File No. 070-9895

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

FORM U-1/A

POST-EFFECTIVE AMENDMENT NO. 3 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)

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time, we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, within the meaning of Rule 103A under the Public Utility Holding Company Act of 1935 or other provisions of the securities laws. Actual results may differ materially from those expressed or implied by these statements. The reader can generally identify our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "should," "will," "forecast," "goal," "objective," "projection," or other similar words.

We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. We caution the reader that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure the reader that actual results will not differ materially from those expressed or implied by our forward-looking statements.

The following list identifies some of the factors that could cause actual results to differ materially from those expressed or implied by our forward-looking statements:

- state, federal and international legislative and regulatory actions or developments, including deregulation, re-regulation and restructuring of the electric utility industry; constraints placed on our activities or business by the Public Utility Holding Company Act of 1935; changes in or application of environmental, siting and other laws or regulations to which we are subject; other aspects of our business and actions with respect to:
  - approval of stranded costs;
  - allowed rates of return;
  - rate structures;
  - recovery of investments; and
  - operation and construction of facilities;
- the effects of competition;
- industrial, commercial and residential growth in our service territories and changes in market demand and demographic patterns;
- changes in business strategy or development plans;
- state, federal and other rate regulations in the United States;
- non-payment for our services due to financial distress of our customers, including Reliant Resources, Inc;
- the successful and timely completion of our capital projects;

- the timing and extent of changes in commodity prices, particularly natural gas;

- changes in interest rates or rates of inflation; unanticipated changes in operating expenses and capital expenditures;

- weather variations and other natural phenomena;

- commercial bank and financial market conditions, our access to capital, the cost of such capital, receipt of certain approvals under the Public Utility Holding Company Act of 1935, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;

- actions by rating agencies;

- legal and administrative proceedings and settlements;

- changes in tax laws;

- inability of various counterparties to meet their obligations with respect to our financial instruments;

- any lack of effectiveness of our disclosure controls and procedures;

- changes in technology;

- significant changes in our relationship with our employees, including the availability of qualified personnel and the potential adverse effects if labor disputes or grievances were to occur;

- significant changes in critical accounting policies material to us;

- acts of terrorism or war, including any direct or indirect effect on our business resulting from terrorist attacks such as occurred on September 11, 2001 or any similar incidents or responses to those incidents;

- the availability and price of insurance;

- the outcome of the pending securities lawsuits against us and Reliant Energy, Incorporated;

- the outcome of the SEC investigation relating to the treatment in our consolidated financial statements of certain activities of Reliant Resources, Inc;

- the ability of Reliant Resources, Inc. to satisfy its indemnity obligations to us;

- the reliability of the systems, procedures and other infrastructure territory, including the systems owned and operated by the independent system operator in the Electric Reliability Council of Texas, Inc.;

- political, legal, regulatory and economic conditions and developments in the United States and in foreign countries in which we operate; and

- other factors we discuss in the Reliant Energy, Incorporated's Annual Report on Form 10-K/A for the year ending December 31, 2001 (File No. 1-03187) CenterPoint Energy, Inc.'s Quarterly Report on Form 10-Q for the period ending September 30, 2002 (File No. 1-31447), including those outlined in "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Certain Factors Affecting Our Future Earnings" and in this Form U-1/A.

The reader should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

CenterPoint Energy, Inc. ("CenterPoint" or the "Company") and Utility Holding, LLC are seeking a modification of the Commission's order dated July 5, 2002 (HCAR No. 27548) (the "July Order") to permit CenterPoint to pledge the stock of Texas Genco Holdings, Inc. ("Texas Genco") in connection with refinancing of approximately $3.85 billion in CenterPoint debt.(1) CenterPoint also seeks authority to issue warrants or other stock purchase rights, subject to the terms and conditions of the July Order.

This Post-Effective Amendment No. 3 to the Application-Declaration restates Post-Effective Amendment No. 2 to the Application-Declaration in its entirety.

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION

A. Requested Authorization

The July Order authorized the formation of CenterPoint as a registered holding company and approved various financing proposals. Among other things, the July Order authorized CenterPoint to issue up to $5 billion in long-term debt and $6 billion in short-term debt, subject to an overall limit of no more than $6 billion in financings at any one time outstanding (the "Financing Limit") through June 30, 2003 (the "Authorization Period"). In the July Order, CenterPoint committed that debt issued by it pursuant to such authorization would be unsecured.

In reliance on the authority granted in the July Order, on October 10, 2002, CenterPoint entered into a $3.85 billion, 364-day credit facility (the "CenterPoint Facility") to replace a similar facility that had expired. The CenterPoint Facility requires, among other things, two mandatory commitment reductions of $600 million, one by February 28, 2003, and the other by June 30, 2003.

CenterPoint is facing significant financial pressures. The management and Board of Directors of CenterPoint are working diligently to preserve and enhance the value of CenterPoint and its subsidiary companies (together, the "System"). The recent credit crisis in the energy sector has highlighted the importance of maintaining maximum flexibility to raise capital from any source. Among other things, CenterPoint is negotiating with its lenders to extend the maturity date of the CenterPoint Facility into 2005, by which time CenterPoint expects to have sold its generation assets and recovered its stranded costs as provided by Texas law. Deteriorating market conditions, however, have made it difficult to refinance CenterPoint's debt on reasonable terms without providing some security. CenterPoint's lenders have indicated that in the absence of flexibility to provide collateral to secure borrowings, CenterPoint may find it difficult to obtain the necessary financing. It is CenterPoint's belief that, with the ability to provide collateral, an adequate financing arrangement could be implemented. Accordingly, CenterPoint is seeking authorization pursuant to Sections 6 and 7 of the Act to issue and sell

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1 Utility Holding, LLC is a Delaware limited liability company and an intermediate holding company that is registered under the Act. Utility Holding, LLC, which directly holds approximately 80% of the outstanding common stock of Texas Genco, is a necessary party to this filing. Utility Holding, LLC is otherwise a conduit entity formed solely to minimize tax liability.

during the Authorization Period up to $4 billion of long-term debt that is partially secured by the stock of Texas Genco.(2)

Texas Genco is an exempt holding company that indirectly owns the Texas generation assets formerly owned by CenterPoint's integrated utility predecessor (the "Texas Genco Assets"). Although the Commission has traditionally discouraged the issuance of secured debt by a registered holding company, CenterPoint believes that there are unique circumstances in this matter that support the grant of the requested relief.

In the first instance, while Texas Genco, LP (the entity that directly owns the Texas Genco Assets) is technically an "electric-utility company" within the meaning of the Act, it has none of the indices of a traditional regulated entity. Texas Genco, LP is solely an unregulated generating company under Texas law. Its sales are not subject to traditional cost-based rate regulation. It has no franchise or "obligation to serve" and has no captive customers. Further, CenterPoint is in the process of obtaining the necessary state approvals to allow Texas Genco to qualify as an exempt wholesale generator, which is a nonutility company for purposes of the Act.

Second, it has always been CenterPoint's stated intention to monetize the Texas Genco Assets (approximately $2.8 billion equity capitalization as of September 30, 2002) as part of the Business Separation Plan approved in December 2000 by the Public Utility Commission of Texas (the "Texas Commission") pursuant to the Texas electric restructuring law. Indeed, in the July Order, the Commission noted that "the sale of Texas Genco, LP and securitization of any stranded investment in 2004 and 2005, as contemplated by Texas law" are an integral part of CenterPoint's plan to achieve a more traditional capital structure.

Third, CenterPoint does not expect to maintain secured debt at the holding company level as a permanent part of its capital structure. At the time it sells its stock in Texas Genco to Reliant Resources, Inc. ("Reliant Resources") or a third party, it would need to redeem the pledge so that the stock would be transferable. At that point it is contemplated that any remaining debt at the parent level would cease to be secured.(3)

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2 Any borrowings under the proposed financing would be subject to and included in the Financing Limit.

3 As explained more fully herein, Reliant Resources has an option that may be exercised in January 2004 to acquire all of the shares of Texas Genco common stock then owned by CenterPoint and Utility Holding, LLC. CenterPoint is contractually obligated to deliver unencumbered shares of Texas Genco stock. The documentation for any secured financing, therefore, would have to provide for a release of all liens on the Texas Genco stock in connection with the sale of that stock. As a result, any remaining debt under the contemplated bank facility would cease to be secured.

In the event that Reliant Resources does not exercise its option and CenterPoint is otherwise unable to sell its interest in Texas Genco (which would similarly involve a release of the liens), As part of this approach, CenterPoint may be required to issue debt securities convertible into common stock or debt securities with warrants or other stock purchase rights. Again, the proceeds of such financing will be used to refinance the existing indebtedness of CenterPoint. The July Order grants CenterPoint the authority to issue convertible debt securities. CenterPoint is seeking authority herein to issue options, warrants to purchase the common stock of the Company or other stock purchase rights consistent with Commission precedent and the terms and conditions of the July Order.(4)

The proposed financings will otherwise be subject to the terms and conditions as set forth in the July Order and as may be modified by the Commission in this matter.(5)

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the proposed secured facility would expire, and the associated liens would be released in June 2005.

4 As discussed infra, if CenterPoint were to offer warrants or other stock purchase rights to lenders, it is contemplated that the documentation would provide that, upon exercise of such rights, (i) no one lender would own, control, or hold with power to vote five percent or more of the outstanding common stock of CenterPoint, and (ii) the lenders would not act as an organized group of persons with respect to such voting stock or otherwise seek to exercise an impermissible controlling influence over the management and operations of CenterPoint.

5 The specific terms and conditions of the financing will be determined in the course of negotiations with the lenders but will in any event comply with the terms and conditions of the July Order except as expressly authorized in this matter.

The July Order provides that the effective cost of money on debt financings will not exceed the greater of 500 basis points over the comparable term London Interbank Offered Rate or "market rates available at the issuance to similarly situated companies with comparable credit ratings for debt with similar maturities and terms." The effective cost of money in this matter is less than that approved by the Commission during this period for a subsidiary of Allegheny Energy, Inc., another registered holding company. See Allegheny Energy, Inc., Holding Co. Act Release No. 27259 (Oct. 17, 2002) ("the effective cost of capital on any security will not exceed competitive market rates available at the time of issuance for securities having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality, provided that in no event will the interest rate on any such secured debt exceed an interest rate per annum equal to the sum of 12% plus the prime rate as announced by a nationally recognized money center bank").

It is currently expected that the negotiations will result in two facilities, one a $1.5 billion revolving credit facility and the other a $2.35 billion term loan, both with a term through June, 2005.

Although the terms and conditions of the new facilities will be based on those of the existing $3.85 million facility, CenterPoint is seeking greater flexibility for future financings for itself and the Utility Subsidiaries, in view of the longer term of the proposed facilities.

The Company believes that the proposed transactions would clearly place it in a stronger financial position than it is currently and so the requested relief is consistent with the public interest and the interest of investors and consumers. Compare Northeast Utilities, Holding Co. Act Release No. 25273 (March 15, 1991) (while cautioning that it "cannot guarantee the success of PSNH," the Commission nonetheless concluded that the proposed transaction would place the company in a stronger financial position than it would otherwise be).

B. Background

1. Generally

In the July Order, the Commission authorized the formation of a new registered holding company, CenterPoint, and the distribution ("Distribution") to shareholders of the remaining stock of Reliant Resources, Inc. ("Reliant Resources"). 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.(6)

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6 As a result of the spin-off of Reliant Resources, CenterPoint recorded a non-cash loss on the disposal of discontinued operations of $4.3 billion in the third quarter of 2002. This loss represents the excess of the carrying value of CenterPoint's net investment in Reliant Resources over the market value of Reliant Resources stock. To account for the Distribution, CenterPoint reduced its retained earnings to reflect the impairment in the value of its investment in Reliant Resources (i.e., the difference between book and market value of the stock) and then reduced its additional paid-in capital by the net book value of its investment (following the adjustment) in Reliant Resources. The impairment adjustment was made in accordance with Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions" and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

The impairment adjustment resulted in negative retained earnings for CenterPoint. Subject to certain conditions, including a revaluation of all assets and liabilities, generally accepted accounting principles ("GAAP") would permit but do not require an accounting or quasi-reorganization to eliminate deficits in retained earnings. See Financial Reporting Release 210.

CenterPoint's public-utility subsidiary companies own and operate electric generation plants, electric transmission and distribution facilities, natural gas distribution facilities and natural gas pipelines:

- o CenterPoint Energy Houston Electric, LLC (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.

- o Texas Genco (discussed below) owns and operates the Texas generating plants formerly belonging to the integrated electric utility that was a part of Reliant Energy, Incorporated.

- o CenterPoint Energy Resources Corp. ("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.

For the nine months ended September 30, 2002, CenterPoint had revenues of $5.8 billion, and operating income of $1.1 billion. As of September 30, 2002, CenterPoint had assets totaling $19.0 billion.

2. The Texas Electric Restructuring Law

In June 1999, the Texas legislature enacted a law that substantially amended the regulatory structure governing electric utilities in Texas. Under this law, the power generation and retail sales functions of integrated utilities in Texas ceased to be subject to traditional cost-based regulation and utilities were required to separate their generation, retail and transmission and distribution functions into separate units. Since January 1, 2002, Texas Genco has been selling generation capacity, energy and ancillary services to wholesale purchasers at prices determined by the market. The transmission and distribution services provided by the T&D Utility remain subject to rate regulation.

Since January 1, 2002, the former retail customers of most investor-owned electric utilities in Texas have been entitled to purchase their electricity from any of several "retail electric providers" that have been certified by the Texas Commission. Retail electric providers cannot own generation assets in Texas. Neither CenterPoint nor any of its subsidiary companies is a retail electric provider or engages in retail electric sales.

Texas transmission and distribution utilities such as the T&D Utility whose generation assets were "unbundled" pursuant to the Texas electric restructuring law, may in 2004 recover generation-related (i) "regulatory assets," and (ii) "stranded costs," which consist of the positive excess of the net regulatory book value of generation assets over the market value of the assets, taking specified factors into account.

As discussed herein, the Texas electric restructuring law permits utilities to recover regulatory assets and stranded costs through non-bypassable charges authorized by the Texas Commission, to the extent that such assets and costs are established in certain regulatory proceedings. The law also authorizes the Texas Commission to permit utilities to issue securitization bonds based on the securitization of the revenue associated with that charge.

3. Texas Genco

Texas Genco, LP is one of the largest wholesale electric power generating companies in the United States. As of September 30, 2002, Texas Genco, LP owned and operated 11 power generating stations (60 generating units) and had a 30.8% interest in the South Texas Project Electric Generating Station ("South Texas Project"), for a total net generating capacity of 14,175 MW. The South Texas Project is a nuclear generating station with two 1,250 MW nuclear generating units. The following table contains information regarding the electric generating assets:

GENERATION FACILITIES	NET GENERATING CAPACITY AS OF SEPTEMBER 30, 2002 (IN MW)
W. A. Parish	3,661
Limestone	1,612
South Texas Project	770
San Jacinto	162
Cedar Bayou	2,260
P. H. Robinson	2,213
T. H. Wharton	1,254
S. R. Bertron	844
Greens Bayou	760
Webster	387
Deepwater	174
H. O. Clarke	78
Total	14,175

Texas Genco, LP sells electric generation capacity, energy and ancillary services in the Electric Reliability Council of Texas, Inc. ("ERCOT") market, which is the largest power market in the State of Texas. Since January 1, 2002, Texas Genco, LP's generation business has been operated as an independent power producer, with output sold at market prices to a variety of purchasers. As authorized by this Commission under the July Order, on January 6, 2003, CenterPoint distributed to its shareholders approximately 19% of the common stock of Texas Genco. The stock of Texas Genco is traded on the New York Stock Exchange under the symbol "TGN".

Reliant Resources has an option that may be exercised between January 10, 2004 and January 24, 2004 to purchase all of the shares of Texas Genco common stock then owned by CenterPoint. The exercise price under the option will equal:

- the average daily closing price per share of Texas Genco common stock on The New York Stock Exchange for the 30 consecutive trading days with the highest average closing price for any 30-day trading period during the 120 trading days immediately preceding January 10, 2004, multiplied by the number of shares of Texas Genco common stock then owned by CenterPoint, plus

- a control premium, up to a maximum of 10%, to the extent a control premium is included in the valuation determination made by the Texas Commission relating to the market value of Texas Genco's common stock equity.

The exercise price formula is based upon the generation asset valuation methodology in the Texas electric restructuring law that CenterPoint will use to calculate the market value of Texas Genco. The exercise price is also subject to adjustment based on the difference between the per share dividends Texas Genco paid to CenterPoint during the period from the distribution date through the option closing date and Texas Genco's actual per share earnings during that period. To the extent Texas Genco's per share dividends are less than its actual per share earnings during that period, the per share option price will be increased. To the extent its per share dividends exceed its actual per share earnings, the per share option price will be reduced.

Reliant Resources has agreed that if it exercises its option, Reliant Resources will purchase from CenterPoint all notes and other payables owed by Texas Genco to CenterPoint as of the option closing date, at their principal amount plus accrued interest. Similarly, if there are notes or payables owed to Texas Genco by CenterPoint as of the option closing date, Reliant Resources will assume those obligations in exchange for a payment from CenterPoint of an amount equal to the principal plus accrued interest.

If Reliant Resources does not exercise the option, CenterPoint currently plans to sell or otherwise monetize its interest in Texas Genco.(7)

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7 Among other things, CenterPoint could conduct an auction of its remaining interest in Texas Genco.

Texas Genco and its subsidiary companies could issue additional debt subject to certain conditions: (i) under the 1935 Act, Texas Genco must maintain a minimum of 30% common equity capitalization, and (ii) in connection with the proposed financing, the lenders are limiting to $250 million the amount of borrowing by Texas Genco or its subsidiary companies, at any one time outstanding.

Texas Genco is currently in the process of obtaining financing at the Texas Genco level. The proceeds of the financing, which would be secured by a pledge of the assets of Texas Genco, will be used to repay existing intrasystem indebtedness and to provide working capital for Texas Genco. Such financing would be in compliance with the terms and conditions of the July Order,

4. Stranded Costs and Regulatory Assets Recovery

The Texas electric restructuring law provides CenterPoint an opportunity to recover its "regulatory assets" and "stranded costs" resulting from the unbundling of the transmission and distribution utility from the generation facilities and the related onset of retail electric competition. The Texas electric restructuring law allows alternative methods of third party valuation of the fair market value of generation assets, including outright sale, full and partial stock valuation and asset exchanges. CenterPoint has committed in the business separation plan approved by the Texas Commission that the fair market value of the Texas Genco Assets will be determined using the partial stock valuation method. Under this methodology, the publicly traded common stock of Texas Genco will be used to determine the market value of the Texas Genco Assets.

Beginning in January 2004, the Texas Commission will conduct true-up proceedings for each investor-owned utility. The purpose of the true-up proceeding is to quantify and reconcile the amount of stranded costs, the capacity auction true-up, unreconciled fuel costs and other regulatory assets associated with the generating assets that were not previously securitized. The true-up proceeding will result in either additional charges or credits being assessed on certain retail electric providers.

The regulatory net book value of generating assets will be compared to the market value based on the partial stock valuation method. The resulting difference, if positive, is stranded cost that will be recovered through a transition charge, which is a non-bypassable charge assessed to customers taking delivery service from the T&D Utility, that may be securitized as discussed below. If the difference is negative, the amount of over-mitigation not returned to customers by that time (redirected depreciation and excess earnings directed to depreciation) will be returned to customers through lower transmission and distribution charges.

The publicly traded common stock of Texas Genco will be used to determine the market value of the Texas Genco Assets. The market value will be equal to the average daily closing price on a national exchange for publicly held shares of common stock in Texas Genco for the 30 consecutive trading days chosen by the Texas Commission out of the 120 trading days immediately preceding the true-up filing, plus a control premium, up to a maximum of 10%. The regulatory net book value is the balance as of December 31, 2001 plus certain costs incurred for reductions in emissions of oxides of nitrogen and any above-market purchase power costs. The regulatory net book value will also include any mitigation returned to ratepayers through return of "excess earnings depreciation" or reversal of redirected depreciation.

The Texas Commission used a computer model or projection, called an excess-cost-over-market model or "ECOM model," to estimate stranded costs related to generation plant

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which authorizes Texas Genco to issue secured and unsecured debt in an amount up to $500 million at any one time outstanding during the Authorization Period. While the specific amount of the proposed financing has not yet been determined, Texas Genco undertakes that it will not issue debt in excess of $250 million without additional Commission approval.

assets. In connection with using the ECOM model to calculate the stranded cost estimate, the Texas Commission estimated the market power prices that will be received in the generation capacity auctions mandated by the Texas electric restructuring law during the period January 1, 2002 through December 31, 2003. Any difference between the actual market power prices received in those auctions and the Texas Commission's earlier estimates of those market prices will be a component of the 2004 true-up to which the T&D Utility will be a party.

The fuel component will be determined in a final fuel reconciliation. In that proceeding, the amount of any over- or under-recovery of fuel costs from the period August 1, 1997 through January 31, 2002 will be determined. Any over- or under-recovery, plus interest thereon, will either be returned to or recovered from our customers, as appropriate, as a component of the 2004 true-up.

In connection with the implementation of the Texas electric restructuring law, the Texas Commission has set a "price to beat" for retail electric providers affiliated with a formerly integrated utility that serve residential and small commercial customers within the utility's service territory. The true-up provides for a clawback of "price to beat" in excess of the market price of electricity if 40% of the "price to beat" load is not served by a non-affiliated retail electric provider by January 1, 2004. Pursuant to the master separation agreement between Reliant Energy, Incorporated and Reliant Resources, Reliant Resources is obligated to reimburse the T&D Utility for the clawback component of the true-up. The clawback will not exceed $150 times the number of customers served by the affiliated retail electric provider in the transmission and distribution utility's service territory less the number of customers served by the affiliated retail electric provider outside the transmission and distribution utility's service territory on January 1, 2004.

The Texas electric restructuring law provides for the use of special purpose entities to issue securitization bonds for the economic value of generation-related regulatory assets and stranded costs. These bonds will be amortized through non-bypassable charges to the T&D Utility's customers that are authorized by the Texas Commission. Any stranded costs not recovered through the securitization bonds will be recovered through a non-bypassable charge assessed to customers taking delivery service from the T&D Utility.

In October 2001, a special-purpose subsidiary of the T&D Utility issued $749 million of transition bonds to securitize generation-related regulatory assets. The bonds have a final maturity date of September 15, 2015 and are non-recourse to CenterPoint or its subsidiaries other than to the special purpose issuer of the transition bonds. The T&D Utility has no payment obligations with respect to the transition bonds except to remit collections of transition charges as set forth in a servicing agreement between the T&D Utility and the transition bond company and in an intercreditor agreement among the T&D Utility, its transition bond subsidiary and other parties.

It is anticipated that another special-purpose subsidiary of the T&D Utility will similarly issue securitization bonds in 2004 or 2005 to monetize and recover the balance of stranded costs relating to previously owned electric generation assets and other qualified costs as determined in the 2004 true-up proceeding. The issuance will be done pursuant to a financing order issued by the Texas Commission. As with the debt of its existing transition bond company, the holders of the securitization bonds would not have recourse to any assets or revenues of the CenterPoint System (other than those of the special purpose transition bond company), nor would the System's creditors have recourse to any assets or revenues of the entity issuing the securitization bonds (again other than those of the special purpose transition bond company),. All or a portion of the proceeds from the issuance of bonds would be used to repay debt of CenterPoint and its subsidiary companies.(8)

5. Financial Condition

a. CenterPoint now projects that it will achieve 30% common equity capitalization (net of securitization debt) in 2006.

At the time the Commission issued the July Order, it was contemplated that, by the end of 2005, the consolidated equity capitalization (net of securitization debt) of the CenterPoint System would meet or exceed the 30% minimum generally required by the Commission for registered holding companies (the "June 2002 projections"). It has been and remains the Company's goal to achieve the 30% common equity capitalization as soon as practicable. As a result of the external events described below, the Company's most recent projections now indicate that the 30% goal will indeed be achieved but over a slightly longer period of time. Specifically, on the basis of current projections, it is CenterPoint's intention that the System will achieve equity capitalization net of securitization debt of 31.8% in 2006 (17.8%

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8 A portion of the proceeds will be used to repay an existing $1.31 billion loan at the T&D Utility and retire the associated General Mortgage Bonds. Other third-party indebtedness then outstanding at the T&D Utility, such as a series of First Mortgage Bonds coming due at the time of the sale, will also be repaid.

It is contemplated that all or a portion of the proceeds would be transferred to CenterPoint by means of a combination of dividends and repayment of intercompany debt from the T&D Utility to Utility Holding, LLC and from Utility Holding, LLC to CenterPoint. While the specific means of transferring the monies will be determined based on the then-existing facts and circumstances, it is currently projected that the T&D Utility will have sufficient capacity to accomplish the desired transfer.

As a limited liability company organized under Texas law, the T&D Utility may make distributions unless its liabilities would exceed the fair value of its assets following the distribution. CenterPoint currently estimates that a distribution of approximately $2.6 billion may be made from the T&D Utility to CenterPoint in 2005. The proceeds transferred to CenterPoint will be used to pay down the bank facilities that are currently being negotiated and other parent company debt. At the time the transfer is made, CenterPoint projects that the T&D Utility will have equity of over 53%, excluding securitization debt.

Applicants will seek such additional authority as may be required in connection with the transfer of proceeds.

if securitization debt is included) and continue to increase the equity component thereafter (the "January 2003 projections").(9)

The difference between the June 2002 projections and the January 2003 projections is largely a result of two factors: (i) increased interest expense and (ii) anticipated charges to Other Comprehensive Income related to declines in the market value of the CenterPoint pension plan's assets and the settlement of certain long-term interest rate swaps.(10)

Interest Expense

At the time the Commission issued the July Order, CenterPoint and the T&D Utility were facing the imminent maturity of $4.7 billion in bank facilities. Those facilities had been put in place in July 2001 as interim facilities for a one-year term. At that time, it was contemplated that that the Company would complete its restructuring by the end of 2001. Both the Company and its financial advisors believed that the Company should wait until it had completed its restructuring and the Distribution of its unregulated businesses before seeking to refinance its short term debt in the capital markets. It was thought that CenterPoint as a "pure" regulated business would be able to attract lower cost capital and more favorable terms than it could if it were financing as a combination of regulated and more volatile unregulated businesses.

Largely as a result of external events, including issues involving Reliant Resources, the Company was not able to complete the separation of its regulated and unregulated businesses and access the capital markets before the $4.7 billion interim bank facilities expired in July 2002. Following the collapse of Enron in late 2001, the financial markets had deteriorated for utilities in general and for CenterPoint in particular, due to its association with Reliant Resources and the uncertainty surrounding that company. Thus when the bank facilities were

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9 This change affects only CenterPoint. As reflected in the July Order, the common equity percentage of each of Texas Genco LP, the T&D Utility and GasCo will remain in excess of 30% through the Authorization Period. As of September 30, 2002, the T&D Utility had 52.8% common equity (63.6% net of securitization debt), Texas Genco had 97.4% common equity, GasCo had 49.1% and CenterPoint had consolidated equity capitalization of 15.3% (16.0% net of securitization debt). See Exhibit G-20.

If securitization debt is included for purposes of the equity calculation, the Company's consolidated equity ratio would be approximately 18% (if the pension-related charge to Other Comprehensive Income is included) at the end of 2006. The question of when the consolidated equity capitalization (inclusive of securitization debt) reaches 30% is dependent on a number of factors, including the rate of amortization of the securitization debt. For purposes of this discussion, it appears that the 30% level (inclusive of securitization debt) could be achieved around 2013.

10 In its Form 10-Q for the period ending September 30, 2002, CenterPoint stated that: "increased borrowing costs and increased pension expense are expected to negatively impact our earnings in 2003."

being renewed in July 2002, the bankers were willing to grant only a 90-day extension to October 2002. During that 90-day period, CenterPoint completed its restructuring but was again thwarted in efforts to issue public debt by the discovery of yet another accounting problem at Reliant Resources. As explained in the Company's Quarterly Report on Form 10-Q, in September 2002, Reliant Resources had identified four natural gas financial transactions that should not have been reflected in its financial statements. Although it was ultimately concluded that no restatement of financial statements was required, the pendency of this issue made it impossible for CenterPoint and its subsidiary companies to issue public debt during this period.

As a result, when the extension expired in October 2002, CenterPoint and the T&D Utility had no real alternatives to extending the bank debt. In the interim, from July to October 2002, conditions in the financial markets had further deteriorated. The terms and conditions on which debt could be obtained had grown more onerous and lenders were increasingly insistent on receiving security for the funds they advanced.

On October 11, 2002, CenterPoint announced that it had successfully negotiated new, one-year credit facilities totaling $4.7 billion with its existing syndicate of 30 banks. The $4.7 billion agreement was composed of two separate credit facilities. The first is the $3.85 billion, 364-day bank credit facility at CenterPoint. Pricing under the CenterPoint Facility is based on LIBOR rates under a pricing grid tied to the company's credit rating. Interest rates for the term loans at CenterPoint's current ratings are the LIBOR rate plus 450 basis points, an increase of 150 basis points over the prior facility agreement.(11)

The second facility, at the T&D Utility, was an $850 million, 364-day bank credit facility. Interest rates for a term loan under that facility were LIBOR plus 300 basis points for $400 million and 350 basis points for the next $450 million, an increase of 50 and 100 basis points, respectively. Loans under the facility were secured by General Mortgage Bonds.

As part of these agreements, CenterPoint agreed to pay a one percent fee upon closing, an additional one percent on November 15, 2002, $50 million at the end of February 2003, and $25 million at the end of June 2003. In addition, the banks insisted on mandatory commitment reductions of the principal. On the CenterPoint Facility, the banks required two $600 million prepayments, one by February 28, 2003, and the second by June 30, 2003. A $450

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11 The facility contains various business and financial covenants. CenterPoint is currently in compliance with the covenants under the applicable credit agreements.

Under the CenterPoint Facility, if any capital stock or indebtedness is issued other than to refinance maturing indebtedness, proceeds are to be applied (subject to a $100 million basket, and other limited exceptions) to repay bank loans and reduce bank commitments. If CenterPoint receives cash proceeds from a sale of assets of more than $30 million or, if less, a group of sales aggregating more than $100 million, then such proceeds are to be applied to prepay bank loans and to reduce bank commitments, except that proceeds of up to $120 million (including the $100 million basket discussed above) can be reinvested in CenterPoint's businesses.

million prepayment was to have been required in March on the $850 million bank facility at the T&D Utility. And perhaps most significantly, the banks insisted that CenterPoint and/or the T&D Utility obtain $400 million in new borrowing by November 15, 2002, to pay other indebtedness, the majority of which would come due on that date. Failure to obtain this additional borrowing would have enabled the banks to terminate their commitments as of November 15.

On November 12, 2002, the T&D Utility entered into a new $1.310 billion senior secured credit facility (the "T&D Term Loan"), which removed the immediate acceleration requirement contained in the October $4.7 billion bank credit facilities. The proceeds were used to repay all amounts outstanding under the T&D Utility's existing $850 million bank credit facility dated October 10, 2002, to repay $400 million of debt, which included $300 million of senior debentures of CenterPoint Energy FinanceCo II LLP due to mature on November 15, 2002, and $100 million of debt of CenterPoint, and to pay fees and related expenses. The T&D Term Loan has a three-year term, and carries an interest rate of LIBOR plus 9.75 percent, subject to a minimum LIBOR rate of 3 percent.(12) The T&D Utility Term Loan is secured by General Mortgage Bonds, which replaced the $850 million in General Mortgage Bonds that the banks had held.

Other Comprehensive Income

Pension Plan Funding. CenterPoint makes contributions to achieve adequate funding of company sponsored pension and postretirement benefits in accordance with applicable regulations and rate orders. Due to the decline in current market value of the pension plan's assets, the value of the plan's assets is less than the Company's accumulated pension benefit obligation. In its Form 10-Q for the period ending September 30, 2002, CenterPoint explained that it might be required to record a non-cash minimum pension liability adjustment to other comprehensive income during the fourth quarter of 2002, which could be material. Recording a minimum liability adjustment will not affect CenterPoint's results of operations during 2002 or its ability to meet any existing financial covenants related to its debt facilities. Additionally, the Company is not required to make any pension contribution in 2002 and 2003.

Interest Rate Swaps. During the three months ended September 30, 2002, the Company settled its forward-starting interest rate swaps having an aggregate notional amount of $1.5 billion at a cost of $156 million, which was recorded in other comprehensive income and will be amortized into interest expense in the same period during which the forecasted interest payments affect earnings. Should the forecasted interest

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12 Although significantly higher than previous rates, the interest rates under the T&D Facility are comparable to those approved by the Commission during this period for a subsidiary of Allegheny Energy, Inc., another registered holding company. See Allegheny Energy, Inc., Holding Co. Act Release No. 27259 (Oct. 17, 2002) ("the effective cost of capital on any security will not exceed competitive market rates available at the time of issuance for securities having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality, provided that in no event will the interest rate on any such secured debt exceed an interest rate per annum equal to the sum of 12% plus the prime rate as announced by a nationally recognized money center bank").

payments no longer be probable, any remaining deferred amount will be recognized immediately as an expense.

b. The Company is engaged in ongoing efforts to improve its credit profile, strengthen its balance sheet and position the System for improved long-term financial performance.

Like other companies in the industry, CenterPoint is undertaking various initiatives to strengthen its financial profile in an effort to deliver long-term sustainable value for its shareholders.

In connection with the Distribution of Reliant Resources, CenterPoint effectively exited from nonregulated businesses and the risks associated therewith. As discussed in connection with the July Order, the Company is strictly limiting its capital expenditures in the next three years to those necessary to maintain the integrity of the physical plant and ensure the continued provision of quality service to its customers. The CenterPoint System's liquidity and capital requirements are affected primarily by results of operations, capital expenditures, debt service requirements, and working capital needs. The largest component of estimated construction expenditures are additions to the System's electric distribution network arising from estimated load growth comprising approximately $125 million per year over the next five years.

CenterPoint also reduced its dividend in connection with the Distribution to a level commensurate with the size of the remaining regulated company. Further, as discussed in connection with the July Order, CenterPoint continues to centralize many of the activities and administrative functions of the gas and electric utility operations. CenterPoint continues to reduce costs in its various business units, by reducing inventory and consolidating functions. Recently, the Company established a Process Improvement Office to focus on streamlining and standardizing processes throughout the System. It is anticipated that effort will eventually produce cost-savings of $45 million per year. CenterPoint is also undergoing a series of work force reductions. In 2002, 94 employees of Texas Genco accepted an early retirement offer. A restructuring of work and reduction of 198 positions at the T&D Utility is projected to produce annual savings of $5.4 million in capital costs and $5.7 million in operation and maintenance costs. The reduction of 68 positions in our information technology organization is expected to produce annual savings of approximately $5.8 million.

In addition to these ongoing measures, in October 2002, Texas Genco announced a plan to temporarily remove from service, or "mothball," approximately 3,400 MW of gas-fired generating units through at least May 2003. The Company decided to mothball these units because of unfavorable market conditions in the ERCOT market, including a surplus of generating capacity and a lack of bids for the output of these units in previous capacity auctions. In so doing, the Company minimized the operating and maintenance expenses associated with these units representing approximately one third of Texas Genco's total gas-fired generating capacity. Given the results of recent capacity auctions, the Company expect to return some or all of the mothballed facilities to service during the summer.

The most important consideration in this regard - and the way in which CenterPoint differs from other systems - is the regulatory assurance provided by the Texas restructuring law. While the measures described above are both necessary and appropriate, it is the sale of Texas Genco and securitization of stranded investment in 2004 and 2005 that will ultimately help CenterPoint to achieve a more traditional capital structure.(13)

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13 For example, if the market value determined by the Texas Commission in 2004 through this mechanism were $100 and the total of the regulatory book value of the Texas Genco assets, plus the other elements to be recovered in the 2004 true up proceeding (e.g., ECOM true up, final fuel reconciliation amounts, approved environmental expenditures, etc.) were $200, the T&D Utility would be entitled to recover the difference of $100 over time through the addition of a competitive transition charge to its delivery rates. Under the securitization provisions of the Texas restructuring law, the T&D Utility would be entitled to recover the entire difference of 100 in 2005 by selling its right to the competitive transition charge to a special purpose entity that would issue transition bonds secured by the revenues produced by that charge. See Exhibit G-21.

c. The Company must surmount the immediate challenges.

As a result of the November financing, the System successfully met the first deadline under the October facilities and so avoided an immediate liquidity crisis. CenterPoint, however, is now faced with the need to raise $600 million by February 28, 2003 and an additional $600 million by June 30 to satisfy the prepayment obligations under the $3.85 billion CenterPoint Facility unless it is able to renegotiate the terms of that facility.

The Company's heavy reliance on bank financing has created a recurring need to extend short-term maturities. The process is time-consuming and costly. The unanimous consent of the thirty banks in the current consortium is required for any extension or significant modification of the CenterPoint Facility. Notwithstanding the long-term viability of the Company, problems in the sector generally are reflected in more onerous terms and conditions for CenterPoint. Indeed, the cost and difficulty of obtaining the October 2002 extension have caused CenterPoint to pursue the instant financing transactions as a means of avoiding the repeated need for bank extensions.

Moody's Investors Service, Inc. ("Moody's") has rated the senior unsecured debt of CenterPoint Ba1 with a negative outlook.(14) Standard & Poor's, a division of The McGraw Hill Companies ("S&P") and Fitch, Inc. ("Fitch") have each assigned it a rating of BBB- with a negative CreditWatch or outlook.(15)

Concerns about short-term liquidity prompted Moody's on November 4, 2002 to lower from Baa2 to Ba1 the senior unsecured ratings assigned to CenterPoint:

> The downgrades reflect the limited financial flexibility experienced by the holding company given delays in spinning-off its 80% owned subsidiary, Reliant Resources, Inc. (RRI, Ba3) which it finally accomplished September 30th. RRI related challenges have constrained CenterPoint Energy's access to capital markets and as a result, the company implemented new credit facilities on October 10 which Moody's believes contain onerous terms.
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> * * *
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> The negative outlook at CenterPoint Energy reflects near term liquidity challenges in the mandatory commitment reductions required in the bank financing. . . . A return to stable outlooks . . .

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14 A "negative" outlook from Moody's reflects concerns over the next 12 to 18 months which will either lead to a review for a potential downgrade or a return to a stable outlook.

15 S&P's CreditWatch "negative" indicates a potential for a downgrade within a relatively short period of time usually related to a specific event. A "negative" outlook from Fitch encompasses a one- to two-year horizon as to the likely rating direction.

will depend on the company's ability to resolve its near term liquidity challenges.

Press release issued November 4, 2002.

S&P, in contrast, has focused on CenterPoint's creditworthiness beyond the current period and therefore has maintained investment grade ratings for CenterPoint, notwithstanding the Company's near-term challenges. In an article dated December 4, 2002, S&P cites what it characterizes as the "virtual certainty" that the legal path contemplated by the Texas restructuring law will be followed to enable CenterPoint to recover the stranded costs associated with its generation:

> On a consolidated basis, CenterPoint Energy, Inc. (CenterPoint; BBB/Watch Neg/A-2) has a substantial amount of debt; debt leverage was about 83% at Sept. 30, 2002 (excluding transition bonds). However, investors should recognize that this capital structure is by design, and temporary. In accordance with the Texas Electric Restructuring Law, which deregulated the state's electricity system, CenterPoint will sell its wholly owned Texas Genco subsidiary, and use the proceeds to pay down debt. In addition, regulatory assets accrued from mid-1998 through January 2004 will be factored into the calculation of recoverable costs related to generation (stranded costs). CenterPoint expects to receive in excess of $5 billion, which will be applied to the paydown of debt during 2004 and 2005. Thus, by 2006, debt is expected to account for between 55% and 60% of total capital.
>
> CenterPoint's `BBB' rating reflects Standard & Poor's extended view of the company's creditworthiness beyond this current period of weak financials, given the virtual certainty the legal path will be followed to this outcome. Standard & Poor's believes the potential for a change in legislation to be highly unlikely, and furthermore, believes that the legislation provides specific guidance as to how CenterPoint will be compensated for its generation investment.

"CenterPoint Energy Sees Light at the End of the Tunnel," Standard & Poor's Utilities and Perspective for the week of December 2, 2002.(16)

While acknowledging the significant hurdles faced by CenterPoint in the next twelve months -- "CenterPoint will need to either secure additional financing or renegotiate the terms of its current bank facility as a prerequisite for financial health" -- the S&P article concludes that "CenterPoint will emerge as a low-risk electricity and gas distribution company, with solid financial parameters."

d. The banks have insisted the Company issue warrants in refinancing.

The lenders are requiring, as a condition of the proposed refinancing, that CenterPoint provide both security in the form of a pledge of the Texas Genco stock and additional compensation in the form of warrants to purchase CenterPoint common stock. Although the precise terms of these warrants are still being negotiated, it is contemplated that CenterPoint will be required to offer warrants to its lenders in an amount equal to 10% of its outstanding stock, on a diluted basis, as of the date of the closing of the proposed financing.(17) As

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16 A copy is attached as Exhibit G-22.

17 As explained more fully in Exhibit G-23, the exercise of the warrants would have a neutral or positive impact on the projected equity capitalization of the CenterPoint System.

currently envisaged: (i) the warrants would be issued for a term of four years and one day, but would not be exercisable during the first year; (ii) with certain exceptions, the exercise price would be 110% of the volume weighted average daily closing price of CenterPoint stock on the NYSE on the five consecutive trading days following closing of the transaction; and (iii) all or a portion of the warrants would be canceled to the extent CenterPoint repays specified amounts of indebtedness. The terms and conditions of the warrants are designed so that the lenders may rely on Rule 144A under the Securities Act of 1933 with respect to transfer of the warrants.

If CenterPoint does, in fact, offer warrants or other stock purchase rights to lenders, it is contemplated that the documentation will provide that, upon exercise of such rights, (i) no one lender will own, control, or hold with power to vote five percent or more of the outstanding common stock of CenterPoint, and (ii) the lenders will not act as an organized group of persons with respect to such voting stock or otherwise seek to exercise an impermissible controlling influence over the management and operations of CenterPoint.

e. If the requested relief is granted, the Company will be able to meet its cash requirements through 2005.

Other than the financings discussed herein, the CenterPoint System's liquidity and cash requirements for 2003 include the following:

- $167 of maturing long-term debt;
- approximately $680 million of capital expenditures;
- an estimated $240 million which the T&D Utility is obligated to return to customers as a result of the Texas Commission's findings of over-mitigation of stranded costs;(18)
- remarketing or refinancing of $500 million in GasCo debt;
- expected dividend payments.

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18 As of September 30, 2002, in contemplation of the 2004 true-up proceeding, the T&D Utility had recorded a regulatory asset of $2.0 billion representing the estimated future recovery of previously incurred stranded costs, which includes $1.1 billion of previously recorded accelerated depreciation (an amount equal to earnings above a stated overall annual rate of return on invested capital that was used to recover the investment in generation assets) plus redirected depreciation, both reversed in 2001. Offsetting this regulatory asset is a $1.0 billion regulatory liability to refund the excess mitigation to ratepayers. This estimated recovery is based upon current projections of the market value of the generation assets to be covered by the 2004 true-up proceeding calculations. The regulatory liability reflects a current refund obligation arising from prior mitigation of stranded costs deemed excessive by the Texas Commission. The T&D Utility began refunding excess mitigation credits with January 2002 bills. These credits are to be refunded over a seven-year period.

CenterPoint and its subsidiary companies expect to meet their capital requirements through cash flows from operations, bank borrowings and proceeds from debt and/or equity offerings. They believe that the System's current liquidity, along with anticipated cash flows from operations and proceeds from borrowings, including proposed extension of existing bank facilities, and anticipated sales of securities in the capital markets will be sufficient to meet cash needs. Indeed, in each year from 2003 through 2007, the Company projects that its internally generated cash will be more than sufficient to cover its anticipated capital expenditures and other internal operating cash needs of the CenterPoint system.

CenterPoint expects to sell Texas Genco in 2004, either to Reliant Resources or to others if the option is not exercised. Proceeds from such sale, plus proceeds from the securitization in 2004 or 2005 of stranded costs related to generating assets of Texas Genco and generation-related regulatory assets are expected to aggregate in excess of $5 billion.

As the Company has argued throughout the restructuring process, the CenterPoint System is a fundamentally sound utility system without many of the risks associated with unregulated generation and trading businesses. Indeed, as restructured, it no longer has the generation supply obligations and risks traditionally associated with electric utilities. At the same time, the restructuring process dictated by the Texas electric restructuring law and the transition to competition impose constraints and delay in the determination and recovery of stranded costs. That process significantly complicates the Company's current financial condition and limits its flexibility in addressing certain issues until 2004 and 2005. Overlaying those complications is the difficult financial market now and the particular concerns in the market about the energy sector. These factors combine to place unique pressures on the Company's financing and restrict its options. Yet it is important to keep in mind that CenterPoint is a company with a clear path to achieving a financial condition more in keeping with that traditionally associated with public utility holding companies. With the refinancing of its bank debt, the Company expects to have greater certainty in meeting its financing needs through the completion of stranded cost recovery in 2005. That greater certainty should open up better access to the capital markets that will further enhance the Company's financial health.

f. If the refinancing cannot be completed, the Company faces undesirable consequences.

If CenterPoint is unable to complete negotiations with the banks in the manner outlined here, a number of adverse consequences may result for the Company. Failure to make any of the upcoming mandatory prepayments would constitute an event of default with no cure period. Under the agreement governing the CenterPoint Facility, banks having a majority of the loans outstanding under the facility could then accelerate $3.85 billion of indebtedness. In addition, the existence of a default could have possible adverse affects on the Company's ability to obtain acceptable terms from its various suppliers, including adverse affects on GasCo and the T&D Utility, even though they and their outstanding indebtedness would not be directly affected by a default at the holding company level.

CenterPoint has explored the idea of an extension of the February 28th deadline but it does not appear that one is needed from the lenders' perspective. More importantly, the

Company has reason to believe that any extension might well result in the loss of investment grade rating from S&P. Because Moody's has already downgraded the parent senior unsecured debt to "junk" status, a downgrade by S&P would have disastrous consequences for CenterPoint in accessing the capital markets.(19)

ITEM 2. FEES, COMMISSIONS AND EXPENSES

The fees, commissions and expenses to be paid or incurred, directly or indirectly, in connection with the Application are estimated to be $120,000.

ITEM 3. APPLICABLE STATUTORY PROVISIONS

Sections 6(a), 7, 32 and 33 of the Act and Rules 44, 53 and 54 are considered applicable to the proposed transactions. To the extent that the proposed transaction is 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.

A. GENERALLY

CenterPoint is requesting authority to issue secured debt upon the terms described herein. The Company is also seeking approval to issue options, warrants to purchase the common stock of the Company or other stock purchase rights consistent with Commission precedent.(20) The Company believes that such authorization would help to provide access to the capital markets on acceptable terms and assure the liquidity that is needed to enable CenterPoint to satisfy its ongoing obligations.

B. THE PROPOSED FINANCING SATISFIES THE STANDARDS OF THE ACT.

Section 6(a) of the Act, in pertinent part, provides that: "Except in accordance with a declaration effective under section 7 and with the order permitting such declaration to

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19 While it may seem counterintuitive that the mere fact of an extension could result in a downgrade, CenterPoint notes that, on February 20, 2003, S&P downgraded Reliant Resources solely as a result of the extension granted in that company's financing -- even though, as S&P notes in its press release, which is attached as Exhibit G-24, Reliant Resources "faces no new uncertainties regarding the refinancing of its bank maturities."

20 See National Fuel Gas Co., Holding Co. Act Release No. 27600 (Nov. 12, 2002) (authorizing the issuance of options and warrants exercisable for common stock): Pepco Holdings, Inc., Holding Co. Act Release No. 27557 (July 31, 2002) (options, warrants or stock purchase rights exercisable for common stock); E.ON AG, Holding Co. Act Release No. 27359 (June 14, 2002) (options, warrants or stock purchase rights); Allegheny Energy, Inc., Holding Co. Act Release No. 27521 (April 17, 2002) (options, warrants, stock purchase rights or contracts to purchase common stock).

become effective, it shall be unlawful for any registered holding company . . . (i) to issue or sell any security of such company; or (2) to exercise any privilege or right to alter the priorities, preferences, voting power, or other rights of the holders of an outstanding security of such company."

The financing, including both the pledge of Texas Genco stock and the issuance of warrants, is permissible under Section 7(c)(2)(A) of the Act because it will be "solely for the purposes of refunding, extending, exchanging, or discharging" the existing outstanding CenterPoint Facility.

No State commission has jurisdiction over the proposed transaction. The standards of Section 7(g) are met.

If the standards of Sections 7(c) and 7(g) are satisfied, the Commission "shall" permit a declaration regarding the issue or sale of a security to become effective unless the Commission makes certain findings described in Section 7(d). None of these problems exists in connection with the proposed financing transaction:

(1) NO ADVERSE FINDING IS REQUIRED UNDER SECTION 7(D)(1) BECAUSE THE PROPOSED FINANCING TRANSACTION, INCLUDING THE PLEDGE OF THE TEXAS GENCO STOCK AND THE ISSUANCE OF WARRANTS, IS REASONABLY ADAPTED TO THE SECURITY STRUCTURE OF CENTERPOINT AND OTHER COMPANIES IN THE CENTERPOINT SYSTEM.

Any borrowings secured by Texas Genco stock would have a priority over CenterPoint's unsecured creditors to the extent of those assets.(21) Applicants believe that the value of the security together with that of CenterPoint's other unencumbered assets exceed the amount of CenterPoint's total indebtedness and other liabilities and that the granting of a security interest in the Texas Genco stock to certain creditors would not prevent the full payment of other CenterPoint creditors.(22) All such creditors would have to be paid in full before value is made available to shareholders in any bankruptcy or liquidation of CenterPoint.

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21 Attached as Exhibit G-25 is a description of existing system debt and a discussion of priorities with respect to same.

22 Filed under separate cover with a request for confidential treatment as Exhibit G-26 is an opinion dated December 4, 2002, from Houlihan Smith & Company, Inc. to CenterPoint Energy, Inc. confirming that, upon completion of the January 2003 distribution to shareholders of approximately 19% of the outstanding common stock of Texas Genco: (i) on a pro forma basis, the fair value and present fair saleable value of CenterPoint's assets would exceed (x) CenterPoint's stated liabilities and identified contingent liabilities (discounted by the percentage of probability that they would occur) plus (y) $3,050,000, the amount of CenterPoint's stated capital, (ii) CenterPoint should be able to pay its debts as they become due in the ordinary course of its business, and (iii) the capital remaining in CenterPoint after the Texas Genco distribution would not be unreasonably small for the business in which CenterPoint is engaged.

This relief requested is similar to but narrower than that granted in a series of orders involving General Public Utilities Corporation ("GPU") in the aftermath of Three Mile Island. As a result of a major accident at Three Mile Island nuclear generating plant, the members of the GPU system were purchasing large amounts of electric energy to supply the needs of their customers. In General Public Utilities Corporation, Holding Co. Act Release No. 21107 (June 19, 1979), the Commission authorized GPU and its three electric utility subsidiaries to enter into two loan agreements -- one revolving credit agreement with respect to which all four applicants were borrowers and a term loan agreement pursuant to which GPU was the sole borrower. Pursuant to the revolving credit agreement, GPU, the parent, was authorized to borrow up to $150 million. GPU's term loan, in the amount of $39 million outstanding at such time, had initially been borrowed on an unsecured basis, in order to redeem certain of its debentures then outstanding.(23) GPU sought to amend its term loan, which continued to be a separate obligation of GPU, to conform to the terms of the revolving credit agreement. The Commission authorized GPU to secure its obligations under the revolving credit agreement, under the term loan and in respect of certain guarantees of loans to GPU Service Corporation, by a pledge of the common stock of its electric utility subsidiaries and its service company subsidiary. The electric utilities also secured their obligations under the revolving credit agreement with certain of their respective assets, including first mortgage bonds. The Commission found the proposed borrowings to be "for urgent and necessary cash requirements of applicants' operations as public utility companies, or, in the case of GPU, as the parent". This financing structure, with secured bank facilities at GPU, as well as its electric utility companies, continued for many years. The Commission authorized amendments, extensions, renewals and replacements of such secured bank facilities through 1983.(24)

The facts of this matter are similar to those of GPU to the extent that the requested financing authority is for the urgent and necessary cash requirements of the Applicants' regulated operations. The request in the instant matter is narrower than that of GPU because Applicants are asking only to pledge the stock of Texas Genco, an entity that has no captive retail customers. Cf. Allegheny Energy, Inc., Holding Co. Act Release No. 27579 (Oct. 17, 2002) (authorizing Allegheny Energy Supply Company, LLC to issue debt secured by, among other things, the stock of its generating company subsidiaries). In Allegheny, as in the instant matter, the subject public-utility subsidiary companies were engaged in the generation and sale of electricity at wholesale. There were, and are, no captive retail customers. While it is true that the definition of "electric-utility company" does not distinguish between traditional vertically-

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As of September 30, 2002, CenterPoint had assets totaling $18,988,062, liabilities of $17,081,458 and shareholders' equity of $1,906,604.

23 General Public Utilities Corp., Holding Co. Act Release No. 19778 (Dec. 1, 1976) and Holding Co. Act Release No. 20965 (March 21, 1979).

24 General Public Utilities Corp., Holding Co. Act Release No. 21276 (Oct. 30, 1979), Holding Co. Act Release No. 21410 (Jan. 28, 1980), Holding Co. Act Release No. 22211 (Sept. 30, 1981), Holding Co. Act Release No. 22790 (Dec. 21, 1982), Holding Co. Act Release No. 23072 (Sept. 26, 1983) and Holding Co. Act Release No. 23079 (Sept. 30, 1983).

integrated utilities and the generation-only subsidiaries at issue in this matter and in Allegheny, we believe there is a significant difference between the two in terms of potential detriment to the interests of consumers, a protected interest under the Act.

In addition to the GPU orders, there is a long line of orders from 1944 through 1979, in which the Commission authorized The Potomac Edison Company ("Potomac Edison"), at the time a registered holding company and electric utility subsidiary company, to issue collateral trust bonds pursuant to a collateral trust indenture.(25) The collateral trust bonds were secured by a first lien on all of the properties and franchises of Potomac Edison, with minor exceptions provided for in the indenture, as well as a pledge of all the securities owned by Potomac Edison of its four electric utility subsidiaries.

As Potomac Edison made additional investments in its subsidiaries by purchasing additional shares of such subsidiaries, such shares were pledged to secure Potomac Edison's obligations on the collateral trust bonds, whether or not such investment was financed with proceeds of an issuance of collateral trust bonds.(26) Proceeds of the collateral trust bonds generally were to be used to finance the construction program of Potomac Edison and its subsidiaries and to repay indebtedness to its parent and to others. Yet, in Holding Co. Act Release No. 17761 (Nov. 14, 1972), the Commission authorized the issuance of $12,000,000 principal amount of collateral trust bonds, the net proceeds of which were to be used to prepay short-term bank debt, pay at maturity commercial paper, reimburse for expenditures for its construction program and working capital and for other lawful purposes.

More recently, in Public Service Company of New Hampshire, Holding Co. Act Release No. 26046 (May 5, 1994), the Commission authorized the extension by Public Service Company of New Hampshire ("PSNH") of a revolving credit agreement entered into in connection with PSNH's reorganization from bankruptcy on May 16, 1991, prior to its

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25 The Potomac Edison Company, Holding Co. Act Release No. 5362 (Oct. 20, 1944), Holding Co. Act Release No. 8683 (Nov. 29, 1948), Holding Co. Act Release No. 10467 (March 26, 1951), Holding Co. Act Release No. 13458 (April 30, 1957), Holding Co. Act Release No. 15018 (Feb. 26, 1964), Holding Co. Act Release No. 15442 (April 13, 1966), Holding Co. Act Release No. 16345 (April 15, 1969), Holding Co. Act Release No. 17105 (April 19, 1971), Holding Co. Act Release No. 17761 (Nov. 14, 1972), Holding Co. Act Release No. 18184 (Nov. 26, 1973), Holding Co. Act Release No. 18398 (April 29, 1974) and Holding Co. Act Release No. 21212 (Sept. 10, 1979).

26 See, for example, Holding Co. Act Release No. 9271 (Aug. 12, 1949), Holding Co. Act Release No. 10467 (March 26, 1951), Holding Co. Act Release No. 10697 (July 26, 1951), Holding Co. Act Release No. 12837 (April 4, 1955), Holding Co. Act Release No. 13143 (March 29, 1956), Holding Co. Act Release No. 13487 (May 29, 1957), Holding Co. Act Release No. 13759 (May 16, 1958), Holding Co. Act Release No. 14214 (April 19, 1960), Holding Co. Act Release No. 15074 (May 15, 1964), Holding Co. Act Release No. 15480 (May 19, 1966), Holding Co. Act Release No. 15962 (February 8, 1968), Holding Co. Act Release No. 16894 (Nov. 9, 1970), Holding Co. Act Release No. 17133 (May 19, 1971), and Holding Co. Act Release No. 17568 (May 8, 1972).

acquisition by Northeast Utilities on June 5, 1992. PSNH's obligations under the revolving credit agreement would continue to be secured by a second mortgage on certain of PSNH's assets. PSNH represented in that matter that it had explored various options to replace the facility, but that the terms of such revolving credit agreement were as favorable to PSNH as any terms PSNH could expect to receive in a new revolving credit facility. It should be noted that the order was issued at a time when PSNH's first mortgage bonds had recently been downgraded to below investment grade and its common equity to total capitalization was 28.3%. In this matter, the Commission concluded that the applicable provisions of the Act were satisfied and that no adverse findings were necessary.

(2) THE FINANCING IS REASONABLY ADAPTED TO THE EARNING POWER OF CENTERPOINT, AS REQUIRED BY SECTION 7(D)(2).

As the Company has argued throughout the restructuring process, the CenterPoint System is a fundamentally sound utility system without many of the risks associated with unregulated generation and trading businesses. Indeed, as restructured, it no longer has the generation supply obligations and risks traditionally associated with electric utilities. At the same time, the restructuring process dictated by the Texas electric restructuring law and the transition to competition impose constraints and delay in the determination and recovery of stranded costs. That process significantly complicates the Company's current financial condition and limits its flexibility in addressing certain issues until 2004 and 2005. Overlaying those complications is the difficult financial market now and the particular concerns in the market about the energy sector. These factors combine to place unique pressures on the Company's financing and restrict its options. Yet it is important to keep in mind that CenterPoint is a company with a clear path to achieving a financial condition more in keeping with that traditionally associated with public utility holding companies. With the refinancing of its bank debt, the Company expects to have greater certainty in meeting its financing needs through the completion of stranded cost recovery in 2005. That greater certainty should open up better access to the capital markets that will further enhance the Company's financial health.

Although the Distribution of Reliant Resources stock has temporarily reduced the CenterPoint System's common equity, the Distribution was both necessary and appropriate under the standards of the Act because it had the effect of reducing the business risk profile of the regulated business. Further, CenterPoint's capital structure will be improved significantly with the sale of Texas Genco and securitization of any stranded investment that is anticipated to occur in 2004. Net of securitization debt, CenterPoint's projected equity capitalization will be 30% or greater in 2006, and the growth of equity as a percentage of capitalization is anticipated to continue in subsequent years.(27)

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27 In connection with the July Order, Applicants projected that CenterPoint would have 35% equity capitalization in 2005. As explained more fully supra, the difference between the June 2002 projections and the January 2003 projections is largely a result of two factors: (i) increased interest expense and (ii) anticipated charges to Other Comprehensive Income related to declines in the market value of the CenterPoint pension plan's assets and the settlement of certain long-term interest rate swaps.

Indeed, in connection with the July Order, the Commission focused on the long-term financial health of the new registered system. There are a number of other underlying indicators of financial stability, including:

(i) a growing, stable customer rate base, which the CenterPoint utilities have served for many years;

(ii) a state regulatory regime which has avoided the mistakes of other deregulation plans by allowing for a market adjustment of retail rates;

(iii) positive and substantial cash flow from operations; and

(iv) the ability, under the Texas Commission orders, to securitize stranded costs and regulatory assets and to repay obligations to holders of securitization bonds through non-bypassable transition charges which are creatures of state law.

CenterPoint also has a "business risk profile" that is consistent with other "pure" companies. Where S&P had assigned Reliant Energy, Incorporated a business risk profile of 5 prior to the announcement regarding the proposed spin-off of Reliant Resources, it has assigned CenterPoint a business risk profile of 3 (indicating a lower overall business risk).

CenterPoint is almost in its entirety a regulated business: (i) it is no longer be responsible for making retail electric sales to customers, as that role is the responsibility of Reliant Resources' retail segment; (ii) the T&D Utility is precluded by the Texas Act from selling electricity at retail; and (iii) unlike the regulated entity under most other deregulation schemes, the T&D Utility has no obligation to serve as a provider of last resort and only provides the wires and service to deliver the electricity from the generating company to the retail provider's customers. Nor does the T&D Utility retain the utility power sourcing obligation, which has traditionally been the origin of most risk for electric utilities. Generation is the obligation of separate power generation companies, which incur the risks associated with obtaining fuel, constructing new generating capacity and selling power to the retail providers. Although CenterPoint does temporarily retain the Texas Genco business as a separate subsidiary, it does not have an obligation to construct additional generation capacity, nor is it responsible for sourcing power for retail customers.

Under the Texas restructuring law, a regulated utility may recover any difference between market prices received during 2002 and 2003 through the state-mandated auction process and the Texas Public Utility Commission's earlier estimates of those market prices.

Given the unique circumstances of this matter, including the specific protections afforded by Texas law, Applicants believe that the financing is reasonably adapted to the earning power of CenterPoint, as required by Section 7(d)(2).

(3) NO ADVERSE FINDING IS REQUIRED UNDER SECTION 7(D)(3) BECAUSE THE PROPOSED FINANCING IS BOTH NECESSARY AND APPROPRIATE, INDEED, CRITICAL TO THE ECONOMICAL AND EFFICIENT OPERATIONS OF THE SYSTEM'S LAWFUL BUSINESSES.

If CenterPoint is unable to complete the proposed financing transaction in a timely manner, a number of adverse consequences may result for the Company. Failure to make the $600 million mandatory prepayment on February 28, 2003 would constitute an event of default with no cure period. Under the agreement governing the CenterPoint Facility, banks having a majority of the loans outstanding under the facility could then accelerate $3.85 billion of indebtedness. In addition, the existence of a default could have possible adverse affects on the Company's ability to obtain acceptable terms from its various suppliers, including adverse affects on GasCo and the T&D Utility, even though they and their outstanding indebtedness would not be directly affected by a default at the holding company level.

CenterPoint has considered the idea of an extension of the February 28th deadline but it does not appear that one is needed from the lenders' perspective. More importantly, the Company has reason to believe that any extension might well result in the loss of investment grade rating from S&P. Because Moody's has already downgraded the parent senior unsecured debt to "junk" status, a downgrade by S&P would have disastrous consequences for CenterPoint in accessing the capital markets.(28)

(4) THE FEES AND OTHER REMUNERATION, INCLUDING THE WARRANTS, IN CONNECTION WITH THE PROPOSED FINANCING TRANSACTION ARE REASONABLE UNDER THE STANDARDS OF SECTION 7(D)(4).

The lenders are requiring, as a condition of the proposed refinancing, that CenterPoint provide additional compensation in the form of warrants to purchase CenterPoint common stock. These warrants can be viewed as a fee in lieu of: (i) the $1.2 billion in mandatory commitment reductions, i.e., repayments, the banks would otherwise receive in the first half of 2003, and (ii) the fees they would otherwise have received in connection with the renewal or extension of the CenterPoint Facility in October 2003. There is also a timing consideration. By issuing warrants, CenterPoint is able to provide the banks an opportunity to receive that increased compensation without burdening CenterPoint's existing cash or requiring additional borrowings to pay the fees. To the extent the banks or their successors purchase the underlying stock, the Company will receive additional equity capital. And, perhaps most importantly, the Company can extinguish the warrants and thus avoid their dilutive impact by repaying defined amounts of bank debt by milestone dates in 2003. This latter feature is a particular benefit for both the banks and the Company. To the extent the uncertainty surrounding repayment of the bank debt is precluding CenterPoint currently from adequate access to the capital markets, the refinanced facility should eliminate that uncertainty, and the Company

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28 While it may seem counterintuitive that the mere fact of an extension could result in a downgrade, CenterPoint notes that, on February 20, 2003, S&P downgraded Reliant Resources solely as a result of the extension granted in that company's financing -- even though, as S&P notes in its press release, which is attached as an exhibit hereto, Reliant Resources "faces no new uncertainties regarding the refinancing of its bank maturities."

should gain greater access to the capital markets. With that access, the Company can repay a significant portion of the bank debt, which is attractive to the banks, and at the same time, the Company can reduce--or perhaps eliminate--the burden created by the warrants.

As discussed in the Application, the issuance of warrants equivalent to 10% of CenterPoint's outstanding common stock does raise a question concerning the status of the lenders upon the exercise of the warrants.(29) It is important to remember, first, that the holders have no voting power until the warrants are exercised. Second, the warrants will be fairly widely held. There are 27 banks in CenterPoint's bank facility. The five largest participants each hold less than 10% of the commitments under the facility. The remaining participants hold smaller commitments. Third, as a practical matter, it seems unlikely that the banks will actually seek a long-term ownership position. Their additional compensation will only be realized if they sell either the warrants or the underlying stock and obtain the difference between the sales price and their underlying purchase price. Thus the issuance of warrants, even if the Company is unable to extinguish all of them before they vest, should not create a concentration of ownership that could adversely impact the ultimate control of the holding company or its subsidiaries.

Finally, the documentation will provide that, upon exercise of such rights, (i) no one lender will own, control, or hold with power to vote five percent or more of the outstanding common stock of CenterPoint, and (ii) the lenders will not act as an organized group of persons with respect to such voting stock or otherwise seek to exercise an impermissible controlling influence over the management and operations of CenterPoint.(30)

(5) THE TERMS AND CONDITIONS OF THE PROPOSED FINANCING ARE CONSISTENT WITH THE PUBLIC INTEREST AND THE INTEREST OF INVESTORS AND CONSUMERS.

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29 Although the precise terms of these warrants are still being negotiated, it is contemplated that CenterPoint will be required to offer warrants to its lenders in an amount equal to 10% of its outstanding stock, on a diluted basis, as of the date of the closing of the proposed financing. As currently envisaged: (i) the warrants would be issued for a term of four years and one day, but would not be exercisable during the first year; (ii) with certain exceptions, the exercise price would be 110% of the volume weighted average daily closing price of CenterPoint stock on the NYSE on the five consecutive trading days following closing of the transaction; and (iii) all or a portion of the warrants would be canceled to the extent CenterPoint repays specified amounts of indebtedness. The terms and conditions of the warrants will be designed so that the lenders can rely on Rule 144A under the Securities Act of 1933 with respect to transfer of the warrants.

30 While the banks will continue to act in concert through the administrative agents in their activities under the bank facility (which requires the banks to act by prescribed voting majorities on matters such as waivers, amendments, defaults, etc.) and perhaps will have to act together in exercising certain rights related to the warrants (such as the timing for requiring registration of the underlying stock), they will not act in concert in their ownership of the underlying stock or in voting the stock.

It is appropriate and necessary under the circumstances that CenterPoint issue debt secured by a pledge of the Texas Genco stock.(31) CenterPoint proposes to issue secured debt, as described herein, to meet the urgent and necessary cash requirements of the CenterPoint System. The proposed secured financing is an appropriate financing source for CenterPoint to finance its capital expenditures and operating expenses. CenterPoint has explored various options available to provide the funding required by the System and believes that, given current market conditions, the proposed transactions are the most viable and efficient approach for meeting CenterPoint's refinancing obligations.

Market conditions have foreclosed certain other options. For example, it was originally intended that by year-end 2002 CenterPoint would conduct an initial public offering of approximately 20% of the common stock of Texas Genco, as a means of establishing market value for purposes of determining stranded costs. CenterPoint's financial advisors advised the Company that it would not be feasible to proceed with the planned offering under current market conditions, and so the Company instead distributed about 19% of the stock of Texas Genco to its shareholders as a means of establishing the value of its generating assets for purposes of determining stranded costs. Unlike a public offering, however, the distribution did not result in proceeds that could be used to pay down debt.

Market conditions have also largely foreclosed the ability of CenterPoint to issue additional unsecured debt on reasonable terms. CenterPoint has explored various options available to provide the necessary funding and has been advised by its financial advisors and by prospective lenders that, given current market conditions, the Company will be required to provide collateral to secure the debt in order to obtain such funds on reasonable terms. The proposed financings are the most economical and efficient manner to finance the immediate liquidity needs of CenterPoint and its subsidiary companies.

Furthermore, as reflected in the financial information provided in this record, the proposed refinancing financings do not impose an unreasonable financial burden on CenterPoint. The transactions represent a reasonable course of action for the operation of CenterPoint's business, and are appropriate for the protection of investors and consumers. CenterPoint further submits that the applicable provisions of the Act are satisfied and that no adverse findings are required.

C. RULE 54 ANALYSIS

Rule 54 provides that in determining whether to approve certain transactions other than those involving "exempt wholesale generators", as defined in Section 32 of the Act ("EWGs"), and "foreign utility companies", as defined in Section 33 of the Act ("FUCOs"), 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) are satisfied.

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31 The debt will not be secured by any securities or utility assets of the T&D Utility or GasCo.

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 September 30, 2002. Thus, although CenterPoint's aggregate investment (as defined in Rule 53(a)(1)(i)), in EWGs and FUCOs as of September 30, 2002 was approximately $8 million, the Company is not currently in compliance with the requirements of Rule 53(a)(1). As previously explained, CenterPoint is attempting to dispose of its remaining interests in EWGs and FUCOs.

CenterPoint complies with, and will continue to comply with, the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of domestic public-utility company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) 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) has occurred or is continuing. Rule 53(c) 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.

D. RULE 24 REPORTS

As approved in the July Order, with respect to CenterPoint, the reporting systems of the Securities Exchange Act of 1934, as amended (the "1934 Act") and the Securities Act of 1933, as amended (the "1933 Act") are integrated with the reporting system under the 1935 Act. To effect such integration, the portion of the 1933 Act and 1934 Act reports containing or reflecting disclosures of transactions occurring pursuant to the authorizations granted in this proceeding are incorporated by reference into this proceeding through Rule 24 certificates of notification. The certificates contain all other information required by Rule 24, including the certification that each transaction being reported had been carried out in accordance with the terms and conditions of and for the purposes represented in this Application. Such certificates of notification are to be filed within 60 days after the end of the first three calendar quarters and within 90 days after the end of the last calendar quarter in which transactions occur.

A copy of relevant documents (e.g., underwriting agreements, indentures, bank agreements) for the relevant quarter are filed with, or incorporated by reference from 1933 Act or 1934 Act filings in such Rule 24 certificates.

The Rule 24 certificates will contain the following information as of the end of the applicable quarter (unless otherwise stated below):

(i) The sales of any common stock or preferred securities by CenterPoint or a Financing Subsidiary and the purchase price per share and the market price per share at the date of the agreement of sale;

(ii) The total number of shares of CenterPoint common stock issued or issuable pursuant to options granted during the quarter under employee benefit plans and dividend reinvestment plans, including any employee benefit plans or dividend reinvestment plans hereafter adopted;

(iii) If CenterPoint common stock has been transferred to a seller of securities of a company being acquired, the number of shares so issued, the value per share and whether the shares are restricted in the hands of the acquirer;

(iv) If a guarantee is issued during the quarter, the name of the guarantor, the name of the beneficiary of the guarantee and the amount, terms and purpose of the guarantee;

(v) The amount and terms of any long-term debt issued by CenterPoint during the quarter, and the aggregate amount of short-term debt outstanding as of the end of the quarter, as well as the weighted average interest rate for such short-term debt as of such date;

(vi) The amount and terms of any long-term debt issued by any Utility Subsidiary during the quarter, and the aggregate amount of short-term debt outstanding as of the end of the quarter, as well as the weighted average interest rate for such short-term debt as of such date;

(vii) The amount and terms of any financings consummated by any Non-Utility Subsidiary that are not exempt under Rule 52;

(viii) The notional amount and principal terms of any Hedge Instruments or Anticipatory Hedges entered into during the quarter and the identity of the other parties thereto;

(ix) The name, parent company and amount of equity in any intermediate subsidiary during the quarter and the amount and terms of any securities issued by such subsidiaries during the quarter;

(x) The information required by a Certificate of Notification on Form U-6B-2;(32)

(xi) Consolidated balance sheets for CenterPoint and/or a Utility Subsidiary as of the end of the quarter and separate balance sheets as of the end of the quarter for each company that has engaged in jurisdictional financing transactions during the quarter;

(xii) A table showing, as of the end of the quarter, the dollar and percentage components of the capital structure of CenterPoint on a consolidated basis and of each Utility Subsidiary;

(xiii) A retained earnings analysis of CenterPoint on a consolidated basis and of each Utility Subsidiary detailing gross earnings, dividends paid out of each capital account and the resulting capital account balances at the end of the quarter;

(xiv) A table showing, as of the end of the quarter, the Money Pool participants and amount of outstanding borrowings for each;

(xv) As to each financing subsidiary, (a) the name of the subsidiary; (b) the value of CenterPoint's investment account in such subsidiary; (c) the balance sheet account where the investment and the cost of the investment are booked; (d) the amount invested in the subsidiary by CenterPoint; (e) the type of corporate entity; (f) the percentage owned by CenterPoint; (g) the identification of other owners if not 100% owned by

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32 Under the July Order, Applicants are exempt from the requirement to file Forms U-6B-2 because the information contained therein will be set forth in their quarterly Rule 24 Certificates.

CenterPoint; (h) the purpose of the investment in the subsidiary; and (i) the amounts and types of securities to be issued by the subsidiary.

The Applicants also will report service transactions among CenterPoint (or any other system service provider) and the Utility Subsidiaries. The report will contain the following information: (i) a narrative description of the services rendered; (ii) disclosure of the dollar amount of services rendered in (i) above according to category or department; (iii) identification of companies rendering services described in (i) above and recipient companies, including disclosure of the allocation of services costs; and (iv) disclosure of the number of CenterPoint system employees engaged in rendering services to other CenterPoint system companies on an annual basis, stated as an absolute and as a percentage of total employees.

Applicants shall file a report with the Commission within two business days after the occurrence of any of the following: (i) a 10% or greater decline in common stock equity for U.S. GAAP purposes since the end of the last reporting period for CenterPoint or any of the Utility Subsidiaries; (ii) CenterPoint or either of the Utility Subsidiaries defaults on any debt obligation in principal amount equal to or exceeding $10 million if the default permits the holder of the debt obligation to demand payment; (iii) an NRSRO has downgraded the senior debt ratings of CenterPoint or either of the Utility Subsidiaries; or (iv) any event that would have a material adverse effect on the ability of CenterPoint or any of its subsidiaries to comply with any condition or requirement in this order on an ongoing basis. The report shall describe all material circumstances giving rise to the event.

ITEM 4. REGULATORY APPROVALS

No state or federal commission other than the Commission has jurisdiction with respect to any of the proposed transactions described in this Post-Effective Amendment No. 2 to Application-Declaration.

ITEM 5. PROCEDURE

The Applicants respectfully request that the Commission issue its Order as quickly as possible but in any event before March 28, 2003.

The Applicants hereby waive a recommended decision by a hearing officer of the Commission and agree that the Division of Investment Management may assist in the preparation of the decision of the Commission.

EXHIBITS AND FINANCIAL STATEMENTS

Exhibits

Exhibit H-1	Draft Notice (previously filed with the Commission and incorporated herein by reference).
Exhibit G-20	Chart presenting equity percentages of CenterPoint, GasCo, the T&D Utility and Texas Genco (as of September 30, 2002).
Exhibit G-21	Sale and True-Up Analysis (to be filed in connection herewith under separate cover with a request for confidential treatment).
Exhibit G-22	"CenterPoint Energy Sees Light at the End of the Tunnel," Standard & Poor's Utilities and Perspective for the week of December 2, 2002.
Exhibit G-23	Description of the effects on equity by warrants to purchase CenterPoint common stock (to be filed).
Exhibit G-24	Press release from Standard and Poor's Ratings Services, February 19, 2003.
Exhibit G-25	Description of existing system debt and a discussion of priorities with respect to same.
Exhibit G-26	Opinion from Houlihan Smith & Company, Inc. to CenterPoint, dated December 4, 2002 (filed with the Commission under separate cover with a request for confidential treatment).

Financial Statements

FS-6 Statements of Consolidated Operations for Three and Nine Months Ended September 30, 2001 and 2002 (unaudited) for CenterPoint Energy, Inc. and Subsidiaries (incorporated by reference to CenterPoint's Form 10-Q for the quarterly period ended September 30, 2002, File No. 1-31447)

FS-7 Consolidated Balance Sheets for Nine Months Ended September 30, 2001 and 2002 (unaudited) for CenterPoint Energy, Inc. and Subsidiaries (incorporated by reference to CenterPoint's Form 10-Q for the quarterly period ended September 30, 2002, File No. 1-31447)

INFORMATION AS TO ENVIRONMENTAL EFFECTS

The proposed financing transaction neither involves a "major federal action" nor "significantly affects the quality of the human environment," as those terms are used in Section 102(2)(c) of the National Environmental Policy Act. Consummation of the proposed transaction will not result in changes in the operations of the parties that would have any impact on the environment. 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: March 4, 2003

CENTERPOINT ENERGY, INC.
and its subsidiary companies as named on the title page

By: /s/ Rufus S. Scott

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

EXHIBIT INDEX

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Exhibit G-20

Centerpoint Energy
Equity Percentages
September 30, 2002

(Millions)	CONSOLIDATED	GASCO	T&D UTILITY	TEXAS GENCO
METHOD 1				
Capitalization:				
Common Equity	$ 1,906.6	$ 1,982.5	$ 2,276.7	$ 2,799.6
Trust Preferred	706.0	--	--	--
Debt	10,057.2	2,057.1	2,037.0	74.3
Minority Interest	--	--	--	--
Total Capitalization	12,669.8	4,039.7	4,313.6	2,873.9
Less: Securitized Debt	(736.0)	--	(736.0)	--
Adjusted Capitalization	$ 11,933.8	$ 4,039.7	$ 3,577.6	$ 2,873.9
TOTAL COMMON EQUITY/CAPITAL	16.0%	49.1%	63.6%	97.4%
METHOD 2				
Capitalization:				
Common Equity	$ 1,906.6	$ 1,982.5	$ 2,276.7	$ 2,799.6
Trust Preferred	706.0	--	--	--
Debt	10,057.2	2,057.1	2,037.0	74.3
Minority Interest	--	--	--	--
Total Capitalization	$ 12,669.8	$ 4,039.7	$ 4,313.6	$ 2,873.9
TOTAL COMMON EQUITY/CAPITAL	15.0%	49.1%	52.8%	97.4%

CENTERPOINT ENERGY SEES LIGHT AT THE END OF THE TUNNEL

On a consolidated basis, CenterPoint Energy Inc. (CenterPoint; BBB/Watch Neg/A-2) has a substantial amount of debt; debt leverage was about 83% at Sept. 30, 2002 (excluding transition bonds). However, investors should recognize that this capital structure is by design, and temporary. In accordance with the Texas Electric Restructuring Law, which deregulated the state's electricity system, CenterPoint will sell its wholly owned Texas Genco subsidiary, and use the proceeds to pay down debt. In addition, regulatory assets accrued from mid-1998 through January 2004 will be factored into the calculation of recoverable costs related to generation (stranded costs). CenterPoint expects to receive in excess of $5 billion, which will be applied to the paydown of debt during 2004 and 2005. Thus, by 2006, debt is expected to account for between 55% and 60% of total capital.

CenterPoint's `BBB' rating reflects Standard & Poor's extended view of the company's creditworthiness beyond this current period of weak financials, given the virtual certainty the legal path will be followed to this outcome. Standard & Poor's believes the potential for a change in legislation to be highly unlikely, and furthermore, believes that the legislation provides specific guidance as to how CenterPoint will be compensated for its generation investment.

It is important to note that CenterPoint does face significant hurdles before it reaches that light at the end of the tunnel. A series of events that precluded CenterPoint from refinancing large bank facilities in the capital markets has resulted in high interest rates and a series of mandatory prepayments that heighten the near-term risk to the company. CenterPoint will need to either secure additional financing or renegotiate the terms of its current bank facility as a prerequisite for financial health; this risk is reflected by the CreditWatch listing. This article will hold the issue of refinancing risk aside, and focus on the logistics of recovering costs and paying down debt.

CenterPoint is the newly created holding company of CenterPoint Energy Houston Electric LLC (CEHE; BBB/Watch Neg), an electricity distributor, and CenterPoint Resources Corp., a gas distributor, with pipeline and gathering operations as well as the Texas Genco subsidiary.

Texas restructuring legislation became effective Sept. 1, 1999, but actual restructuring of the industry began on Jan. 1, 2002. At that time, CEHE froze its distribution tariffs, segregated its generation assets (Texas Genco), and included its retail supply business in Reliant Resources Inc. (B+/Watch Dev/--), which was spun off from CenterPoint in September 2002.

The legislation envisioned the evolution of a competitive power market over a two-year period, after which CenterPoint's generation assets would have an established market value. A "true-up" provision was created to ensure that neither the customers nor CenterPoint would be disadvantaged economically as a result of the two-year transition period. Thus, CenterPoint records a noncash revenue through the Excess of Cost Over Market (ECOM) element of the true-up proceeding, which represents a regulatory return on generation assets. The actual amount of the ECOM element is determined by comparing the price of power assumed by the Texas Public Utilities Commission (PUC) in its early estimate of stranded costs (roughly $43 per megawatt-hour (MWh)) to the cash proceeds received from power sales of Texas Genco, as determined at auctions of Texas Genco's power output (currently about $25 per MWh). By law, CenterPoint must sell 15% of capacity in a state-mandated auction, and can sell the remainder in contractually mandated auctions. Noncash ECOM revenues are estimated to represent 35% of 2002 EBITDA, and are recorded as a regulatory asset on the balance sheet.

To reduce exposure to stranded costs related to generation assets, CenterPoint redirected a portion of depreciation expense from distribution assets to generation assets as set forth in the restructuring legislation. Furthermore, depreciation expense was accelerated to reduce the book value of generation assets in an amount equal to the earnings in excess of the allowed return from 1998 to 2002. In October 2001, the PUC determined that CenterPoint had overmitigated its stranded costs, and required the company to reverse a portion of the accrued regulatory asset. As a result of the requirement to refund previously collected mitigation, the company is now allowed to recreate a regulatory asset in an amount equal to the dollars refunded, which will be recovered in the 2004 true-up. In addition, the previously redirected depreciation has become an additional asset to be recovered in that proceeding.

CenterPoint plans to distribute just about 19% of its ownership in Texas Genco stock before Jan. 10, 2003. This timing positions CenterPoint to file for a true-up of its stranded cost on the earliest date permissible (Jan 10, 2004) after which point the PUC has, by statute, 150 days to render a judgment. The PUC will apply a partial stock valuation to determine a market price for Texas Genco. Importantly, the valuation has negligible effect on the funds ultimately received by CenterPoint; any shortfall between book value and sale price will be recovered from customers. Various other regulatory accounts factor into the true-up of stranded costs, including the ECOM asset, pollution-control expenditures, assets and liabilities related to modifications of depreciation expense, fuel underrecovery or overrecovery, and above or below market purchased-power costs. This balance will be slightly offset by the "retail clawback" -- a payment that Reliant Resources must make to CenterPoint (estimated to be less than $200 million) if at the end of the transition period, Reliant Resources has retained more than 40% of the supply customers that it purchased from CenterPoint.

CenterPoint hopes to receive proceeds from the sale of Texas Genco in early 2004; Reliant Resources has the right of first refusal to purchase CenterPoint's remaining ownership (81%) in Texas Genco. If Reliant Resources does not choose to exercise its option, CenterPoint has stated its intent to sell the remaining stock in Genco or to sell the assets of Texas Genco in the same general time frame. The proceeds will be applied to debt pay-down. The remaining balance of stranded costs and regulatory assets will be recovered by CEHE, given that it is the utility that has the right to recover stranded costs. The utility must obtain a financing order to issue securitization bonds. Proceeds from the securitization bonds are expected to be received in mid-2005. The financing order creates a property right to collect a nonbypassable transition charge from customers via a surcharge to monthly bills, which will service the transition bond debt. The increase to customer tariffs is expected to be around 10%.

In October 2001, under the same securitization provisions of the Texas Restructuring Law, CenterPoint (previously Reliant Energy Inc.) issued $749 million of transition bonds, rated `AAA' by Standard & Poor's, related to certain regulatory assets. At that time, no parties appealed Reliant Energy's financing order. However, several parties appealed the financing orders for the transition bonds issued to two other Texas utilities. In one of those cases, the Texas Supreme Court unanimously rejected a challenge to the securitization provisions based on provisions of the Texas Constitution. Although this debt remains on CEHE's balance sheet, it is not CEHE's obligation. Thus, Standard & Poor's backs out the debt and surcharge cash flows from reported financial statements when calculating CenterPoint's financial ratios.

When the transition bond proceeds are received, CEHE must offer to apply the proceeds to prepay a $1.3 billion loan, per the terms of that financing. In the event that the lenders decline, and no bonds are maturing at the utility, CEHE may distribute the cash to CenterPoint, which would go toward extinguishing debt at the holding company. This can be accomplished by various means such as repayment of intercompany debt, dividend distributions, or return of capital. It is not anticipated that regulatory restrictions would impede this action. Standard & Poor's analyzes CenterPoint's financial profile on a consolidated basis; the issuer credit ratings of `BBB' on both CenterPoint and CEHE indicate that both entities have the same default risk. The important credit event is that debt be reduced, no matter where it is paid down. Standard & Poor's recognizes that the path to the tunnel's end may not be perfectly straight--there could be delays in the Texas Genco sale, and CenterPoint might not be able to pay down certain securities immediately upon receipt of cash and/or pay down the highest-cost securities first. However, Standard & Poor's does not expect these potential deviations to lead CenterPoint far off course. Importantly, CenterPoint will emerge as a low-risk electricity and gas distribution company, with solid financial parameters.

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New York (1) 212-438-2084

From Standard & Poor's "Utilities & Perspectives" for the week of December 2, 2002.

Reuters

S&P cuts Reliant Resources corp credit rtg

Wednesday February 19, 2:56 pm ET

(The following statement was released by the ratings agency)

NEW YORK, Feb 19 - STANDARD & POOR'S RATINGS SERVICES TODAY LOWERED ITS CORPORATE CREDIT RATINGS on electricity provider Reliant Resources Inc. (RRI) and three of RRI's subsidiaries, Reliant Energy Mid-Atlantic Power Holdings LLC (REMA), Orion Power Holdings Inc., and Reliant Energy Capital (Europe) Inc., to 'B-' from 'B+', PENDING THE REFINANCING OF VARIOUS CREDIT FACILITIES AMOUNTING TO $5.9 BILLION. The ratings on each of these companies remain on CreditWatch with developing implications.

In addition, Orion Power's senior unsecured rating was lowered to 'CCC' from 'B-'.

At the same time, Standard & Poor's affirmed its 'B+' rating on Reliant Energy Power Generation Benelux B.V. (REPGB). While REPGB does not benefit from legal ring-fencing, the perceived economic disincentives for either RRI or its creditors to file this subsidiary into bankruptcy along with jurisdictional and geographic differences between RRI and REPGB allow Standard & Poor's to maintain a differential in the ratings at this time. REPGB's ratings remain on CreditWatch with developing implications.

Houston, Texas based RRI's outstanding debt totaled $7.5 billion, including off balance sheet debt equivalents of $1.8 billion, as of Sept. 30, 2002.

THE RATING ACTION REFLECTS THE TIME FRAME THAT RRI HAS TO REACH AN AGREEMENT WITH ITS LENDERS. Standard & Poor's believes that the possibility of a default and a bankruptcy filing within the next 12 months, and particularly within 60 days, is not consistent with a default rating of 'B+'.

RRI FACES NO NEW UNCERTAINTIES REGARDING THE REFINANCING OF ITS BANK MATURITIES. THE COMPANY HAS OBTAINED AN EXTENSION FROM ITS BANKS EXTENDING THE DUE DATE UNTIL MARCH 28, 2003. However, should less than 100% of the bank lenders agree to commit to the terms of a renegotiated deal representing a long-term solution, a default could occur. RRI CURRENTLY HAS NO ACCESS TO THE CAPITAL MARKETS AND LACKS ADEQUATE LIQUID FUNDS TO FULLY REPAY THE $2.9 BILLION MATURITY ON MARCH 28. IF RRI IS UNABLE TO OBTAIN COMMITMENTS FROM ALL OF ITS BANK LENDERS, IT MAY RESOLVE ITS CREDIT SITUATION IN A BANKRUPTCY FILING.

The CreditWatch Developing designation means that ratings could go either up or down depending on the outcome of the refinancing negotiations. RRI expects to pay a higher rate, provide collateral, and be required to meet greater cash restrictions under renewed credit facilities.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Fixed Income in the left navigation bar, select Credit Ratings Actions.

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EXHIBIT G-25

OBLIGATION AMOUNT MATURITY PRIORITY* CENTERPOINT ENERGY, INC.** $3.85 billion bank facility $3.85 billion October 9, 2003. Currently same as other senior Following consummation debt of Parent. FOLLOWING of current CONSUMMATION OF CURRENT refinancing, June 2005. REFINANCING, SENIOR TO THE UNSECURED DEBT OF PARENT TO THE EXTENT OF THE COLLATERAL.**** DEBT IN EXCESS OF THE VALUE OF THE COLLATERAL WILL CONTINUE TO BE SENIOR UNSECURED DEBT OF PARENT. ZENS $840 million September 15, 2029 Junior in right of payment to all senior indebtedness. Collateralized Medium Term Notes $150 million April 2003 Senior secured debt of Parent. OBLIGATION SECURITY CENTERPOINT ENERGY, INC.** $3.85 billion bank facility Unsecured. FOLLOWING CONSUMMATION OF CURRENT REFINANCING, SECURED TO THE EXTENT OF THE VALUE OF TEXAS GENCO STOCK.*** ZENS Unsecured. Collateralized Medium Term Notes Secured debt was incurred by the

T&D Utility prior to the formation of CenterPoint, but became an obligation of the holding company under the terms of the indenture. Debt at the parent level is collateralized by First Mortgage Bonds of the T&D Utility. In the event that that the parent fails to pay, the lenders can look to the First Mortgage Bonds which are secured by property of the T&D Utility.

OBLIGATION	AMOUNT	MATURITY	PRIORITY*
Collateralized Pollution Control Bonds	$924 million	Various	Senior secured debt of Parent.
Uncollateralized Pollution Control Bonds	$519 million	Various	Senior unsecured debt of Parent.
Trust Preferred Securities****	$725 million	Various	The obligations of the Parent on the debentures issued to the trust are subordinated and junior in right of payment to all senior indebtedness of the Parent, and pari passu with obligations to other general unsecured creditors. The Parent has the right in certain circumstances to defer payment of interest on the debentures from time to time.

OBLIGATION	SECURITY
Collateralized Pollution Control Bonds	Debt at the parent level is collateralized by First Mortgage Bonds or General Mortgage Bonds of the T&D Utility, which are obligations of T&D Utility and secured by the property of the T&D Utility. Debt collateralized by First Mortgage Bonds was incurred by the T&D Utility prior to the formation of CenterPoint, but became an obligation of the holding

company under the terms of the underlying installment payment agreements.

General Mortgage Bonds were first issued by the T&D Utility in October 2002 in connection with the refinancing of bank debt. Under "equal and ratable" security clauses, the T&D Utility was required to issue General Mortgage Bonds to secure some series of Pollution Control Bonds that originally were unsecured.

Uncollateralized Pollution Control Bonds

Unsecured. Debt was incurred by the T&D Utility prior to the formation of CenterPoint, but became an obligation of the holding company under the terms of the underlying installment payment agreements.

Trust Preferred Securities****

Unsecured. Trust Preferred Securities issued by subsidiary trusts prior to the formation of CenterPoint, but trusts became indirect subsidiaries of CenterPoint at the time of the restructuring. In each case, the parent company issued subordinated debentures to the trusts, the debt service on which is the only source of funds available to the trusts to pay distributions on the trust preferred securities. Those subordinated

debentures are
now the
obligations of
CenterPoint.

OBLIGATION	AMOUNT	MATURITY	PRIORITY*
T&D UTILITY			
First Mortgage Bonds	$615 million	Various	Senior.
Collateralized Term Loan	$1.310 billion	November 11, 2005	Senior.

OBLIGATION	SECURITY
T&D UTILITY	
First Mortgage Bonds	Secured by a lien on most assets of the T&D Utility. Issued by utility beginning in 1944 to secure indebtedness of an integrated electric utility. First Mortgage Bonds have not been issued since 1995.
Collateralized Term Loan	Secured by a lien on most assets of the T&D Utility that is junior to the lien of the First Mortgage Bonds. The General Mortgage Bonds were issued by T&D Utility November 12, 2002 in connection with a term loan the proceeds of which were used to replace the T&D Utility's bank debt and to repay other existing debt.

* Priority against primary obligor.

** All obligations of Parent are structurally subordinated to obligations of the subsidiaries.

*** Security will be released when Genco assets divested.

**** The Parent has provided a guarantee on a subordinated basis of certain payments, but only to the extent that the trust has funds available for such payments.

TRANSITION BOND COMPANY

Transition Bonds	$736 million	Various	Senior

TRANSITION BOND COMPANY Transition Bonds Issued by subsidiary of T&D Utility in 2001 pursuant to Texas Electric Restructuring Law. Bonds are non-recourse to the T&D Utility. Secured by Transition Charge approved by the Texas Utility Commission.

OBLIGATION AMOUNT MATURITY PRIORITY* Synthetic Put Bonds (TERMS) $500 million November 1, 2003 Same as other senior unsecured (must be remarketed or debt of GasCo. refinanced) Debentures/Notes $1.320 billion Various Same as other senior unsecured debt of GasCo. Bank Facility $347 million March 31, 2003 Same as other senior unsecured debt of GasCo. Convertible Subordinated Debentures $79 million March 15, 2012 Subordinated to senior unsecured debt of GasCo. Trust Preferred Securities**** $0.4 million 2026 The obligations of the Parent on the subordinated debentures **** GasCo has provided a guarantee, on a issued to the trust are subordinated basis, of certain payments, but subordinate and junior in only to the extent that the trust has funds right of payment to all senior available for such payments. indebtedness and pari passu with obligations to or rights of GasCo's other unsecured creditors. The Parent has the right in certain circumstances to defer payment of interest on the debentures from

time to time.
CenterPoint Energy Gas Receivables , LLC Receivables Facility $150 million November 14, 2003 Senior OBLIGATION SECURITY Synthetic Put Bonds (TERMS) Unsecured. Debentures/Notes Unsecured. Bank Facility Unsecured. Debt will be refinanced with bank debt or capital market debt. Convertible Subordinated Debentures Unsecured. Trust Preferred Securities**** Unsecured. The trust preferred securities were issued by a financing subsidiary of NorAm Energy **** GasCo has provided a guarantee, on a Corp. before its acquisition by CenterPoint's subordinated basis, of certain payments, but predecessor. NorAm issued convertible junior only to the extent that the trust has funds subordinated debentures to the trust, the interest available for such payments. payments on which are utilized to pay the distributions on the trust preferred securities. The trust preferred securities are convertible into CenterPoint common stock. CenterPoint Energy Gas Receivables , LLC Receivables Facility Ownership of

the
receivables.

PRIORITY OF PAYMENT OBLIGATIONS PRE-FINANCING

PRIORITY OF CENTERPOINT (CORPORATE) PAYMENT OBLIGATIONS

1. Senior debt, including bank loans, collateralized medium-term notes, collateralized pollution control bonds, uncollateralized pollution control bonds, trade payables and other unsecured liabilities

2. ZENS (junior right of payment to all senior indebtedness)

3. Debentures issued to trusts issuing trust preferred (subordinate and junior in right of payment to all senior indebtedness and pari passu with obligations to or rights of CenterPoint's other general unsecured creditors)

4. Common stock

PRIORITY OF T&D UTILITY PAYMENT OBLIGATIONS

1. First mortgage bonds to the extent of the collateral.

2. Term loan collateralized by general mortgage bonds to the extent of the collateral.

3. LLC membership interests.

PRIORITY OF GASCO PAYMENT OBLIGATIONS

1. Senior Unsecured Debt, including bank lines of credit, trade payables and other unsecured liabilities

2. Convertible Subordinated Debentures (subordinate to all senior indebtedness including leases)

3. Debentures issued to trust issuing Convertible Trust Preferred Stock (subordinate and junior in right of payment to all senior indebtedness and pari passu with obligations to or rights of GasCo's other general unsecured creditors)

4. Common Stock

PRIORITY OF PAYMENT OBLIGATIONS POST-FINANCING

PRIORITY OF CENTERPOINT (CORPORATE) PAYMENT OBLIGATIONS

1. Senior secured debt to the extent of the collateral.

2. Senior unsecured debt, including bank loans, collateralized medium-term notes, collateralized pollution control bonds, uncollateralized pollution control bonds, trade payables and other unsecured liabilities.

3. ZENS (junior right of payment to all senior indebtedness)

4. Debentures issued to trusts issuing trust preferred (subordinate and junior in right of payment to all senior indebtedness and pari passu with obligations to or rights of CenterPoint's other general unsecured creditors)

5. Common stock

PRIORITY OF T&D UTILITY PAYMENT OBLIGATIONS

1. First mortgage bonds to the extent of the collateral.

2. Term loan collateralized by general mortgage bonds to the extent of the collateral.

3. LLC membership interests.

PRIORITY OF GASCO PAYMENT OBLIGATIONS

1. Senior Unsecured Debt, including bank lines of credit, trade payables and other unsecured liabilities

2. Convertible Subordinated Debentures (subordinate to all senior indebtedness including leases)

3. Debentures issued to trust issuing Convertible Trust Preferred Stock (subordinate and junior in right of payment to all senior indebtedness and pari passu with obligations to or rights of GasCo's other general unsecured creditors)

4. Common Stock