



CenterPoint Energy Reports Strong Third Quarter 2002 Earnings

Houston, TX. - CenterPoint Energy, Inc. (NYSE: CNP), the new holding company for the regulated operations of the former Reliant Energy, Incorporated, today reported income from continuing operations before the cumulative effect of accounting change of \$161 million, or \$0.54 per diluted share for the third quarter of 2002. For the same period of 2001, and prior to the full implementation of the Texas electric restructuring law, income from continuing operations before the cumulative effect of accounting change was \$183 million, or \$0.63 per diluted share. Continuing operations for both the 2002 and 2001 periods exclude the earnings of Reliant Resources, Inc. (NYSE: RRI), which was spun off to CenterPoint Energy shareholders on September 30, 2002.

The decrease in income from continuing operations for the third quarter of 2002 reflects the fundamental change in the company's electric operations as a result of the Texas electric restructuring law. The other segments of the company reported operating improvements, including the natural gas distribution and pipeline and gathering operations. Results for the third quarter of 2002 also reflected higher interest expense than the third quarter of 2001. On January 1, 2002, the company discontinued amortizing goodwill in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets". During the third quarter of 2001, \$12 million of goodwill amortization expense was recognized.

For the nine months ended September 30, 2002, CenterPoint Energy reported income from continuing operations before the cumulative effect of accounting change of \$394 million, or \$1.32 per diluted share. For the same period of 2001, income from continuing operations before the cumulative effect of accounting change was \$427 million, or \$1.46 per diluted share. The year-over-year comparison for this period was impacted by the same factors discussed above. The amount of goodwill amortization expense that was recognized for the first nine months of 2001 was \$37 million.

"We are pleased to report another excellent quarter as our employees continued to focus on effectively operating our portfolio of regulated businesses," said David McClanahan, president and chief executive officer. "We will continue to build upon our strong business fundamentals and execute our strategy of building America's leading energy delivery company."

Summary of Two New Reportable Business Segments

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

As a result of the implementation of deregulation, there are no meaningful comparisons for these segments against prior periods.

EBIT BY SEGMENT DETAILED

Electric Transmission and Distribution

The electric transmission and distribution segment reported earnings before interest and taxes (EBIT) of \$407 million for the third quarter of 2002, reflecting seasonal demand. The \$407 million of EBIT was comprised of \$167 million for the regulated electric transmission and distribution business and non-cash EBIT of \$240 million associated with generation-related regulatory assets, or Excess Cost Over Market (ECOM), as described below.

The electric transmission and distribution business recovers the cost of its service through an energy delivery charge. This business benefited from growth in residential demand in the third quarter of 2002 compared to the same period of last year, partially offset by an anticipated decline in deliveries to industrial customers resulting from a move to self-generation. Metered customers, totaling 1.77 million at the end of the third quarter of 2002, continue to grow at a healthy annualized rate of 2 percent.

Under the Texas restructuring law, a regulated utility may recover as part of its stranded investment any difference between market prices received by its affiliated power generation company and the market prices used in the Texas Public Utility Commission's ECOM model. This difference, which is recorded as a regulatory asset, produced \$240 million of non-cash EBIT in the third quarter of 2002.

Electric Generation

The electric generation segment is comprised of over 14,000 MW of electric generation located entirely in the state of Texas. With the restructuring of the company into CenterPoint Energy, Inc. on August 31, 2002, these assets were transferred to a separate subsidiary called Texas Genco. This segment reported EBIT of \$7 million for the third quarter of 2002. The company expects to distribute to its shareholders approximately 19 percent of the common stock of Texas Genco in a taxable distribution in late 2002 or early 2003.

Natural Gas Distribution

The natural gas distribution segment reported a loss before interest and taxes of less than \$1 million for the third quarter of 2002 compared to a loss before interest and taxes of \$20 million for the same period of 2001. The amount of goodwill amortization expense recognized in the third quarter of 2001 was approximately \$8 million for this segment. A significant reduction in bad debt expense in the third quarter of 2002 compared to the high levels of bad debt experienced in the same period last year contributed to the improvement in operating results.

Pipelines and Gathering

EBIT for the pipelines and gathering segment continued to produce consistent and stable margins and increased to \$43 million for the third quarter of 2002 compared to \$34 million for the same period of 2001. The amount of goodwill amortization expense recognized in the third quarter of 2001 was approximately \$4 million.

Other Operations

The company's other continuing operations reported a loss before interest and taxes for the third quarter of 2002 of \$8 million compared to a loss of \$26 million for the same period of 2001. This change is primarily attributable to a \$5 million net gain in the third quarter of 2002 compared to a \$9 million net loss in the same period of 2001 related to the company's indexed debt securities and investment in AOL Time Warner.

Accounting Treatment of the Spin-off of Reliant Resources

On September 30, 2002, the company distributed its investment in Reliant Resources to CenterPoint Energy shareholders. In accounting for this distribution, the company wrote down its \$5 billion investment in RRI to its then fair value of \$847 million. This write-down will be reported as a non-cash charge in discontinued operations. The company also reduced additional paid-in-capital for the \$847 million fair value to record the distribution as a return of capital. RRI's historical results will be reported as discontinued operations.

OUTLOOK FOR 2002 AND 2003

CenterPoint Energy has previously provided earnings guidance within a range of \$1.17 to \$1.22 per diluted share for 2002. The company is increasing its 2002 earnings guidance to a range of \$1.30 to \$1.35 per diluted share. This increase takes into consideration the company's strong performance to date, the expectation of low seasonal demand for electricity and somewhat stronger seasonal demand for natural gas during the fourth quarter, higher borrowing costs, inherent uncertainties regarding additional financings expected during the remainder of the year and other variables associated with its businesses.

For 2003, the company expects to achieve continued strong operating performance. However, higher borrowing costs and pension-related increases are expected to negatively impact the company's results. Although the company is not prepared to provide more specific guidance, CenterPoint Energy currently expects that its 2003 diluted earnings per share will be below our previous 2002 guidance.

WEBCAST OF EARNINGS CONFERENCE CALL

CenterPoint Energy has scheduled its third quarter 2002 earnings conference call for Thursday, October 17, 2002, at 1:30 p.m. Central time. Interested parties may listen to a live audio broadcast of the conference call at www.centerpointenergy.com/investors. A replay of the call can be accessed approximately two hours after the completion of the call.

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

With more than 11,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 130 years. For more information, visit our Web site at www.centerpointenergy.com.

This news release includes forward-looking statements. Actual events and results may differ materially from those projected. Factors that could affect actual results include the timing and impact of future regulatory and legislative decisions, effects of competition, weather variations, changes in CenterPoint Energy's business plans, financial market conditions, ability to raise needed capital and other factors discussed in the company's filings with the Securities and Exchange Commission.