



## CenterPoint Energy Reports Third Quarter 2004 Results

### Loss Reflects Write-Down of Regulatory Assets and Loss on Disposal of Texas Genco

HOUSTON, Nov 9, 2004 /PRNewswire-FirstCall via COMTEX/ -- CenterPoint Energy, Inc. (NYSE: CNP) today reported a net loss of \$1.1 billion, or \$3.66 per diluted share, for the third quarter of 2004 compared to net income of \$182 million, or \$0.59 per diluted share for the same period of 2003.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20020930/CNPLOGO> )

The net loss for the third quarter of 2004 was primarily related to two major events. First, the company recorded an \$894 million extraordinary charge to earnings. This charge reflects a write-down of the company's generation-related regulatory assets resulting from the Public Utility Commission of Texas' (PUC) deliberations in the proceeding to determine the company's stranded investment and other true-up amounts filed pursuant to the Texas electric restructuring law. Second, due to the pending sale of the company's interest in Texas Genco Holdings, Inc. (NYSE: TGN), the company recorded a \$259 million net loss from discontinued operations and reclassified the electric generation segment as discontinued operations for all periods presented. Net income for the third quarter of 2003 included \$35 million, or \$0.11 per diluted share, of income from discontinued operations.

Income from continuing operations was \$17 million, or \$0.05 per diluted share, for the third quarter of 2004 compared to \$147 million, or \$0.48 per diluted share, for the third quarter of 2003. The third quarter of 2003 included after-tax income of \$144 million, or \$0.47 per diluted share, related to Excess Cost Over Market (ECOM) revenues which terminated as of December 31, 2003, in accordance with the Texas electric restructuring law.

"We're very disappointed in the estimated recovery amount from our true-up proceeding pending before the Texas Public Utility Commission," said David M. McClanahan, president and chief executive officer of CenterPoint Energy. "However, we're pleased that the sale of Texas Genco is progressing well, and we will de-leverage the company with the proceeds from the sale and the ultimate securitization of the approved true-up balance. We continue to execute the strategy that we developed when we formed CenterPoint Energy a little over two years ago -- namely, reducing our debt and optimizing and enhancing our core energy delivery businesses. We're making good progress."

For the nine months ended September 30, 2004, the company recorded a net loss of \$1 billion, or \$3.25 per diluted share, which included a \$154 million net loss from discontinued operations resulting from the pending sale of Texas Genco and the \$894 million extraordinary charge to earnings from the write-down of generation-related regulatory assets. Net income for the same period of 2003 was \$413 million, or \$1.35 per diluted share, which included \$52 million, or \$0.17 per diluted share, of income from discontinued operations.

Income from continuing operations was \$43 million, or \$0.14 per diluted share, for the nine months ended September 30, 2004, compared to \$362 million, or \$1.18 per share for the same period of 2003. The nine months ended September 30, 2003 included after-tax, ECOM-related income of \$296 million, or \$0.97 per diluted share.

#### THIRD QUARTER 2004 HIGHLIGHTS

##### True-Up Proceeding

On March 31, 2004, the company filed its true-up application with the PUC, marking one of the final steps in the implementation of the Texas electric restructuring law. In this application the company is seeking to recover a true-up balance of \$3.7 billion, excluding interest. Although a final order has not been issued, based on deliberations by the PUC commissioners during six public meetings, the company estimates that it will recover approximately \$2.0 billion of its requested amount, excluding interest which will be recorded once a final determination has been made by the PUC. Consequently, the company recorded an \$894 million extraordinary loss in the quarter. Once the PUC issues a final order, the extraordinary loss may be adjusted.

##### Sale of Texas Genco

On July 21, 2004, CenterPoint Energy and Texas Genco announced a definitive agreement for GC Power Acquisition LLC, a newly formed entity owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis

Roberts & Co. L.P. and Texas Pacific Group, to acquire Texas Genco for approximately \$3.65 billion in cash. The transaction, subject to certain regulatory approvals, will be accomplished in two steps. The first step, expected to be completed in the fourth quarter of 2004, involves Texas Genco's purchase of the 19 percent of its shares owned by the public for \$47 per share, followed by GC Power Acquisition's purchase of a Texas Genco subsidiary that will then own Texas Genco's coal, lignite and gas-fired generation plants. In the second step of the transaction, expected to take place in the first half of 2005 following Nuclear Regulatory Commission approval, GC Power Acquisition will complete the acquisition of Texas Genco, the principal remaining asset of which will then be Texas Genco's interest in the South Texas Project nuclear facility. Total cash proceeds to CenterPoint Energy from both steps of the transaction will be approximately \$2.9 billion for its 81 percent interest in Texas Genco. After-tax proceeds are estimated to be approximately \$2.5 billion.

#### OPERATING INCOME BY SEGMENT DETAILED

##### Electric Transmission & Distribution

The electric transmission & distribution segment reported operating income of \$178 million in the third quarter of 2004, consisting of \$169 million for the regulated transmission and distribution utility (TDU) and \$9 million for the transition bond company, which is an amount sufficient to pay interest on the transition bonds. Results for the third quarter of 2004 do not include any revenues related to ECOM which terminated as of December 31, 2003 in accordance with the Texas electric restructuring law. Operating income for the same period of 2003 totaled \$383 million, consisting of \$151 million for the TDU, \$10 million for the transition bond company and \$222 million of non-cash income associated with ECOM.

The TDU continues to benefit from solid customer growth as nearly 51,000 metered customers were added since September 2003. Increased operation and maintenance expenses from environmental remediation costs and increased transmission payments were more than offset by a land sale.

Operating income for the nine months ended September 30, 2004, was \$390 million, consisting of \$361 million for the TDU and \$29 million for the transition bond company. Operating income for the same period of 2003 totaled \$823 million, consisting of \$339 million for the TDU, \$29 million for the transition bond company and \$455 million of non-cash income associated with ECOM.

##### Natural Gas Distribution

The natural gas distribution segment reported an operating loss of \$2 million for the third quarter of 2004 compared to an operating loss of \$5 million for the same period of 2003. Due to seasonal impacts, operating results for the third quarter in this segment are typically the weakest of the year.

Continued customer growth, with the addition of over 45,000 customers since September 2003, and higher revenues from rate increases more than offset increased operating expenses.

Operating income for the nine months ended September 30, 2004, was \$137 million, compared to \$146 million for the same period of 2003.

##### Pipelines and Gathering

The pipelines and gathering segment reported operating income of \$35 million for the third quarter of 2004 compared to \$39 million for the same period of 2003. Increased transportation and gas gathering margins were more than offset by higher operation and maintenance expenses primarily related to pipeline integrity expenditures and litigation settlement costs.

Operating income for the nine months ended September 30, 2004 was \$123 million compared to \$124 million for the same period of 2003.

##### Other Operations

The company's other operations reported an operating loss of \$4 million for the third quarter of 2004 compared to operating income of \$1 million for the same period of 2003.

The operating loss for the nine months ended September 30, 2004, was \$17 million compared to an operating loss of \$16 million for the same period of 2003.

##### OTHER

Interest expense incurred for the third quarter of 2004 was \$206 million compared to \$238 million for the same period of 2003.

In accordance with Emerging Issues Task Force Issue No. 87-24, "Allocation of Interest to Discontinued Operations", the company reclassified interest to discontinued operations of Texas Genco according to the terms for debt repayment in the respective credit facilities in effect for each period. After reflecting the reclassification of interest expense to discontinued operations and interest incurred by discontinued operations of \$14 million for the third quarter of 2004 and \$54 million for the same period of 2003, interest expense related to continuing operations was \$192 million in 2004 and \$184 million in 2003.

Interest expense incurred for the nine months ended September 30, 2004, was \$621 million in 2004 compared to \$712 million for the same period of 2003. After reflecting the reclassification of interest expense to discontinued operations and interest incurred by discontinued operations of \$38 million for the nine months ended September 30, 2004 and \$181 million for the same period of 2003, interest expense related to continuing operations was \$583 million for 2004 and \$531 million for the same period of 2003.

#### DISCONTINUED OPERATIONS

Due to the pending sale of the company's interest in Texas Genco, the electric generation segment has been reclassified as discontinued operations in the third quarter of 2004. As a result of the sale, the company recorded a \$253 million loss related to the sale of Texas Genco and an additional loss of \$93 million offsetting the company's 81 percent interest in Texas Genco's third quarter 2004 earnings. Until the sale of Texas Genco is complete, the company's interest in any Texas Genco earnings will be offset by an increased loss on the pending sale. Income from Texas Genco presented in discontinued operations was \$87 million for the quarter and \$36 million for the same period of 2003. For the nine months ended September 30, income from Texas Genco presented in discontinued operations was \$192 million for 2004 and \$66 million for the same period of 2003. These operations are presented as discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", for all periods presented.

#### FOURTH QUARTER DIVIDEND

The Board of Directors of CenterPoint Energy has not yet taken up the matter of a cash dividend for the fourth quarter, but is expected to do so at its meeting later in November.

#### WEBCAST OF EARNINGS CONFERENCE CALL

The management of CenterPoint Energy will host an earnings conference call on Tuesday, November 9, 2004, at 10:30 a.m. Central time. Interested parties may listen to a live, audio broadcast of the conference call at <http://www.CenterPointEnergy.com/investors/events>. A replay of the call can be accessed approximately two hours after the completion of the call, and will be archived on CenterPoint Energy's web site for at least one year.

CenterPoint Energy, Inc., headquartered in Houston, Texas, is a domestic energy delivery company that includes electric transmission & distribution, natural gas distribution and sales, interstate pipeline and gathering operations, and more than 14,000 megawatts of power generation in Texas, of which approximately 2,500 megawatts are currently in mothball status. The company serves nearly five million metered customers primarily in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma, and Texas. Assets total over \$19 billion. 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 the Web site at <http://www.CenterPointEnergy.com>.

This news release includes forward-looking statements. Actual events and results may differ materially from those projected. The statements in this news release regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements. Factors that could affect actual results include the timing and outcome of the true-up proceeding and any legal proceedings related thereto, the timing and impact of future regulatory and legislative decisions, successful consummation and timing of the sale of Texas Genco, effects of competition, weather variations, changes in CenterPoint Energy's or its subsidiaries' business plans, financial market conditions, the timing and extent of changes in commodity prices, particularly natural gas, the impact of unplanned facility outages and other factors discussed in CenterPoint Energy's and its subsidiaries' Form 10-Ks for the period ended December 31, 2003, Form 10-Qs for the periods ended March 31, 2004 and June 30, 2004 and other filings with the Securities and Exchange Commission.

CenterPoint Energy, Inc. and Subsidiaries  
Statements of Consolidated Operations  
(Thousands of Dollars)  
(Unaudited)

| Quarter Ended | Nine Months Ended |
|---------------|-------------------|
| September 30, | September 30,     |
| 2004          | 2003              |
| -----         | -----             |

|  |               |           |               |             |
|--|---------------|-----------|---------------|-------------|
| Revenues:  |               |           |               |             |
| Electric Transmission & Distribution   | \$446,130     | \$653,438 | \$1,149,283   | \$1,582,613 |
| Natural Gas Distribution   | 1,148,548     | 897,392   | 4,524,865     | 3,912,719   |
| Pipelines and Gathering  | 107,870       | 89,083    | 323,670       | 319,907     |
| Other Operations   | 2,592         | 7,615     | 8,372         | 25,867      |
| Eliminations   | (38,051)      | (39,594)  | (113,311)     | (168,514)   |
| Total  | 1,667,089     | 1,607,934 | 5,892,879     | 5,672,592   |
| Expenses:  |               |           |               |             |
| Fuel and cost of gas sold  | 928,189       | 681,888   | 3,700,679     | 3,073,652   |
| Operation and maintenance  | 317,486       | 298,814   | 928,556       | 910,274     |
| Depreciation and amortization  | 125,528       | 119,472   | 361,820       | 350,547     |
| Taxes other than income taxes  | 89,151        | 90,129    | 269,315       | 260,889     |
| Total  | 1,460,354     | 1,190,303 | 5,260,370     | 4,595,362   |
| Operating Income   | 206,735       | 417,631   | 632,509       | 1,077,230   |
| Other Income (Expense):  |               |           |               |             |
| Gain (loss) on Time Warner investment  | (31,161)      | (21,207)  | (40,033)      | 43,497      |
| Gain (loss) on indexed debt securities                                       | 34,117        | 17,040    | 43,240        | (38,510)    |
| Interest and other finance charges   | (182,701)     | (173,822) | (554,658)     | (501,107)   |
| Interest on transition bonds   | (9,495)       | (9,811)   | (28,716)      | (29,495)    |
| Other - net  | 1,310         | 2,688     | 15,243        | 11,846      |
| Total  | (187,930)     | (185,112) | (564,924)     | (513,769)   |
| Income from Continuing Operations Before Income Taxes and Extraordinary Loss |               |           |               |             |
|  | 18,805        | 232,519   | 67,585        | 563,461     |
| Income Tax Expense   | (2,174)       | (85,544)  | (24,781)      | (201,699)   |
| Income from Continuing Operations Before Extraordinary Loss                  |               |           |               |             |
|  | 16,631        | 146,975   | 42,804        | 361,762     |
| Discontinued Operations:   |               |           |               |             |
| Income from Texas Genco, net of tax  | 108,768       | 51,753    | 240,689       | 104,580     |
| Minority Interest related to Texas Genco, net of tax                         | (21,852)      | (15,694)  | (48,707)      | (38,799)    |
| Loss on Disposal of Texas Genco, net of tax                                  | (346,127)     | ---       | (346,127)     | ---         |
| Loss from Other Operations, net of tax                                       | ---           | (1,212)   | ---           | (2,077)     |
| Loss on Disposal of Other Operations, net of tax                             | ---           | (97)      | ---           | (12,086)    |
| Total  | (259,211)     | 34,750    | (154,145)     | 51,618      |
| Extraordinary Loss, net of tax   |               |           |               |             |
|  | (893,618)     | ---       | (893,618)     | ---         |
| Net Income (Loss)  | \$(1,136,198) | \$181,725 | \$(1,004,959) | \$413,380   |

Reference is made to the Notes to the Consolidated Financial Statements contained in the Annual Report on Form 10-K of CenterPoint Energy, Inc.

CenterPoint Energy, Inc. and Subsidiaries  
Selected Data From Statements of Consolidated Operations  
(Thousands of Dollars, Except Per Share Amounts)  
(Unaudited)

|   | Quarter Ended |           | Nine Months Ended |             |
|---|---------------|-----------|-------------------|-------------|
|   | September 30, |           | September 30,     |             |
|   | 2004          | 2003      | 2004              | 2003        |
|   | -----         | -----     | -----             | -----       |
| Basic Earnings Per Common Share:                  |               |           |                   |             |
| Income from Continuing Operations                 | \$0.05        | \$0.48    | \$0.14            | \$1.19      |
| Income (Loss) from Discontinued Operations        | (0.84)        | 0.12      | (0.50)            | 0.17        |
| Extraordinary Loss, net of tax                    | (2.90)        | ---       | (2.91)            | ---         |
| Net Income (Loss)                                 | \$(3.69)      | \$0.60    | \$(3.27)          | \$1.36      |
| Diluted Earnings Per Common Share:                |               |           |                   |             |
| Income from Continuing Operations                 | \$0.05        | \$0.48    | \$0.14            | \$1.18      |
| Income (Loss) from Discontinued Operations        | (0.83)        | 0.11      | (0.50)            | 0.17        |
| Extraordinary Loss, net of tax                    | (2.88)        | ---       | (2.89)            | ---         |
| Net Income (Loss)                                 | \$(3.66)      | \$0.59    | \$(3.25)          | \$1.35      |
| Dividends Declared per Common Share               |               |           |                   |             |
|   | \$0.10        | \$--- (A) | \$0.30            | \$0.30      |
| Weighted Average Common Shares Outstanding (000): |               |           |                   |             |
| - Basic   | 307,592       | 305,007   | 306,954           | 303,261     |
| - Diluted   | 310,165       | 307,345   | 309,482           | 305,415     |
| Operating Income (Loss) by Segment                |               |           |                   |             |
| Electric Transmission & Distribution:             |               |           |                   |             |
| Transmission & Distribution Operations            | \$168,506     | \$151,466 | \$361,635         | \$338,901   |
| Transition Bond Company                           | 9,399         | 9,733     | 28,505            | 29,252      |
| ECOM True-up                                      | ---           | 221,502   | ---               | 454,783     |
| Total Electric Transmission & Distribution        | 177,905       | 382,701   | 390,140           | 822,936     |
| Natural Gas Distribution                          | (1,972)       | (4,723)   | 137,427           | 145,789     |
| Pipelines and Gathering                           | 35,391        | 38,948    | 122,484           | 124,197     |
| Other Operations                                  | (4,589)       | 705       | (17,542)          | (15,692)    |
| Total   | \$206,735     | \$417,631 | \$632,509         | \$1,077,230 |

(A) A third quarter dividend was declared on June 18, 2003 payable on September 10, 2003.

Reference is made to the Notes to the Consolidated Financial Statements contained in the Annual Report on Form 10-K of CenterPoint Energy, Inc.

CenterPoint Energy, Inc. and Subsidiaries  
Results of Operations by Segment  
(Millions of Dollars)  
(Unaudited)

|                               | Electric Transmission & Distribution |       |                 |                       |         |                 |
|-------------------------------|--------------------------------------|-------|-----------------|-----------------------|---------|-----------------|
|                               | Quarter                              |       |                 | Nine Months           |         |                 |
|                               | Ended                                |       | % Diff          | Ended                 |         | % Diff          |
|                               | September 30,<br>2004                | 2003  | Fav/<br>(Unfav) | September 30,<br>2004 | 2003    | Fav/<br>(Unfav) |
| -----                         |                                      |       |                 |                       |         |                 |
| Results of Operations:        |                                      |       |                 |                       |         |                 |
| Revenues:                     |                                      |       |                 |                       |         |                 |
| Electric revenues             | \$425                                | \$414 | 3%              | \$1,095               | \$1,080 | 1%              |
| ECOM revenues                 | ---                                  | 222   | ---             | ---                   | 455     | ---             |
| Transition bond revenues      | 21                                   | 18    | 17%             | 54                    | 48      | 13%             |
| Total Revenues                | 446                                  | 654   | (32%)           | 1,149                 | 1,583   | (27%)           |
| Expenses:                     |                                      |       |                 |                       |         |                 |
| Operation and maintenance     | 134                                  | 139   | 4%              | 390                   | 398     | 2%              |
| Depreciation and amortization | 63                                   | 62    | (2%)            | 186                   | 184     | (1%)            |
| Taxes other than income taxes | 59                                   | 62    | 5%              | 158                   | 159     | 1%              |
| Transition bond expenses      | 12                                   | 8     | (50%)           | 25                    | 19      | (32%)           |
| Total                         | 268                                  | 271   | 1%              | 759                   | 760     | ---             |
| Operating Income              | \$178                                | \$383 | (54%)           | \$390                 | \$823   | (53%)           |

Electric Transmission  
& Distribution

| Operating Data:      | Quarter Ended         |            |    | Nine Months Ended     |            |      |
|----------------------|-----------------------|------------|----|-----------------------|------------|------|
|                      | September 30,<br>2004 | 2003       |    | September 30,<br>2004 | 2003       |      |
| Actual MWH Delivered | -----                 |            |    | -----                 |            |      |
| Residential          | 8,511,639             | 8,134,198  | 5% | 18,714,422            | 19,182,750 | (2%) |
| Total                | 22,568,431            | 20,895,879 | 8% | 56,633,719            | 54,770,018 | 3%   |

Weather (average  
for service  
area):

| Percentage of normal: |      |     |     |      |      |       |
|-----------------------|------|-----|-----|------|------|-------|
| Cooling degree days   | 103% | 96% | 7%  | 102% | 102% | ---   |
| Heating degree days   | N/A  | N/A | --- | 86%  | 111% | (25%) |

Average number of  
metered customers:

|                           |           |           |    |           |           |    |
|---------------------------|-----------|-----------|----|-----------|-----------|----|
| Residential               | 1,645,523 | 1,600,998 | 3% | 1,633,890 | 1,587,976 | 3% |
| Commercial and Industrial | 224,605   | 220,420   | 2% | 222,661   | 221,049   | 1% |
| Total                     | 1,870,128 | 1,821,418 | 3% | 1,856,551 | 1,809,025 | 3% |

Reference is made to the Notes to the Consolidated Financial Statements contained in the Annual Report on Form 10-K of CenterPoint Energy, Inc.

CenterPoint Energy, Inc. and Subsidiaries  
Results of Operations by Segment  
(Millions of Dollars)  
(Unaudited)

|                               | Natural Gas Distribution |        |           |              |         |       |
|-------------------------------|--------------------------|--------|-----------|--------------|---------|-------|
|                               | Quarter                  |        |           | Nine Months  |         |       |
|                               | Ended                    | % Diff |           | Ended        | % Diff  |       |
| Sept. 30,                     | Fav/                     |        | Sept. 30, | Fav/         |         |       |
| 2004                          | 2003 (Unfav)             |        | 2004      | 2003 (Unfav) |         |       |
| Results of Operations:        | -----                    | -----  | -----     | -----        | -----   | ----- |
| Revenues                      | \$1,149                  | \$897  | 28%       | \$4,525      | \$3,913 | 16%   |
| Expenses:                     |                          |        |           |              |         |       |
| Natural gas                   | 959                      | 713    | (35%)     | 3,776        | 3,168   | (19%) |
| Operation and maintenance     | 133                      | 133    | ---       | 416          | 417     | ---   |
| Depreciation and amortization | 36                       | 34     | (6%)      | 106          | 101     | (5%)  |
| Taxes other than income taxes | 23                       | 22     | (5%)      | 90           | 81      | (11%) |
| Total                         | 1,151                    | 902    | (28%)     | 4,388        | 3,767   | (16%) |
| Operating Income (Loss)       | \$(2)                    | \$(5)  | (60%)     | \$137        | \$146   | (6%)  |

Natural Gas Distribution

Operating Data:

Throughput data in BCF

|  |      |      |       |       |      |       |
|--|------|------|-------|-------|------|-------|
| Residential                                  | 15   | 15   | ---   | 121   | 129  | (6%)  |
| Commercial and Industrial                    | 39   | 39   | ---   | 171   | 167  | 2%    |
| Non-rate regulated Commercial and Industrial | 113  | 120  | (6%)  | 419   | 365  | 15%   |
| Elimination                                  | (32) | (24) | (33%) | (105) | (64) | (64%) |
| Total Throughput                             | 135  | 150  | (10%) | 606   | 597  | 2%    |

Weather (average for service area)

Percentage of normal:

|                     |     |      |       |     |      |      |
|---------------------|-----|------|-------|-----|------|------|
| Heating degree days | 61% | 101% | (40%) | 95% | 104% | (9%) |
|---------------------|-----|------|-------|-----|------|------|

Average number of customers:

|  |           |           |     |           |           |     |
|--|-----------|-----------|-----|-----------|-----------|-----|
| Residential                                  | 2,777,212 | 2,732,165 | 2%  | 2,791,722 | 2,749,571 | 2%  |
| Commercial and Industrial                    | 242,111   | 242,503   | --- | 245,895   | 245,118   | --- |
| Non-rate regulated Commercial and Industrial | 6,249     | 5,569     | 12% | 6,234     | 5,350     | 17% |
| Total  | 3,025,572 | 2,980,237 | 2%  | 3,043,851 | 3,000,039 | 1%  |

Pipelines and Gathering

|                        | Quarter   |         |       | Nine Months |         |
|------------------------|-----------|---------|-------|-------------|---------|
|                        | Ended     | % Diff  |       | Ended       | % Diff  |
|                        | Sept. 30, | Fav/    |       | Sept. 30,   | Fav/    |
| 2004                   | 2003      | (Unfav) | 2004  | 2003        | (Unfav) |
| Results of Operations: | -----     | -----   | ----- | -----       | -----   |

|                               |       |      |       |       |       |       |
|-------------------------------|-------|------|-------|-------|-------|-------|
| Revenues                      | \$108 | \$89 | 21%   | \$324 | \$320 | 1%    |
| Expenses:                     |       |      |       |       |       |       |
| Natural gas                   | 6     | 5    | (20%) | 33    | 62    | 47%   |
| Operation and maintenance     | 52    | 31   | (68%) | 122   | 90    | (36%) |
| Depreciation and amortization | 11    | 10   | (10%) | 33    | 31    | (6%)  |
| Taxes other than income taxes | 4     | 4    | ---   | 13    | 13    | ---   |
| Total                         | 73    | 50   | (46%) | 201   | 196   | (3%)  |
| Operating Income              | \$35  | \$39 | (10%) | \$123 | \$124 | (1%)  |

Pipelines and Gathering

Operating Data:

Throughput data in BCF

|                   |     |     |     |     |     |       |
|-------------------|-----|-----|-----|-----|-----|-------|
| Natural Gas Sales | 1   | 1   | --- | 8   | 9   | (11%) |
| Transportation    | 181 | 159 | 14% | 658 | 630 | 4%    |
| Gathering         | 79  | 73  | 8%  | 233 | 219 | 6%    |
| Elimination       | --- | --- | --- | (5) | (4) | (25%) |
| Total Throughput  | 261 | 233 | 12% | 894 | 854 | 5%    |

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CenterPoint Energy, Inc. and Subsidiaries  
Results of Operations by Segment  
(Millions of Dollars)  
(Unaudited)

|                         | Other Operations |      |         |             |        |         |
|-------------------------|------------------|------|---------|-------------|--------|---------|
|                         | Quarter          |      |         | Nine Months |        |         |
|                         | Ended            |      | % Diff  | Ended       |        | % Diff  |
|                         | Sept. 30,        | 2003 | Fav/    | Sept. 30,   | 2003   | Fav/    |
|                         | 2004             |      | (Unfav) | 2004        |        | (Unfav) |
| Results of Operations:  | ----             | ---- | -----   | ----        | ----   | -----   |
| Revenues                | \$2              | \$8  | (75%)   | \$8         | \$26   | (69%)   |
| Expenses                | 6                | 7    | 14%     | 25          | 42     | 40%     |
| Operating Income (Loss) | \$(4)            | \$1  | (500%)  | \$(17)      | \$(16) | (6%)    |

Capital Expenditures by Segment  
(Millions of Dollars)  
(Unaudited)

|                                      | Quarter Ended |               | Nine Months Ended |               |
|--------------------------------------|---------------|---------------|-------------------|---------------|
|                                      | September 30, | September 30, | September 30,     | September 30, |
|                                      | 2004          | 2003          | 2004              | 2003          |
| Capital Expenditures by Segment      | ----          | ----          | ----              | ----          |
| Electric Transmission & Distribution | \$79          | \$51          | \$173             | \$156         |
| Natural Gas Distribution             | 52            | 65            | 132               | 148           |
| Pipelines and Gathering              | 14            | 13            | 38                | 42            |
| Other Operations                     | 4             | ---           | 16                | 6             |
| Total                                | \$149         | \$129         | \$359             | \$352         |

Interest Expense Detail  
(Millions of Dollars)  
(Unaudited)

|                                    | Quarter Ended |               | Nine Months Ended |               |
|------------------------------------|---------------|---------------|-------------------|---------------|
|                                    | September 30, | September 30, | September 30,     | September 30, |
|                                    | 2004          | 2003          | 2004              | 2003          |
| Interest Expense Detail            | ----          | ----          | ----              | ----          |
| Amortization of Deferred Financing |               |               |                   |               |



|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Cost  | \$19  | \$16  | \$63  | \$44  |
| Capitalization of Interest Cost   | (1)   | (1)   | (3)   | (3)   |
| Transition Bond Interest Expense  | 9     | 9     | 28    | 28    |
| Other Interest Expense  | 165   | 160   | 495   | 462   |
| Total Interest Expense  | 192   | 184   | 583   | 531   |
| Amortization of Deferred Financing<br>Cost Reclassified to Discontinued<br>Operations | 1     | 22    | 3     | 64    |
| Other Interest Reclassified to<br>Discontinued Operations                             | 13    | 31    | 35    | 109   |
| Total Interest Reclassified to<br>Discontinued Operations (A)                         | 14    | 53    | 38    | 173   |
| Interest Expense Incurred by<br>Discontinued Operations                               | ---   | 1     | ---   | 8     |
| Total Expense in Discontinued<br>Operations   | 14    | 54    | 38    | 181   |
| Total Interest Expense Incurred   | \$206 | \$238 | \$621 | \$712 |

- (A) In 2003, our \$3.85 billion credit facility was comprised of a revolver and a term loan. This facility was amended in October 2003 to a \$2.35 billion credit facility, comprised of a revolver and a term loan. According to the terms of the \$3.85 billion credit facility, any net cash proceeds received from the sale of Texas Genco were required to be applied to repay borrowings under the credit facility. According to the terms of the \$2.35 billion credit facility, until such time as the facility has been reduced to \$750 million, 100% of any net cash proceeds received from the sale of Texas Genco are required to be applied to repay borrowings under the credit facility and reduce the amount available under the credit facility.

In accordance with Emerging Issues Task Force Issue No. 87-24 "Allocation of Interest to Discontinued Operations", we have reclassified interest to discontinued operations of Texas Genco based on net proceeds to be received from the sale of Texas Genco of \$2.5 billion, and have applied the proceeds to the amount of debt assumed to be paid down in each respective period according to the terms of the respective credit facilities in effect for those periods. In periods where only the term loan was assumed to be repaid, the actual interest paid was reclassified. In periods where a portion of the revolver was assumed to be repaid, the percentage of that portion of the revolver to the total outstanding balance was calculated, and that percentage was applied to the actual interest paid in those periods to compute the amount of interest reclassified.

Total interest expense incurred was \$206 million and \$238 million for the three months ended September 30, 2004 and 2003, respectively, and \$621 million and \$712 million for the nine months ended September 30, 2004 and 2003, respectively. After reflecting the reclassification of interest expense to discontinued operations and interest incurred by discontinued operations of \$14 million and \$54 million for the three months ended September 30, 2004 and 2003, respectively, and \$38 million and \$181 million for the nine months ended September 30, 2004 and 2003, respectively, interest expense related to continuing operations was \$192 million and \$184 million for the three months ended September 30, 2004 and 2003, respectively, and \$583 million and \$531 million for the nine months ended September 30, 2004 and 2003, respectively.

Reference is made to the Notes to the Consolidated Financial Statements contained in the Annual Report on Form 10-K of CenterPoint Energy, Inc.

CenterPoint Energy, Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets  
(Thousands of Dollars)  
(Unaudited)

|   | September 30,<br>2004<br>----- | December 31,<br>2003<br>----- |
|---|--------------------------------|-------------------------------|
| <b>ASSETS</b>   |                                |                               |
| Current Assets:   |                                |                               |
| Cash and cash equivalents   | \$20,202                       | \$86,922                      |
| Other current assets  | 1,888,084                      | 1,967,944                     |
| Current assets of discontinued operations                         | 606,018                        | 301,765                       |
| Total current assets  | 2,514,304                      | 2,356,631                     |
| Property, Plant and Equipment, net                                | 8,122,791                      | 8,084,924                     |
| Other Assets:   |                                |                               |
| Goodwill, net   | 1,740,510                      | 1,740,510                     |
| Regulatory assets   | 3,227,201                      | 4,930,793                     |
| Other non-current assets  | 406,639                        | 405,936                       |
| Non-current assets of discontinued operations                     | 3,574,598                      | 3,942,296                     |
| Total other assets  | 8,948,948                      | 11,019,535                    |
| Total Assets  | \$19,586,043                   | \$21,461,090                  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                       |                                |                               |
| Current Liabilities:  |                                |                               |
| Current portion of transition bond long-term debt                 | \$46,806                       | \$41,189                      |
| Short-term borrowings and current portion of other long-term debt | 490,414                        | 182,738                       |
| Other current liabilities   | 1,881,545                      | 2,046,209                     |
| Current liabilities of discontinued operations                    | 353,947                        | 332,125                       |
| Total current liabilities   | 2,772,712                      | 2,602,261                     |
| Other Liabilities:  |                                |                               |
| Accumulated deferred income taxes, net and investment tax credit  | 1,907,237                      | 2,227,229                     |
| Regulatory liabilities  | 1,114,515                      | 1,358,030                     |
| Other non-current liabilities                                     | 1,019,260                      | 1,278,646                     |
| Non-current liabilities of discontinued operations                | 1,461,097                      | 1,277,760                     |
| Total other liabilities   | 5,502,109                      | 6,141,665                     |
| Long-term Debt:   |                                |                               |
| Transition bond   | 628,893                        | 675,665                       |
| Other   | 9,826,790                      | 10,102,269                    |
| Total long-term debt  | 10,455,683                     | 10,777,934                    |
| Minority Interest in Discontinued Operations                      | 215,953                        | 178,673                       |
| Shareholders' Equity  | 639,586                        | 1,760,557                     |

|  |              |              |
|--|--------------|--------------|
| Total Liabilities and Shareholders' Equity | \$19,586,043 | \$21,461,090 |
|--|--------------|--------------|

Reference is made to the Notes to the Consolidated Financial Statements contained in the Annual Report on Form 10-K of CenterPoint Energy, Inc.

CenterPoint Energy, Inc. and Subsidiaries  
Condensed Statements of Consolidated Cash Flows  
(Thousands of Dollars)  
(Unaudited)

|  | Nine Months Ended<br>September 30, |           |
|--|------------------------------------|-----------|
|  | 2004                               | 2003      |
|  | -----                              | -----     |
| Cash Flows from Operating Activities:  |                                    |           |
| Net income (loss)  | \$(1,004,959)                      | \$413,380 |
| Discontinued operations, net of tax  | 154,145                            | (51,618)  |
| Extraordinary loss, net of tax   | 893,618                            | ---       |
| Income from continuing operations  | 42,804                             | 361,762   |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: |                                    |           |
| Depreciation and amortization  | 424,993                            | 394,947   |
| Deferred income taxes and investment tax credit  | 99,556                             | 313,151   |
| Changes in net regulatory assets and liabilities   | (253,335)                          | (667,796) |
| Changes in other assets and liabilities  | 8,017                              | (155,956) |
| Other, net   | 17,268                             | 22,507    |
| Net Cash Provided by Operating Activities  | 339,303                            | 268,615   |
| Net Cash Used in Investing Activities  | (352,864)                          | (350,956) |
| Net Cash Used in Financing Activities  | (113,811)                          | (230,227) |
| Net Cash Provided by Discontinued Operations   | 60,652                             | 43,264    |
| Net Decrease in Cash and Cash Equivalents  | (66,720)                           | (269,304) |
| Cash and Cash Equivalents at Beginning of Period   | 86,922                             | 303,704   |
| Cash and Cash Equivalents at End of Period   | \$20,202                           | \$34,400  |

Reference is made to the Notes to the Consolidated Financial Statements contained in the Annual Report on Form 10-K of CenterPoint Energy, Inc.

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