in the Houston law firm of Ogden, Gibson, White, Broocks & Longoria, L.L.P. She has been a CenterPoint Energy board member since June 2005. She serves on the Audit and Finance Committees.

**THOMAS F. MADISON**, 70, is President and Chief Executive Officer of MLM Partners, a small business consulting and investments company in Minneapolis, Minn. He has been a CenterPoint Energy board member since 2003. He serves on the Finance and Compensation Committees.

**DAVID M. MCCLANAHAN**, 56, is President and Chief Executive Officer of CenterPoint Energy. He has been a CenterPoint Energy board member since 2002.

**ROBERT T. O'CONNELL**, 67, is a business consultant focusing on financial, strategic and business development matters. He has been a CenterPoint Energy board member since 2004. He is Chairman of the Finance Committee and also serves on the Audit Committee.

**MICHAEL E. SHANNON**, 69, is President of MESHannon & Associates, Inc. a corporate financial advisory services and investments company in Houston. He has been a CenterPoint Energy board member since 2003. He is the Chairman of the Audit Committee and also serves on the Finance Committee.

**PETER S. WAREING**, 54, is a co-founder and partner in the private equity firm Wareing, Athon & Company. He has been a member of the CenterPoint Energy board since June 2005. He serves on the Governance and Finance Committees.



**CENTERPOINT ENERGY OFFICERS** [FROM LEFT TO RIGHT] Dean Liollo, Georgianna Nichols, Gary Whitlock, Tom Standish, David McClanahan, Byron Kelley, Scott Rozzell, Wayne Stinnett and Gary Cerny.

## OFFICERS

### EXECUTIVE COMMITTEE

**DAVID M. MCCLANAHAN**, 56  
President  
and Chief Executive Officer

**SCOTT E. ROZZELL**, 56  
Executive Vice President  
General Counsel and  
Corporate Secretary

**GARY L. WHITLOCK**, 56  
Executive Vice President  
and Chief Financial Officer

### OTHER CORPORATE OFFICERS

**JAMES S. BRIAN**, 58  
Senior Vice President  
and Chief Accounting Officer

**JEFF W. BONHAM**, 43  
Vice President  
Government Relations

**BRENDA S. CAUTHEN**, 44  
Vice President  
Audit Services

**WALTER L. FITZGERALD**, 48  
Vice President  
and Controller

**CAROL R. HELLIKER**, 45  
Vice President  
Corporate Compliance Officer  
and Associate General Counsel

**MARC KILBRIDE**, 53  
Vice President  
and Treasurer

**FLOYD J. LEBLANC**, 46  
Vice President  
Corporate Communications

**RUFUS S. SCOTT**, 62  
Vice President  
Deputy General Counsel  
and Assistant Corporate Secretary

**WILLIAM J. STARR**, 52  
Vice President  
Tax

### BUSINESS UNIT LEADERSHIP

**BYRON R. KELLEY**,\* 58  
Group President  
CenterPoint Energy Pipelines  
and Field Services

**HUGH G. MADDOX**, 59  
Division Senior VP and COO  
CenterPoint Energy Field Services

**WALTER L. FERGUSON**, 49  
Division Senior VP and COO  
CenterPoint Energy Pipeline Services

**CYRIL J. ZEBOT**, 56  
Division Senior VP and CCO\*\*  
CenterPoint Energy Pipelines

**THOMAS R. STANDISH**,\* 56  
Group President  
Regulated Operations

**JOSEPH B. MCGOLDRICK**, 52  
Division Senior Vice President  
Finance & Regulatory  
Regulated Operations

**GARY M. CERNY**, 50  
Division President  
and COO  
CenterPoint Energy Minnesota Gas

**CONSTANTINE S. LIOLLO**, 47  
Division President  
and COO  
CenterPoint Energy Southern  
Gas Operations

**GEORGIANNA NICHOLS**, 57  
Division President  
and COO  
CenterPoint Energy Houston Electric

**WAYNE STINNETT**, 55  
Division President  
CenterPoint Energy Services

\*Also Corporate Officers  
(Senior Vice President)

\*\*Chief Commercial Officer

## CENTERPOINT ENERGY INVESTOR INFORMATION

### ANNUAL MEETING

The CenterPoint Energy, Inc. Board of Directors announced that the Annual Meeting of Shareholders will be held on Thursday, May 25, 2006, at 9 a.m. Central time in the CenterPoint Energy Tower auditorium, 1111 Louisiana Street, Houston, Texas. Shareholders who hold shares of CenterPoint Energy as of March 27, 2006, will receive notice of the meeting and will be eligible to vote.

### INVESTOR SERVICES

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

In Houston: (713) 207-3060

Toll Free: (800) 231-6406

Fax: (713) 207-3169

A list of publications and investor services may be found on the company's Web site at:

[www.CenterPointEnergy.com/investors](http://www.CenterPointEnergy.com/investors).

Investor Services representatives are available from 8 a.m. to 4:30 p.m. Central time, Monday through Friday to help you with questions about CenterPoint Energy common stock, or enrollment in the CenterPoint Energy Investor's Choice Plan. You also can enroll in Investor's Choice online at: [www.netstockdirect.com](http://www.netstockdirect.com).

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

CenterPoint Energy Investor Services serves as transfer agent, registrar and dividend disbursing agent for CenterPoint Energy common stock.

### INFORMATION REQUESTS

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

2005 Annual Report

2006 Proxy Statement

2005 Form 10-K

### DIVIDEND PAYMENTS

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

### INSTITUTIONAL INVESTORS

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

### STOCK LISTING

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

### AUDITORS

Independent Registered Public Accounting Firm  
Deloitte & Touche LLP, Houston, Texas

### CORPORATE OFFICE, STREET ADDRESS

CenterPoint Energy, Inc.  
1111 Louisiana Street  
Houston, Texas 77002

### MAILING ADDRESS

P.O. Box 4567  
Houston, Texas 77210-4567  
Telephone: (713) 207-1111

### WEB ADDRESS

[www.CenterPointEnergy.com](http://www.CenterPointEnergy.com)

### CERTIFICATIONS

CenterPoint Energy has filed the CEO/CFO certifications regarding the quality of the company's public disclosure required to be filed with the SEC as Exhibits 31.1 and 31.2 to its annual report on Form 10-K and to its quarterly reports on Form 10-Q. In addition, following its annual meeting in 2005, CenterPoint Energy submitted its CEO certification to the New York Stock Exchange pursuant to Section 303A.12(a) of the NYSE's Listed Company's Manual.

[back cover] Ironman competitor Chris Wood, financial analyst, ends the day with a solitary run, strengthening his body to be Always There.



 **CenterPoint  
Energy**

Always There.®

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