

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

FORM U-1/A  
AMENDMENT NO. 5  
TO  
APPLICATION/DECLARATION  
UNDER  
THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

CenterPoint Energy, Inc.  
1111 Louisiana  
Houston, Texas 77002

Utility Holding, LLC  
200 West Ninth Street Plaza  
Suite 411  
Wilmington, Delaware 19801

(Name of companies filing this statement and address of  
principal executive offices)

CenterPoint Energy, Inc.  
1111 Louisiana  
Houston, Texas 77002

(Name of top registered holding company parent of each applicant or declarant)

Rufus S. Scott  
Vice President, Deputy General Counsel and Assistant Corporate Secretary  
CenterPoint Energy, Inc.  
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(713) 207-7451

(Names and addresses of agents for service)

The Commission is also requested to send copies  
of any communications in connection with this matter to:

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CenterPoint Energy, Inc. ("CenterPoint" or the "Company") and Utility Holding, LLC (together the "Applicants") hereby amend and restate their request for authorization and approval as set forth herein.(1)

Item 1. Description of the Proposed Transactions

A. Introduction and General Request

1. General

By order dated July 5, 2002 (HCAR No. 27548) (the "July Order"), the Securities and Exchange Commission (the "Commission") authorized the formation of a new registered holding company, CenterPoint, and the distribution ("Distribution") to shareholders of the remaining common stock of Reliant Resources, Inc. The formation of CenterPoint and the Distribution was part of a plan adopted in 2000, and approved by the Public Utility Commission of Texas (the "Texas Commission"), for the restructuring of Reliant Energy, Incorporated pursuant to requirements of the Texas Electric Restructuring Legislation adopted in 1999. The Distribution, which was made on September 30, 2002, completed the separation from CenterPoint of the merchant power generation and energy trading and marketing business of Reliant Resources. As it expected to qualify for exemption from registration within a year of the initial order, CenterPoint did not intend to form a service company following the restructuring. Instead, CenterPoint requested authority to provide certain goods and services to its Subsidiaries on an interim basis.(2) The July Order authorized CenterPoint to provide a variety of services in areas such as accounting, rates and regulation, internal auditing, strategic planning, external relations, legal services, risk management, marketing, financial services and information systems and technology. For the third quarter of 2002, the cost of these services was approximately \$30 million; for the fourth quarter of 2002, the cost was approximately \$65.2 million.(3)

Since the July Order, CenterPoint has announced that it will remain a registered holding company. In its order dated June 30, 2003 (HCAR No. 27692) (the "Omnibus Financing Order"), the Commission granted CenterPoint certain authorizations through June 30, 2005. The Omnibus Financing Order noted that the Company intended to form a service company and granted CenterPoint interim authority to continue to provide goods and services to Subsidiaries through December 31, 2003.

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(1) CenterPoint holds its utility interests through Utility Holding, LLC, a Delaware limited liability company that is a conduit entity formed solely to minimize tax liability.

(2) The term "Subsidiaries" refers to each direct or indirect subsidiary company of CenterPoint as well as any direct or indirect subsidiary companies that CenterPoint may form with the approval of the Commission or in reliance on rules or statutory exemptions.

(3) See Exhibits F-3 and F-4 to CenterPoint's Annual Report on Form U-5S for the year ended December 31, 2002.

## 2. General Request

This Application/Declaration seeks the authorization and approval by the Commission with respect to the provision of intra-system services and goods, the form of the Master Services Agreement, the Form of Services Agreement for services rendered by other system companies, the Service Agreement Procedures Manual pursuant to Section 13 of the Public Utility Holding Company Act of 1935, as amended (the "Act") and the Rules thereunder.(4) Specifically, Applicants request that the Commission approve the formation and capitalization of CenterPoint Energy Service Company, LLC ("ServiceCo"), as well as the designation of ServiceCo as a subsidiary service company in accordance with the provisions of Rule 88 under the Act and the Service Agreement (as defined below) and the provision of services to third parties, as discussed herein. Applicants further request that the Commission find that ServiceCo is so organized and will conduct its operations so as to meet the requirements of Section 13 of the Act and the Commission's Rules under the Act. Applicants also request authority, to the extent not exempted under Rules 81 and 87, for their Subsidiaries to provide certain services and goods to associate companies, as more fully described below.

### B. Description of the Parties to the Transaction

CenterPoint is a registered holding company under the Act, and currently has three public-utility subsidiaries: CenterPoint Energy Houston Electric, LLC (the "T&D Utility"), Texas Genco, LP ("Texas Genco"), and CenterPoint Energy Resources Corp ("GasCo") as well as certain non-utility subsidiaries that are engaged in duly-authorized non-utility businesses. These subsidiaries are described in more detail in the following paragraphs. A corporate organization chart of CenterPoint, showing the identity, relationship and classification of the current direct and indirect subsidiaries of CenterPoint, is attached hereto as Exhibit A-3. CenterPoint is proposing in this proceeding to create ServiceCo as a subsidiary service company.

#### 1. T&D Utility

The T&D Utility engages in the electric transmission and distribution business in a 5,000-square mile area of the Texas Gulf Coast that includes Houston.

#### 2. Texas Genco

Texas Genco owns and operates the Texas generating plants formerly belonging to the integrated electric utility that was a part of Reliant Energy, Incorporated. CenterPoint currently is seeking regulatory approval in connection with a determination by the Federal Energy Regulatory Commission that Texas Genco is an exempt wholesale generator ("EWG") within the meaning of Section 32 of the Act.

#### 3. GasCo

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(4) Applicants ask the Commission to reserve jurisdiction, as appropriate, over the Service Agreement Procedures Manual. Applicants undertake to submit the Service Agreement Procedures Manual by 60-day letter on or before May 1, 2003.

GasCo owns gas distribution systems that together form one of the United States' largest natural gas distribution operations in terms of customers served. Through unincorporated divisions, GasCo provides natural gas distributions services in Louisiana, Mississippi and Texas (Entex Division), Arkansas, Louisiana, Oklahoma and Texas (Arkla Division) and Minnesota (Minnegasco Division). Through wholly owned subsidiaries, GasCo owns two interstate natural gas pipelines and gas gathering systems and provides various ancillary services.

#### 4. ServiceCo

CenterPoint proposes that ServiceCo will be a direct, wholly-owned subsidiary of Utility Holding, LLC. ServiceCo, as a subsidiary service company, will enter into service agreements (each a "Service Agreement") with CenterPoint, the T&D Utility, Texas Genco, GasCo, and certain other Subsidiaries (associate companies who execute Service Agreements are referred to as "Recipients"). A copy of the proposed form of the Service Agreement is filed herewith as Exhibit B-1. Applicants are also preparing a ServiceCo Service Agreement Procedures manual that will be filed by amendment.

Following the Commission's authorization, ServiceCo will provide the Recipients with a variety of administrative, management and support services, either directly or through agreements with associate or non-associate companies, as needed. ServiceCo will begin operations no later than January 1, 2004.

ServiceCo is a limited liability company, formed in reliance on Rule 58, but it does not currently hold any assets. It is anticipated that ServiceCo will have a minimal equity capitalization - not more than 1,000 membership interests with total equity capital of not more than \$1,000, and that it will derive substantially all of its needs for additional working capital from borrowings under CenterPoint's money pool (the "Money Pool") and/or additional investments by CenterPoint pursuant to Rule 45 and/or Rule 52 as applicable. ServiceCo will only borrow from CenterPoint or the Money Pool and will not borrow directly from any other Subsidiary.

#### C. Intra-system Provision of Services

##### 1. ServiceCo

In order to ensure adequate oversight and realize economies of scale, certain administrative and service functions for the CenterPoint system may be provided on a centralized basis through ServiceCo. As a general rule, the individual system companies will maintain services that can benefit from individualized application at the company level, with ServiceCo offering system-wide coordination and strategy, compliance, oversight and other services where economies can be captured by the centralization of services.

In particular, it is anticipated that, subject to the requirements or limitations of state and federal law, the following services will be offered by ServiceCo, through departments that will be established following its formation.(5) A description of each of the services performed

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(5) These services, with a more detailed explanation of each service, are contained in Exhibit I to the Service Agreement, Exhibit B-1.

by ServiceCo, which may be modified from time to time, is presented below. In addition to these services, ServiceCo will be the administrator of the CenterPoint System Money Pool, as created by the July Order.

a) Accounting Services

ServiceCo may provide various services to the Recipients including corporate accounting and reporting, general ledger maintenance and all accounting record keeping, guidance regarding adoption and application of accounting policies, risk oversight and financial reporting for Commission, regulatory and other purposes and support to rate and other regulatory proceedings. Each Recipient may also maintain its own corporate and accounting group and engage ServiceCo to provide advice and assistance on accounting matters, including the development of accounting practices, procedures and controls, the preparation and analysis of financial reports and the filing of financial reports with regulatory bodies, on a system-wide basis. Costs of a general nature may be allocated using the Total Assets Ratio, Operating Expense or Cash Flow Ratio.

b) Internal Auditing

ServiceCo may conduct periodic audits of administration and accounting processes. Audits would include examinations of Recipients' service agreements, accounting systems, source documents, allocation methods and billings to assure proper authorization and accounting for services. Costs may be allocated using the Operating Expense Ratio.

c) Finance and Treasury

ServiceCo may provide various services to the Recipients including budgeting, corporate tax, treasury, risk management (insurance), strategic planning, financing, money pool administration and cash management. ServiceCo may also provide investor relations services to provide information to the investment community regarding CenterPoint and its subsidiary companies and provide stock transfer agent services to holders of its securities and to shareholders of Texas Genco Holdings, Inc. and Reliant Resources. CenterPoint is providing shareholder services regarding the common stock of Reliant Resources on a temporary basis pursuant to the separation arrangements between CenterPoint and Reliant Resources. It is currently anticipated that services for Reliant Resources will terminate by January 2004. Costs of a general nature may be allocated using the Total Assets Ratio, Operating Expense or Cash Flow Ratio.

d) Communications

ServiceCo may assist the Recipients to develop and support branding and corporate promotions, advertising and brand equity. Individually, the Recipients may maintain independent marketing personnel to handle the day-to-day details of marketing campaigns. Costs of a general nature may be allocated using the Total Assets Ratio.

e) Legal Services

ServiceCo may provide various legal services, processing of claims, administration of CenterPoint's corporate compliance program and general legal oversight, as well as corporate secretarial functions and filing of reports under securities laws and the 1935 Act for the benefit of the Recipients. Costs of a general nature may be allocated using the Operating Expense Ratio.

f) Human Resources

ServiceCo may assist the Recipients in developing policy and planning for total compensation plans, workforce planning and training, employee relations policies and programs, and in training personnel in a coordinated manner throughout the CenterPoint System Companies. It may also design and provide administration for corporate welfare and benefit plans, including pension plans and executive benefits, and support for the negotiation of labor contracts for the CenterPoint companies. ServiceCo may provide corporate oversight for health and safety services for CenterPoint and its system companies to comply with government regulation. Each Recipient may maintain a human resources group to handle the individualized application of policies and programs. Costs of a general nature may be allocated using the Head Count Ratio. Costs of providing employee and executive benefits will be allocated directly to the Recipient based on costs incurred for its employees and retirees, and any costs of a general nature which are not otherwise recovered, such as through payroll burden charges, will be allocated using the Head Count Ratio.

g) Executive

ServiceCo may provide the executive staff to provide executive management and governance for CenterPoint, including supplying personnel to serve on boards of directors of CenterPoint system companies, and assist the Recipients in formulating and executing general plans and policies, including operations, issuance of securities, appointment of executive personnel, budgets and financing plans, expansion of services, acquisitions and dispositions of property, public relations and other related matters. The executive staff will oversee any corporate aircraft, the costs of which will not be allocated to Recipients except in connection with the direct cost of flights on behalf of a Recipient. Costs of a general nature may be allocated using the Total Asset Ratio.

h) Regulatory and Governmental Affairs

ServiceCo may assist the Recipients in developing policy for regulatory strategy, implementation of electric restructuring legislation, and support for litigation and regulatory proceedings. Governmental Affairs will develop strategy for legislative and other governmental initiatives and monitor activities affecting the Company in the state and federal legislative arenas. Costs of a general nature may be allocated using the Total Asset Ratio to the extent such costs may be allocated to CenterPoint business units. Recipients may maintain individual regulatory and governmental affairs units to support local activities.

i) Information Systems and Technology

ServiceCo may provide the Recipients with the following services: Mainframe Operations, Enterprise Document Management, Data Circuit Management, Voice Services, IT

Solutions Delivery, and Desktop Data Device services. Costs are billed to Recipients based on various metrics (e.g., CU second, billable hour, phone line, login ID) on cost allocations (e.g., headcount, operating expenses and direct dollars billed).

j) Mainframe Operations

Methodology

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Legacy  
Mainframe  
CPU  
Utilization  
Client  
Unit Usage  
Legacy  
Mainframe  
Data  
Storage  
Client  
Unit Usage  
SAP  
Mainframe  
Data  
Storage  
Client  
Unit Usage  
SAP  
Mainframe  
CPU  
Utilization  
Client  
Unit Usage  
Enterprise  
Recipient  
Specific  
Client  
Unit Usage

Enterprise Document Management

Methodology: Client Unit Usage

Data Circuit Management

Methodology: Client Unit Usage

Voice Services

Methodology ----  
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Telephone Basic  
Line Client Unit  
Usage  
Moves/Adds/Change  
(MAC) Client  
Unit Usage Call  
Center Basic  
Line Client Unit  
Usage Video  
Conferencing  
Client Unit  
Usage

IT Solutions Delivery

Methodology: Client Unit Usage

SAP Production Support

Allocation Methodology: Headcount and Operating Expense

Desktop Data Device Services

Methodology

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Equipment  
Client  
Unit Usage  
Lotus  
Notes  
Messaging  
Client  
Unit Usage  
LAN and  
Security  
Account  
Creation  
Client  
Unit Usage  
Network  
WAN/LAN  
Client  
Unit Usage  
Client  
Support  
Center  
Help Desk  
Client  
Unit Usage

k) Business Services

Real Estate and Facilities Management -- ServiceCo may provide Recipients with general operating maintenance, administrative and management duties for building operations, including project management services for facility-related projects. Costs for Facilities Management not directly assignable are allocated based on the square footage utilized.

Security - ServiceCo may provide security and security monitoring for managed properties, security assessments and internal investigations.

Office Support Services -- ServiceCo may provide Recipients with copying, inserting, mailing, call center, and graphic design functionality. This service also includes records management and managing office supplies, forms and convenience copiers. Costs for Office Support Services may be allocated based on Recipient unit usage (e.g., number of forms, mail pieces, billable hours, direct dollars spent).

Financial Services -- ServiceCo may provide payroll, bank reconciliation, processing certain accounts such as accounts payable and others as may be deemed necessary, check disbursements, escheat processing/reporting and remittance processing. This service may also provide Recipients with assistance in Corporate Travel. Costs for Financial Services are generally allocated based on client unit usage (e.g., number of payments processed, checks, billable hours).

Purchasing and Logistics -- ServiceCo may provide Recipients with procurement and Accounts Payable services. This service may also provide Recipients with oversight of logistics operations and investment recovery services. Costs for purchasing and logistics may be allocated based on client unit usage (e.g., number of transactions, billable hours, managed dollars).

l) Administration of the Money Pool

In the July Order, the Commission authorized CenterPoint to establish a Money Pool. ServiceCo will provide various services connected to the administration of such Money Pool. Such services may include accounting and bookkeeping and responsibility for investment in appropriate short-term instruments of funds that are loaned by participants but not currently needed to satisfy borrowing needs of other participants.

m) Leasing Services

ServiceCo may, in the future, enter into various leases of personal property or licenses where such leases or licenses will pertain to more than a single company in the CenterPoint system. ServiceCo will charge each affected Recipient for the cost thereof pursuant to the Service Agreement and associated Service Requests and office space subleases (where applicable) and the Commission's rules.

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Applicants wish to note that no core public utility operations or functions, such as the dispatch or delivery of energy, will be performed by ServiceCo. There are three public utilities currently in the CenterPoint system, the T&D Utility, Texas Genco and GasCo, and it is

anticipated that no economies would be realized by transferring these functions and related personnel to ServiceCo at this time. Changes to the scope or character of the services to be rendered by ServiceCo shall be done pursuant to the Act and its regulations.

As compensation for the services to be rendered under the Service Agreements, Recipients shall pay to ServiceCo all costs that reasonably can be identified and related to particular services performed by Service Company for or on their behalf. All charges for services shall be distributed among Recipients, to the extent possible, based on direct assignment. The amounts remaining after direct assignment shall be allocated among the Recipients in a fair and equitable manner, using the allocation methods set forth in Exhibit I of the Service Agreement, Exhibit B-1. Thus, charges for all services provided by ServiceCo to its associated utility companies and non-utility companies under the Service Agreements will be on an "at cost" basis as determined under Rules 90 and 91 of the Act. Each Recipient will conduct a periodic evaluation to determine whether such Recipient would be better served to buy the services from a source other than ServiceCo.

ServiceCo's accounting and cost allocation methods and procedures are structured so as to comply with the Commission's standards for service companies in registered holding company systems. ServiceCo's billing system will use the "Uniform System of Accounts for Mutual Service Companies," established by the Commission for holding company systems, as may be adjusted to use the FERC uniform system of accounts.

As noted above, Applicants are preparing a proposed Service Agreement Procedures to be used in implementing and administering the Service Agreements. (6) Services will be provided pursuant to work orders, in the form of "Service Requests", specifying the services to be performed by ServiceCo for each Recipient. (7) Each Service Request will be approved by ServiceCo and the Recipient, and will contain one or more Project IDs which will be used to accumulate the costs of providing services under the Service Request. The ServiceCo Accounting Division will be responsible for authorizing new Service Requests, and for reviewing, monitoring and maintaining the Service Request system, including assignment of Project IDs.

The Service Agreement Procedures require all ServiceCo employees, including executives, to keep time records supporting labor charged to separately identifiable goods and services performed for Recipients. Employees will record time daily in a minimum of half-hour increments. The employee's supervisor or authorized delegate will review and approve time reports. ServiceCo will use an electronic time entry system for its employees. Time records will be maintained in accordance with record retention requirements set forth in 17 CFR 257, but in any event will be maintained for at least six years. Prior to the commencement of operations by ServiceCo, training sessions regarding time keeping requirements will be held with employees who are expected to be transferred to ServiceCo, and periodic training sessions regarding the Service Agreement procedures, including time keeping, will be held after the establishment of ServiceCo.

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(6) A 60-day letter with a copy of the Service Agreement Procedures will be filed no later than May 1, 2004.

(7) The form of Service Request is attached as Exhibit B to Exhibit B-2.

The ServiceCo Internal Audit Department will conduct periodic reviews of ServiceCo's business processes and systems to ensure that the services provided are properly documented and charged to the Recipients on an appropriate basis.

It is anticipated that ServiceCo will be initially staffed by transfers of approximately 1100 personnel from CenterPoint and approximately 6 personnel from GasCo. A preliminary functional organization chart of ServiceCo is attached as Exhibit B-4.

No change in the organization of ServiceCo, the type and character of the companies to be serviced, the methods of allocating cost to Recipients, or in the scope or character of the services to be rendered subject to Section 13 of the Act, or any rule, regulation or order thereunder, shall be made unless and until ServiceCo shall first have given the Commission written notice of the proposed change not less than 60 days prior to the proposed effectiveness of any such change. If, upon the receipt of any such notice, the Commission shall notify ServiceCo within the 60-day period that a question exists as to whether the proposed change is consistent with the provisions of Section 13 of the Act, or of any rule, regulation or order thereunder then the proposed change shall not become effective unless and until ServiceCo shall have filed with the Commission an appropriate declaration regarding such proposed change and the Commission shall have permitted such declaration to become effective.

Rule 88(b) provides that "(A) finding by the commission that a subsidiary company of a registered holding company ... is so organized and conducted, or is to be so conducted, as to meet the requirements of Section 13(b) of the Act with respect to reasonable assurance of efficient and economical performance of services or construction or sale of goods for the benefit of associate companies, at cost fairly and equitably allocated among them (or as permitted by [Rule 90]), will be made only pursuant to a declaration filed with the Commission on Form U-13-1, as specified in the instructions for that form, by such company or the persons proposing to organize it." Notwithstanding the foregoing language, the Commission has on at least two recent occasions made findings under Section 13(b) based on information set forth in an application on Form U-1, without requiring the formal filing on Form U-13-1. See Unitil Corp., 51 SEC Docket 562 (April 24, 1992); CINergy Corp., 57 SEC Docket 2353 (October 21, 1994). In this Application/Declaration, CenterPoint has submitted substantially the same application information as would have been submitted in a Form U-13-1.

Accordingly, it is submitted that it is appropriate to find that ServiceCo will be so organized and shall be so conducted as to meet the requirements of Section 13(b) of the Act, and that the filing of a Form U-13-1 is unnecessary or, alternatively, that this Application/Declaration should be deemed to constitute a filing on Form U-13-1 for purposes of Rule 88.

## 2. Provision of Goods and Services by Other System Companies

### a) Goods and Services Provided to ServiceCo.

Certain office space and other space currently occupied by CenterPoint personnel is owned by CenterPoint Energy Properties, Inc. ("Properties"), a wholly-owned indirect

subsidiary of CenterPoint, and from time to time other space may be acquired by Properties, either in fee or by lease. It is anticipated that ServiceCo will occupy portions of the owned or leased office space. ServiceCo will enter one or more lease agreements with Properties and will enter into a sublease in the form attached as Exhibit B-3 with Recipients that will occupy such space. Each Recipient will be allocated costs associated with the occupancy of such office space in proportion to its occupancy of such space.

CenterPoint is currently the owner or lessee of certain computer hardware, communications facilities (including local, long distance, internet and wireless services), office equipment and furnishings and vehicles, and is the licensee under certain software license agreements. It is anticipated that ServiceCo will use portions of the owned or leased computer hardware, communications facilities, office equipment and furnishings and vehicles. Further, ServiceCo will also use software currently licensed by CenterPoint or by the T&D Utility.

The lessor in these arrangements will provide for such use under license, lease, sublease or service arrangements with ServiceCo which will be at cost in accordance with Rules 87, 90 and 91. Applicants state that none of the property proposed to be occupied or used by, or provided to, ServiceCo constitute facilities used for the production, transmission, transportation or distribution of electric energy or natural or manufactured gas.

Such transactions, which will not involve the transfer of utility assets, will be in accordance with Rules 87, 90 and 91.

#### b) Goods and Services Provided by Other System Companies

The following associate companies currently provide services to other associate companies as indicated: (i) the T&D Utility provides various services to the Entex division of GasCo in their overlapping service territory and provides other common services such as surveying and mapping to GasCo, Texas Genco and other system companies; (ii) the Entex division of GasCo provides line locating services to the T&D Utility, and (iii) the Arkla Division of GasCo and GasCo's pipelines subsidiaries share some facilities and services, as described below. These arrangements have arisen from the historic operation of the companies and the Applicants believe it is more economical to continue the existing arrangements than to transfer the associated resources to ServiceCo. Such services will be provided pursuant to the form of services agreement attached hereto as Exhibit B-5.

A portion of the service territory of GasCo's Entex division overlaps the service territory of the T&D Utility. CenterPoint seeks to obtain the synergies that are inherent in this overlap. Thus, meter reading, trenching operations, vehicle maintenance, line locating, call center and credit and collection functions are shared between the two utility operations when the companies determine it is efficient and cost effective to do so. The companies also share some common warehouse space. Some of these functions, such as line locating, are provided by Entex to the T&D Utility, and others are provided by the T&D Utility to Entex. In addition, the T&D Utility provides a smaller group of services, GIS mapping, to other GasCo divisions, GasCo's pipelines and other CenterPoint System companies. Where such services are provided, costs of the shared services are allocated on appropriate cost allocation measures, such as number of meters with respect to meter reading, square footage occupied, where location is shared.

Prior to its acquisition by CenterPoint's predecessor in 1997, GasCo operated as an independent local gas distribution company. Its pipeline subsidiary provided a significant portion of the natural gas supply for one of its distribution divisions. GasCo provided corporate and shared services to its pipeline and other subsidiaries. ServiceCo will assume most corporate and shared services functions for GasCo and its subsidiaries. However, environmental services are provided to the local distribution company ("LDC") divisions of GasCo by personnel from the pipeline subsidiaries, which are also providing support to the LDCs for compliance with the new pipeline integrity law. Arkla's telephone operations provide some services to the pipelines, and pipeline personnel share office and warehouse space in Arkla's facilities. In connection with operations, Arkla and CenterPoint Energy Gas Transmission Company ("CEGT") share SCADA signals, with CEGT maintaining the equipment.(8) They also share meter testing responsibilities, with Arkla testing small pipeline meter stations and CEGT testing large distribution meters. Similarly, Arkla and CEGT share some cathodic protection from rectifiers at certain points on the system, and Arkla reads some rural and town border station meters where CEGT maintains the equipment.

All such services are and will continue to be provided at cost, in accordance with Rules 90 and 91.(9)

#### D. Provision of Goods and Services to Third Parties

Prior to the formation of CenterPoint, its predecessor Reliant Energy, Incorporated ("Reliant Energy") entered into certain agreements with Reliant Resources, relating to the separation of Reliant Resources from Reliant Energy. Under the terms of those agreements, Reliant Energy was obligated to provide certain services and facilities, including business services, corporate services, and information technology services to Reliant Resources during a defined transition period.(10) Reliant Resources also agreed to provide certain services to Texas Genco. CenterPoint succeeded to the obligations of Reliant Energy under these agreements and is currently providing those services on the same cost basis as services are currently provided to companies in the CenterPoint System. These arrangements will largely terminate in early 2004.

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(8) The term SCADA refers to a Supervisory Control and Data Acquisition ("SCADA") system that electronically monitors the physical operating conditions of the distribution system.

(9) A form of the agreement pursuant to which such services will be provided is attached hereto as Exhibit B-5.

(10) Transition Services Agreement, dated as of December 31, 2000, between Reliant Energy, Incorporated and Reliant Resources, Inc., filed as Exhibit 10.2 to the Quarterly Report of Reliant Energy, Incorporated on Form 10-Q for the quarter ended March 31, 2001 (File No. 1-3187), and Technical Services Agreement, dated as of December 31, 2000, between Reliant Energy, Incorporated and Reliant Resources, Inc., filed as Exhibit 10.3 to the Quarterly Report of Reliant Energy, Incorporated on Form 10-Q for the quarter ended March 31, 2001 (File No. 1-3187), both incorporated here by reference.

In addition, at the time CenterPoint distributed a portion of its stock in Texas Genco to shareholders, CenterPoint and Texas Genco entered into similar transition services agreements.<sup>(11)</sup> These agreements largely mirror the business services to be provided to Texas Genco under CenterPoint's Master Services Agreement and are priced on the same basis. The transition services agreements were needed to document the relation between CenterPoint and Texas Genco for corporate law purposes. It is contemplated that those services will continue to be provided at least until the monetization of Texas Genco and, depending on the terms of any sale of Texas Genco, for a brief transition period after that monetization.

Upon commencement of its functions as a service company, ServiceCo will assume the obligations for any transition services that continue to be provided under those agreements. Such services will be provided at cost.

#### E. Rule 24 Filing

The Applicants undertake to file: (i) on or before April 30, 2004, calculations showing the application of the allocation factors set forth in Exhibit I to the Master Services Agreement to services provided as of January 1, 2004, and (ii) on or before August 30, 2004, calculations showing the application of the allocation factors set forth in Exhibit I to the Master Services Agreement to services provided as of June 30, 2004.

#### Item 2. Fees, Commissions and Expenses.

The fees, commissions and expenses incurred or to be incurred in connection with the transactions proposed herein are anticipated to not exceed \$50,000.

#### Item 3. Applicable Statutory Provisions.

Sections 6, 7, 9, 10, 12 and 13 of the Act and Rules 88, 90 and 91 are considered applicable to the proposed transactions.

The proposed transaction is subject to Rule 54 under the Act, which refers to Rule 53. Rule 54 under the Act provides that in determining whether to approve certain transactions other than those involving exempt wholesale generators ("EWGs") or foreign utility companies ("FUCOs"), as defined in the Act, the Commission will not consider the effect of the capitalization or earnings of any Subsidiary which is an EWG or FUCO if Rule 53(a), (b) and (c) under the Act are satisfied.

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(11) Transition Services Agreement, as of August 31, 2002, CenterPoint Energy and Texas Genco, filed as Exhibit 10(cc)(2) to Annual Report of CenterPoint Energy, Inc. on Form 10-K for the year ending December 31, 2002 (File No. 1-31447) and Assignment and Assumption Agreement for the Technical Services Agreement entered into as of August 31, 2002, by and between CenterPoint Energy and Texas Genco, LP, Exhibit 10.11 to the Registration Statement of Texas Genco Holdings, Inc. on Form 10 (File No. 1-31449), and both incorporated herein by reference.

As a result of the Restructuring authorized in the July Order (as such term is defined in the July Order), CenterPoint had negative retained earnings as of December 31, 2002. Thus, although CenterPoint's aggregate investment (as defined in Rule 53(a)(1)(i) under the Act), in EWGs and FUCOs as of December 31, 2002 was approximately \$8 million, the Company is not currently in compliance with the requirements of Rule 53(a)(1) under the Act. CenterPoint has disposed of its remaining interests in FUCOs. Texas Genco, LP ("Texas Genco") has been qualified as an EWG. As noted previously, Reliant Resources, Inc. has an option to acquire CenterPoint's remaining interest in Texas Genco. CenterPoint does not intend to seek any permanent financing authority in this regard.

CenterPoint complies with, and will continue to comply with, the record-keeping requirements of Rule 53(a)(2) under the Act, the limitation under Rule 53(a)(3) under the Act on the use of domestic public-utility company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) under the Act concerning the submission of copies of certain filings under the Act to retail regulatory commissions. Further, none of the circumstances described in Rule 53(b) under the Act has occurred or is continuing. Rule 53(c) under the Act is by its terms inapplicable to the transactions proposed herein that do not involve the issue and sale of securities (including guarantees) to finance an acquisition of an EWG or FUCO.

To the extent that the proposed transactions are considered by the Commission to require authorization, exemption or approval under any section of the Act or the rules and regulations other than those set forth above, request for such authorization, exemption or approval is hereby made.

#### Item 4. Regulatory Approvals.

The formation of ServiceCo will not require prior approval from regulatory authorities other than the Commission. The subject services agreements will be submitted for review and/or approval by the Minnesota Public Utilities Commission (the "Minnesota Commission") and the Mississippi Public Service Commission (the "Mississippi Commission").

#### Item 5. Procedure

Applicants respectfully request the Commission issue and publish not later than October 15, 2003, the requisite notice under Rule 23 with respect to the filing of this Application/Declaration, such notice to specify a date not later than November 10, 2003 by which comments may be entered and a date not later than November 30, 2003 as a date after which an order of the Commission granting and permitting this Application/Declaration to become effective may be entered by the Commission.

Applicants submit that a recommended decision by a hearing or other responsible officer of the Commission is not needed for approval of the requests made herein. The Division of Investment Management may assist in the preparation of the Commission's decision. The Applicants further request that there be no waiting period between the issuance of the Commission's order and the date on which it is to become effective.

Item 6. Exhibits and Financial Statements

Exhibits

- A-1 Organization of ServiceCo
- A-2 Limited Liability Company Regulations of ServiceCo
- A-3 Corporate Organization Chart of CenterPoint Energy Incorporated and Subsidiaries (filed with Form U5S and incorporated herein by reference)
- B-1 Form of Master Services Agreement
- B-2 Form of Policies and Procedures Manual\*
- B-3 Form of Sublease Agreement
- B-4 Functional Organization Chart of ServiceCo
- B-5 Form of Intercompany Services Agreement
- D-1 Filing with the Minnesota Commission\*
- D-2 Filing with the Mississippi Commission\*
- F-1 Opinion of Counsel
- F-2 Past Tense Opinion of Counsel\*
- H-1 Form of Notice

\* To be filed by amendment.

Financial Statements

FS-1 Consolidated Balance Sheets of CenterPoint as of December 31, 2002 and Statements of Consolidated Operations, Statements of Consolidated Comprehensive Income and Statements of Consolidated Cash Flows for the year ended December 31, 2002 (incorporated by reference to CenterPoint's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-31447)).

FS-2 Consolidated Balance Sheets of CenterPoint as of September 30, 2003 (unaudited) and Statements of Consolidated Income and Statements of Consolidated Cash Flows for the nine months ended September 30, 2003 (unaudited) (incorporated by reference to CenterPoint's Quarterly Report on Form 10-Q for the nine months ended September 30, 2003 (File No. 1-31447)).

FS-3 Consolidated Balance Sheets of CenterPoint as of December 31, 2002, and Statements of Consolidated Operations, Statements of Consolidated Comprehensive Income and

Statements of Consolidated Cash Flows for the year ended December 31, 2002 (incorporated by reference to the Current Report of CenterPoint on Form 8-K dated as of November 7, 2003 (File No. 1-31447)).

Item 7. Information as to Environmental Effects.

The transactions proposed herein will not involve major federal actions significantly affecting the quality of human environment as those terms are used in Section 102(2)(C) of the National Environmental Policy Act, 42 U.S.C. 4321 et seq. Second, consummation of these transactions will not result in changes in the operations of CenterPoint or its subsidiaries that would have any significant impact on the environment. To the knowledge of Applicants, no federal agency is preparing an environmental impact statement with respect to this matter.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, as amended, the Applicants have duly caused this Application/Declaration to be signed on their behalf by the undersigned thereunto duly authorized.

Date: December 17, 2003

CENTERPOINT ENERGY, INC.  
and its Subsidiaries

By: /s/ Rufus S. Scott

-----  
Rufus S. Scott  
Vice President, Deputy General Counsel and Assistant Corporate Secretary  
CenterPoint Energy, Inc.

Form of  
Master Services Agreement

between

-----

and

CenterPoint Energy Service Company, LLC

This Master Services Agreement (the "Agreement"), dated as of \_\_\_\_\_, 2003, is entered into in multiple parts by and between the companies whose names appear on the signature pages hereof, (each, a "Company" or "Recipient" and collectively, the "CenterPoint Companies" or "Recipients"), and CenterPoint Energy Service Company, LLC, a Texas limited liability corporation ("ServiceCo").

RECITALS

A. In connection with the authorizations provided by order dated July 5, 2002 (HCAR No. 27548), CenterPoint Energy, Inc. ("CenterPoint") registered as a holding company under the Public Utility Holding Company Act of 1935, as amended (the "1935 Act").

B. CenterPoint has formed ServiceCo as a subsidiary company to provide services, as set forth herein, to CenterPoint and its subsidiaries.

Accordingly, ServiceCo and the CenterPoint Companies desire to enter into this Master Services Agreement to allow for the provision of services by ServiceCo to the CenterPoint Companies.

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties hereto agree as follows:

I. EFFECTIVE DATE.

This Agreement shall be effective beginning January 1, 2004 or such other date as approved by the Securities and Exchange Commission (the "SEC").

## II. SERVICES OFFERED.

Exhibit I to the Agreement lists and describes the services that may be available from ServiceCo. ServiceCo offers to supply those services to each Recipient that is a party to the Agreement. The services are and will be provided to Recipient only at the request of Recipient. From time to time, the parties may identify additional services that ServiceCo may provide to Recipients under this Agreement. ServiceCo will consult with Recipients to delineate the scope and terms of additional services that may be offered.

The services offered may be further described in Service Level Agreements that define performance metrics or standards and other procedures and requirements with respect to the provision of a particular category of services. To the extent a category of service is more fully described in a Service Level Agreement, it is incorporated into this Agreement by reference.

ServiceCo shall maintain sufficient resources to perform its obligations under this Agreement and shall perform its obligations in a commercially reasonable manner. If no specific performance metrics for the provision of a service are established, ServiceCo shall provide the service exercising the same care and skill as it exercises in performing similar services for itself.

If a Recipient requests the level at which any service to be provided to be scaled up to a level in excess of the level in effect during the prior twelve months, Recipient shall give ServiceCo such advance notice as it may reasonably require sufficient to make any necessary preparations to perform such services on the scaled up or modified basis. The level of a service shall be considered scaled up if providing the service at the proposed level involves an increase in personnel, equipment or other resources that is not de minimis and is not reasonably embraced by the agreed definition and scope of that service prior to the proposed increase. The Recipient will be responsible for any additional costs associated with such "scaled-up" services.

## III. SERVICES SELECTED

### A. Initial Selection of Services.

Each Recipient shall designate on Exhibit II to the Agreement, which may be amended when additional services are offered, the services that it agrees to receive from ServiceCo. Designation may also be in the form of an opt-out where each company agrees to receive all services from ServiceCo except those specifically enumerated in Exhibit II.

### B. Annual Selection of Services.

ServiceCo shall send an annual service proposal form to each Recipient on or about July 1 listing services proposed for the next fiscal year. By August 31, Recipient shall notify ServiceCo of the services it has elected to receive during the next fiscal year.

### C. Responsibility for Services.

ServiceCo's sole responsibility to Recipient for errors or omissions in services shall be to furnish correct information and/or adjustments in the services, at no additional cost or expense to Recipient; provided, Recipient must promptly advise ServiceCo of any such error or omission of which it becomes aware after having used reasonable efforts to detect any such errors or omissions. In no event shall ServiceCo have any liability under this Agreement or otherwise arising out of or resulting from the performance of, or the failure to perform, services for loss of anticipated profits by reason of any business interruption, facility shutdown or non-operation, loss of data or otherwise or for any incidental, indirect, special or consequential damages, whether or not caused by or resulting from negligence, including gross negligence, or breach of obligations hereunder and whether or not Recipient was informed of the possibility of the existence of such damages.

### IV. PERSONNEL

ServiceCo will provide services by using the services of executives, accountants, financial advisers, technical advisers, attorneys, engineers and other persons with the necessary qualifications.

If necessary, ServiceCo, after consultation with Recipient, may also arrange for the services of affiliated or unaffiliated experts, consultants, attorneys and others in connection with the performance of any of the services supplied under this Agreement. ServiceCo also may serve as administrative agent, arranging and monitoring services provided by third parties to Recipient, whether such services are billed directly to Recipient or through ServiceCo.

ServiceCo may contract for the services of certain employees of the CenterPoint System Companies for the purpose of staffing its service operations. Such contracts will be entered into in reliance on Rule 87 or, if the contemplated services are of a recurring nature, the arrangement will be the subject of a 60-day letter. These arrangements will comply with the applicable provisions under the 1935 Act, including the provisions of Rule 90 thereunder requiring the performance of services on the basis of cost.

### V. COMPENSATION AND ALLOCATION

#### A. Basis for Charges.

As and to the extent required by law, ServiceCo will provide such services at cost allocated on a fair, nondiscriminatory basis. The Policies and Procedures Manual contains rules for determining and allocating costs. The parties shall use good faith efforts to discuss any situation in which the actual charge for a service is reasonably expected to exceed the estimated charge, if any, set forth in a Service Level Agreement, provided, however, that charges incurred in excess of any such estimate shall not justify stopping the provision of, or payment for, services under this Agreement. ServiceCo shall establish its charges based on the following principles:

1. The price charged for each service or product will be the same as that charged any other CenterPoint business unit for like services or products at like volumes (if volume discount pricing is applicable);

2. The price charged for each service or product shall not include, either directly or indirectly through allocation, any costs which generally are not allowed to be recovered through utility rates (e.g. legislative advocacy expenses);

3. The price charged for each service or product shall reflect only those costs, including labor, incurred by Service Co, either directly or indirectly, which are reasonable and necessary to provide such service or product; and

4. To the extent the price charged for each service or product reflects an allocation of costs incurred, ServiceCo will endeavor to ensure that such allocation reasonably approximates the actual costs incurred in providing that service or product.

**B. Adjustments to Charges During a Year.**

The parties recognize that the charges for services and products may depend on market conditions and on the quantities of services or products taken and that the pricing established under a Service Level Agreement reflects the quantities Recipient has stated it expects to use or consume over the course of the year, or where no specific quantities have been established, the pricing reflects the quantities that Recipient has consumed or contracted for in a prior year. During the course of the year, Recipient will make reasonable effort to inform ServiceCo of expected changes in the volumes and patterns of Recipient's consumption of services and products, and ServiceCo will make reasonable efforts to maintain the pricing stated in the Service Level Agreement or a client billing plan reflecting Service Level Agreement charges. However, charges for services and products may require true-ups at the end of the year to adjust the pricing for the actual costs and volumes of services and products utilized. CenterPoint will file a 60-day letter if the amount of true-up exceeds 5% of annual billings.

If, during the course of the year, Recipient foresees the need to substantially reduce or terminate its use of a certain service or consumption of a certain product, it shall promptly notify ServiceCo of the expected reduction or termination. ServiceCo shall promptly prepare a new term sheet under the affected Service Level Agreement and/or a special billing to reflect changes in cost caused by the reduction or termination. In the event Recipient disagrees with the new pricing and/or special billing, the dispute shall be resolved in accordance with Section VIII of this Agreement.

If ServiceCo foresees the need to substantially alter the nature of or to terminate offering a certain service or product, or if pricing for a service or product must be significantly revised due to market conditions or unexpected increases in costs, ServiceCo shall promptly notify Recipient of the expected alteration, termination or increase in pricing. ServiceCo shall prepare a new term sheet under the affected Service Level Agreement and/or a special billing to reflect the costs or savings incurred due to the alteration or termination or the increase in costs

ServiceCo will incur. If Recipient disagrees with the new pricing and/or special billing, the dispute shall be resolved in accordance with the dispute resolution process under Section VIII of this Agreement.

#### VI. TAXES

Recipient shall bear all taxes, duties and other similar charges (and any related interest and penalties), imposed as a result of its receipt of services under this Agreement, including any tax which Recipient is required to withhold or deduct from payments to ServiceCo. ServiceCo may collect from Recipient any sales, use and similar taxes imposed on the provision of services and shall pay such tax to the appropriate governmental or taxing authority.

#### VII. BILLING

Charges will be rendered during the first week of each month covering amounts incurred during the prior month. Charges will be based on actual amounts paid. If allocations are required, they may be based on estimated values based on estimates in budget plans for the relevant values. Estimated amounts will be adjusted on subsequent charges either in a subsequent month or at the end of the year. Any amount remaining unpaid after fifteen days following receipt of the bill shall bear interest thereon from the date of the bill at the lesser of the prime rate announced by JPMorgan Bank and in effect from time to time plus 2% per annum or the maximum non-usurious rate of interest permitted by applicable law.

ServiceCo's billing system will use 17 C.F.R. Section 256 et. al, the "Uniform System of Accounts for Mutual Service Companies", established by the Commission for holding company systems, as may be adjusted to use the FERC uniform system of accounts. ServiceCo will support its charges with reasonable documentation (which may be maintained in electronic form). ServiceCo will make adjustments to charges as required to reflect the discovery of errors or omissions in the charges.

#### VIII. TERMINATION AND MODIFICATION

##### A. Modification of Services.

Recipient may modify its selection of services at any time during the fiscal year by giving ServiceCo written notice sixty (60) days in advance for the additional services it wishes to receive, and/or the services it no longer wishes to receive, from ServiceCo. ServiceCo will attempt to mitigate costs but the Recipient will be responsible for any remaining costs as a result of its modification of services.

##### B. Modification of Other Terms and Conditions.

No other amendment, change or modification of this Agreement shall be valid, unless made in writing and signed by all parties hereto.

C. Termination of this Agreement.

Recipient may terminate this Agreement with ServiceCo by providing sixty (60) days advance written notice of such termination to ServiceCo. ServiceCo may terminate this Agreement as to Recipient by providing sixty (60) days advance written notice of such termination to Recipient. ServiceCo will attempt to mitigate costs but the Recipient will be responsible for any remaining costs as a result of its termination of the Agreement.

This Agreement is subject to termination or modification at any time to the extent its performance may conflict with the provisions of the 1935 Act, or with any rule, regulation or order of the SEC adopted before or after the making of this Agreement. This Agreement shall be subject to the approval of any state commission or other state regulatory body whose approval is, by the laws of said state, a legal prerequisite to the execution and delivery or the performance of this Agreement.

IX. DISPUTE RESOLUTION

From time to time, disputes may arise regarding the services and products provided by ServiceCo. The employees of Recipient and the employees of ServiceCo are encouraged to resolve those disputes on an informal basis in as timely a manner as possible, and the ServiceCo agrees, upon reasonable request, to provide access to relevant books and records. However, if during the course of the year a dispute arises as to the scope of any service or the nature of any product, the delivery terms, the related performance metrics and standards, or the price for any service or product which cannot be resolved on an informal basis, Recipient and ServiceCo will resolve the dispute using the following procedures:

A. A supervisor or manager of Recipient who is responsible for the use of the service or the consumption of the product about which there is a dispute will notify in writing, or by email, a supervisor or manager of ServiceCo who is responsible for providing the service or product of the nature of the dispute, including specific examples of problems or failures which gave rise to the dispute. The supervisor or manager of Recipient shall also present a proposed resolution of the dispute and propose a date and time for a meeting to resolve the dispute. The supervisor or manager of ServiceCo shall acknowledge in writing, or by email, his or her receipt of the notice of the dispute and agree to the meeting, suggest an alternative date and time for the meeting proposed by the supervisor or manager of Recipient, or contact the supervisor or manager of Recipient to schedule a meeting date and time that the two may agree upon.

B. The supervisor or manager of Recipient and the supervisor or manager of ServiceCo may meet as often as both agree is necessary to resolve the complaint, and their meeting or meetings may include such other employees as may be helpful in resolving the dispute. If after such meeting or meetings, but in no event later than thirty days after the initial

notice of the dispute was given, the supervisor or manager of Recipient and the supervisor or manager of ServiceCo are unable to resolve the dispute, the dispute shall be referred to the appropriate executive of Recipient and an executive of ServiceCo for resolution.

C. The executive of Recipient and the executive of ServiceCo shall meet at a date and time or dates and times they mutually agree upon. Such meetings or meetings may include any employees either executive believes will be helpful in resolving the dispute. If, after such meeting or meetings, the executive of Recipient and the executive of ServiceCo reasonably believe they cannot resolve the dispute, the dispute shall be referred to the most senior executives of Recipient and of ServiceCo for resolution in accordance with whatever procedures senior management may establish.

#### X. NOTICE

Where written notice is required by this Agreement, said notice shall be deemed given when delivered in person, by electronic mail, or when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed, if to ServiceCo, to the Chief Financial Officer and, if to Recipient, to its President at the address listed on the most recent Exhibit II received by ServiceCo.

#### XI. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its conflict of laws provisions.

#### XII. ENTIRE AGREEMENT

This Agreement, together with its exhibits, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective parties hereof and thereto, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and cancelled in their entirety and of no further force or effect.

#### XIII. WAIVER

No waiver by any party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

#### XIV. ASSIGNMENT

This Agreement shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or any party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld, delayed or conditioned.

XV. SEVERABILITY

If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

By Recipient:

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By:

-----

Name

Title

By ServiceCo:

CENTERPOINT ENERGY SERVICE COMPANY, LLC

By:

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Name

Title

## EXHIBIT I

### COST ACCUMULATION AND ASSIGNMENT, ALLOCATION METHODS, AND DESCRIPTION OF SERVICES OFFERED BY SERVICECO TO RECIPIENT

This document sets forth the methodologies used to accumulate the costs of services that may be performed by ServiceCo and to assign or allocate such costs to other subsidiaries and business units within the CenterPoint registered holding company system that receive services from ServiceCo.

#### Cost of Services Performed

ServiceCo shall maintain an accounting system that enables costs to be identified by Cost Center, Account Number or Capital Project ("Account Codes"). The primary inputs to the accounting system shall be payroll records for ServiceCo's employees, accounts payable transactions and journal entries. Charges for labor shall be made at the employees' effective hourly rate, including the cost of pensions, other employee benefits and payroll taxes. To the extent practicable, costs of services shall be directly assigned to the applicable Account Codes. The full cost of providing services shall also include certain indirect costs, e.g., departmental overheads, administrative and general costs, and taxes. Indirect costs shall be associated with the services performed in proportion to the directly assigned costs of the services or other relevant cost allocators.

#### Cost Assignment and Allocation

ServiceCo's costs shall be directly assigned, distributed or allocated to Recipients in the manner described below:

1. Costs accumulated in Cost Centers for services specifically performed for a single Recipient shall be directly assigned or charged to such Recipient;
2. Costs accumulated in Cost Centers for services specifically performed for two or more Recipients shall be distributed among and charged to such Recipients using methods determined on a case-by-case basis consistent with the nature of the work performed and based on one of the allocation methods described below; and
3. Costs accumulated in Cost Centers for services of a general nature which are applicable to all Recipients or to a class or classes of Recipients shall be allocated among or charged to such Recipients by application of one or more of the allocation methods described below.

## Allocation Methods

The following methods shall be applied, as indicated in the Description of Services section that follows, to allocate costs for services of a general nature.

1. Operating Expense - A ratio based on operating expense minus fuel and purchase power. This ratio will be determined annually based on annual plan operating expense and will be adjusted for any known and reasonably quantifiable events and will be trued-up at the end of the fiscal year based on actual operating expense.

2. Total Assets Ratio - A ratio based on the total assets minus investments in subsidiaries and goodwill. This ratio will be determined annually based on annual plan assets and will be adjusted for any known and reasonably quantifiable events and will be trued-up at the end of the fiscal year based on twelve month average of actual assets. The Total Assets Ratio will not be used to allocate costs associated with corporate governance services.

3. Cash Flow- A ratio based on operating expense including fuel, purchase power and capital expenditures, less depreciation expense. This ratio will be determined annually based on annual plan cash flow and will be adjusted for any known and reasonably quantifiable events and will be trued-up at the end of the fiscal year based on actual cash flow.

4. Head Count - A ratio based on active and retiree headcount. This ratio will be determined annually based on annual plan head count and will be adjusted for any known and reasonably quantifiable events and will be trued-up at the end of the fiscal year based on actual head count.

5. Direct Labor - A ratio based on billable hours. This ratio will be determined monthly based on monthly billable hours and may be used to allocate, for example, certain support services on the same basis as actual legal services are billed.

6. Client Unit Usage - This factor is determined based on the actual unit/usage that is utilized by the applicable Recipients. This factor will be determined annually based on units/usage utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

7. Square Footage - This factor will be determined based on actual square footage used by the applicable Recipients. This factor will be determined annually based on square footage utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

8. Composite Ratio - This ratio will be determined based on revenues, employees and total assets. For purposes of this ratio, CenterPoint's revenues shall be deemed to include any dividends received from subsidiary companies; CenterPoint's assets shall be deemed to include investments in subsidiary companies and persons who are corporate officers of CenterPoint shall be deemed to be employees of CenterPoint.

## Description of Services

A description of each of the services performed by ServiceCo, which may be modified from time to time, is presented below. As discussed above, where identifiable, costs will be directly assigned or distributed to Recipients. For costs accumulated in Cost Centers which are for services of a general nature that cannot be directly assigned or distributed, the method or methods of allocation are also set forth. Substitution or changes may be made in the methods of allocation hereinafter specified, as may be appropriate and to the extent permitted under the SEC 60-day letter procedure, and will be provided to state regulatory agencies and to each affected Recipient.

### 1. Accounting Services.

ServiceCo may provide various services to Recipients including corporate accounting and reporting, general ledger maintenance and all accounting record keeping, guidance regarding adoption and application of accounting policies, risk oversight and financial reporting for SEC, regulatory and other purposes and support to rate and other regulatory proceedings. As appropriate and where it would not result in duplication of functions, each Recipient may also maintain its own corporate and accounting group and engage ServiceCo to provide advice and assistance on accounting matters, including the development of accounting practices, procedures and controls, the preparation and analysis of financial reports and the filing of financial reports with regulatory bodies, on a system-wide basis. Costs of a general nature may be allocated using the Total Assets Ratio, Operating Expense Ratio, Composite Ratio or Cash Flow Ratio.

### 2. Internal Auditing.

ServiceCo may conduct periodic audits of administration and accounting processes. Audits would include examinations of Recipients' service agreements, accounting systems, source documents, allocation methods and billings to assure proper authorization and accounting for services. Costs of a general nature may be allocated using the Operating Expense Ratio or the Composite Ratio.

### 3. Finance and Treasury.

ServiceCo may provide various services to Recipients including budgeting, corporate tax, treasury, risk management (insurance), strategic planning, financing, investments, money pool administration and cash management. ServiceCo also will provide investor relations services to provide information to the investment community regarding CenterPoint and its subsidiaries and will provide stock transfer agent services to holders of its securities and to shareholders of Texas Genco and Reliant Resources. CenterPoint is providing shareholder services regarding the common stock of Reliant Resources on a temporary basis pursuant to the separation arrangements between CenterPoint and Reliant Resources. It is currently anticipated that services for Reliant Resources will terminate by January 2004. Services are provided on an agreed schedule of costs, based on estimated costs that would be incurred if Reliant Resources

had obtained those services from a third party. Services to associate companies will generally be allocated using the Operating Expense Ratio or the Composite Ratio.

#### 4. Communications.

ServiceCo may assist Recipients to develop and support branding and corporate promotions, advertising and brand equity. Individually, Recipients may maintain independent marketing personnel to handle the day-to-day details of marketing campaigns. Costs of a general nature may be allocated using the Total Assets Ratio or the Composite Ratio.

#### 5. Legal Services.

ServiceCo may provide various legal services, processing of claims, administration of CenterPoint's corporate compliance program and general legal oversight, as well as corporate secretarial functions and filing of reports under securities laws and the 1935 Act for the benefit of Recipients. Costs of a general nature may be allocated using the Operating Expense Ratio or the Composite Ratio.

#### 6. Human Resources.

ServiceCo may assist Recipients in developing policy and planning for total compensation plans, workforce planning and training, employee relations policies and programs, and in training personnel in a coordinated manner throughout the CenterPoint System Companies. It will also design and provide administration for corporate welfare and benefit plans, including pension plans and executive benefits, and support for the negotiation of labor contracts for the CenterPoint companies. ServiceCo will provide corporate oversight for health and safety services for CenterPoint and its system companies to comply with government regulations. Each Recipient may maintain a human resources group to handle the individualized application of policies and programs. Costs of a general nature may be allocated using the Head Count Ratio. Costs of providing employee and executive benefits will be allocated directly to Recipient based on costs incurred for its employees and retirees, and any costs of a general nature which are not otherwise recovered, such as through payroll burden charges, may be allocated using the Head Count Ratio or the Composite Ratio.

#### 7. Executive.

ServiceCo will provide its the executive staff to provide executive management and governance for CenterPoint, including supplying personnel to serve on boards of directors of CenterPoint system companies, and will assist Recipients in formulating and executing general plans and policies, including operations, issuance of securities, appointment of executive personnel, budgets and financing plans, expansion of services, acquisitions and dispositions of property, public relations and other related matters. The executive staff will oversee any corporate aircraft, the costs of which will not be allocated to Recipients except in connection with direct costs of flights on behalf of a Recipient. Costs of a general nature may be allocated using the Composite Ratio.

8. Regulatory and Governmental Affairs.

ServiceCo may assist Recipients in developing policy for regulatory strategy, implementation of electric restructuring legislation and support for litigation and regulatory proceedings. Governmental Affairs will develop strategy for legislative and other governmental initiatives and monitor activities affecting the Company in the state and federal legislative arenas. Costs of a general nature may be allocated using the Total Asset Ratio to the extent such costs may be allocated to CenterPoint business units, or the Composite Ratio. Recipients may maintain individual regulatory and governmental affairs units to support local activities.

9. Information Systems and Technology.

ServiceCo may provide Recipients with the following services: Mainframe Operations, Enterprise Document Management, Data Circuit Management, Voice Services, IT Solutions Delivery, and Desktop Data Device services. Costs are billed to Recipients based on various metrics (e.g., CU second, billable hour, phone line, login ID) on cost allocations (e.g., headcount, operating expenses and direct dollars billed).

Mainframe Operations

Methodology

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-----  
Legacy  
Mainframe  
CPU  
Utilization  
Client  
Unit Usage  
Legacy  
Mainframe  
Data  
Storage  
Client  
Unit Usage  
SAP  
Mainframe  
Data  
Storage  
Client  
Unit Usage  
SAP  
Mainframe  
CPU  
Utilization  
Client  
Unit Usage  
Enterprise  
Recipient  
Specific  
Client  
Unit Usage

Enterprise Document Management

Methodology: Client Unit Usage

Data Circuit Management

Methodology: Client Unit Usage

Voice Services

Methodology ----  
-----  
Telephone Basic  
Line Client Unit  
Usage  
Moves/Add/Change  
(MAC) Client  
Unit Usage Call  
Center Basic  
Line Client Unit

Usage Video  
Conferencing  
Client Unit  
Usage

IT Solutions Delivery

Methodology: Client Unit Usage

SAP Production Support

Methodology: Headcount and Operating Expense

## Desktop Data Device Services

### Methodology

-----  
-  
Equipment  
Client  
Unit Usage  
Lotus  
Notes  
Messaging  
Client  
Unit Usage  
LAN and  
Security  
Account  
Creation  
Client  
Unit Usage  
Network  
WAN/LAN  
Client  
Unit Usage  
Client  
Support  
Center  
Help Desk  
Client  
Unit Usage

## 10. Business Services.

Real Estate and Facilities Management - Provide clients with general operating maintenance, administrative and management duties for building operations, including project management services for facility-related projects. Costs for Facilities Management not directly assignable are allocated based on the square footage utilized.

Security - Provide security and security monitoring for managed properties, security assessments and internal investigations. Costs of providing security services will be directly charged to business units based on the actual services used.

Office Support Services - Provide clients with copying, inserting, mailing, call center, and graphic design functionality. This service also includes records management and managing office supplies, forms and convenience copiers. Costs for Office Support Services are generally allocated based on client unit usage (e.g, number of forms, mail pieces, billable hours, direct dollars spent). These costs are allocated on a per unit charge that is determined by dividing (a) the total anticipated charges for providing this service to all customers during the year by (b) the estimated volume of items to be processed (e.g., number of pieces of mail handled, number of checks to be issued, etc). Users are billed based on the actual number of units used, with adjustments made for variances in total costs incurred or volume handled.

Financial Services - Provides payroll, bank reconciliation, processing certain accounts such as accounts payable and others as may be deemed necessary, check disbursements, escheat processing/reporting and remittance processing. This service also provides clients with assistance in Corporate Travel. Costs for Financial Services are generally allocated based on client unit usage (e.g., number of payments processed, checks, billable hours).

Purchasing & Logistics - Provides clients with procurement and Accounts Payable services. This service may also provide Recipients with oversight of logistics operations and investment recovery services. Costs for purchasing and logistics are generally allocated based on client unit usage (e.g., number of transactions, billable hours, managed dollars).

EXHIBIT II

AGREED UPON SERVICES TO BE RECEIVED FROM SERVICECO

SERVICES YES

NO 1.

Regulatory  
and Govt.

Affairs --- -

-- 2.

Internal

Auditing ---

--- 3.

Accounting

Services ---

--- 4.

Communications

--- --- 5.

Human

Resources ---

--- 6. Legal

Services ---

--- 7.

Financial

Services ---

--- 8.

Information

Systems and

Technology --

- --- 9.

Executive ---

--- 10.

Business

Services ---

--- i.

Purchasing  
and Logistics

--- --- ii.

Facilities

Management --

- --- iii.

Office

Support

Services ---

--- 11. Other

--- ---

[Describe]

[Signature Blocks]

-----  
(Company Name)

-----  
(President)

-----  
(Address)

-----  
(Date)