



Energy
on the move

ANNUAL REPORT 2007



Always There.®





————— We move energy
————— to serve our customers —————
————— *and to help our communities grow.*

ENERGY DRIVES BUSINESS, FUELS INDUSTRY AND DELIVERS THE COMFORTS OF HOME.

At CenterPoint Energy, we move energy across the country, below the ground and above the rooftops to homes, large and small businesses, and industrial facilities. Natural gas and electricity flow continuously through our pipelines and power lines to cook meals, power televisions and computers, keep us warm in the winter and cool in summer, and make businesses run more efficiently and in an environmentally sound manner.

We deliver the energy that enables our customers to have productive lives filled with enjoyment, entertainment and comfort.

OUR COMPANY AT A GLANCE

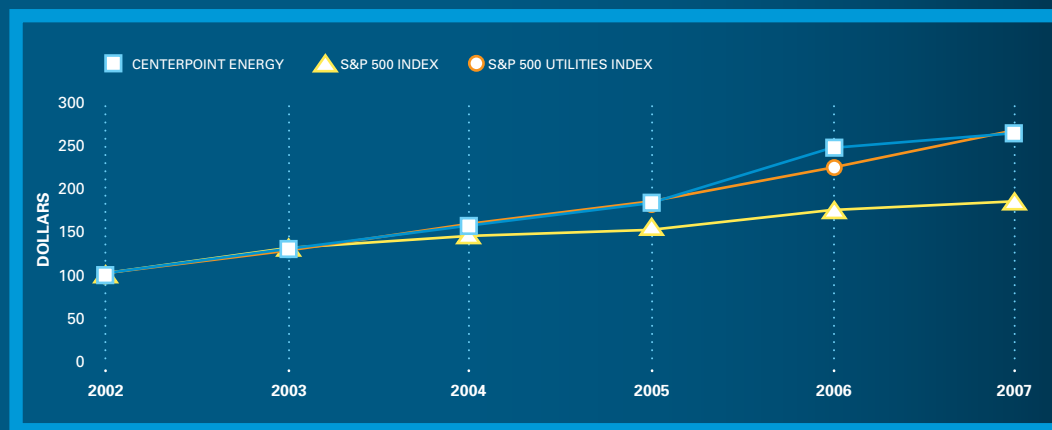
ELECTRIC TRANSMISSION & DISTRIBUTION (T&D)	Our T&D utility serves 2 million metered customers in a 5,000-square-mile electric service territory in the Houston metropolitan area. Operating income was \$561 million, consisting of \$400 million from our T&D utility, \$42 million from the competition transition charge and \$119 million related to transition bonds.
NATURAL GAS DISTRIBUTION	Our natural gas distribution business serves approximately 3.2 million customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. Operating income was \$218 million.
INTERSTATE PIPELINES	Our interstate natural gas pipelines business has 8,100 miles of pipe and transported more than 1,200 billion cubic feet (Bcf) of natural gas in 2007. Operating income was \$237 million.
FIELD SERVICES	Our natural gas gathering and processing business operates about 3,500 miles of gathering lines and gathered approximately 420 Bcf of natural gas in 2007. Operating income was \$99 million, plus equity income of \$10 million from a jointly owned natural gas processing plant.
COMPETITIVE NATURAL GAS SALES AND SERVICES	Our gas marketing business sells natural gas and related services to commercial, industrial and wholesale customers primarily located in the eastern half of the United States. Operating income was \$75 million.

OUR CODE OF ETHICS

The CenterPoint Energy Ethics and Compliance Code is based on our core values of **INTEGRITY**, **ACCOUNTABILITY**, **INITIATIVE** and **RESPECT**, and reflects the basic ethical principles that guide our conduct every day. Copies of our Ethics and Compliance Code are available in the Investors section of our Web site at CenterPointEnergy.com.

STOCK PERFORMANCE GRAPH

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN AMONG CENTERPOINT ENERGY, S&P 500 INDEX AND S&P 500 UTILITIES INDEX FOR FISCAL YEARS ENDED DECEMBER 31



The graph illustrates the value on 12/31/07 of \$100 invested in the common stock of CenterPoint Energy and each reference group on 12/31/02.

The calculation of CenterPoint Energy's total shareholder return assumes dividends were reinvested in company stock and treats the distribution of Texas Genco Holdings, Inc. common stock in 2003 as a \$0.4925 per share cash dividend.

Historical stock performance is not necessarily indicative of future performance.

FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31 IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)	2005	2006	2007
REVENUES	\$ 9,722	\$ 9,319	\$ 9,623
Operating Income	939	1,045	1,185
Income From Continuing Operations ⁽¹⁾	225	432	399
PER SHARE OF COMMON STOCK			
Income From Continuing Operations, Basic ⁽¹⁾	0.72	1.39	1.25
Income From Continuing Operations, Diluted ⁽¹⁾	0.67	1.33	1.17
Book Value – Year End	4.18	4.96	5.61
Market Value – Year End	12.85	16.58	17.13
Common Dividend Paid	0.40	0.60	0.68
CAPITALIZATION			
Transition Bonds (Includes Current Portion)	2,480	2,407	2,260
Other Long-term Debt (Includes Current Portion)	6,427	6,593	7,419
Common Stock Equity	1,296	1,556	1,810
Total Capitalization (Includes Current Portion)	10,203	10,556	11,489
Total Assets ⁽²⁾	17,116	17,633	17,872
Capital Expenditures ⁽²⁾	\$ 719	\$ 1,121	\$ 1,011
Common Stock Outstanding (In Thousands)	310,325	313,652	322,719
Number of Common Shareholders	55,294	52,085	49,271
Number of Employees	9,001	8,623	8,568

⁽¹⁾ Before Extraordinary Item.

⁽²⁾ Excluding Discontinued Operations. See Footnote (3) in Form 10-K.

Energy delivery *is our business.*



Dear Shareholder,

Thank you for your support of CenterPoint Energy. In a year that ended with turmoil in the stock market, your company turned in a solid financial performance. In 2007, we focused on improving our business models and invested in projects that will enhance future earnings. Operating income grew 13.5 percent and our dividend 13 percent. Most importantly, our company is well positioned to take advantage of opportunities in each of its businesses.

We believe our 2007 results reflect the strength of our balanced portfolio of energy delivery businesses and demonstrate we can succeed in a variety of market conditions. We earned \$399 million in net income, or \$1.17 per diluted share. While we earned \$432 million in 2006, those results included the favorable resolution of a number of non-recurring legacy tax and regulatory issues. Excluding these one-time events, our 2007 net income grew last year by \$38 million, an 11 percent increase.

We also raised our quarterly dividend to \$0.17 per share in 2007 and increased it again by 7.3 percent in the first quarter of 2008. Since 2005, we have increased our dividend by over 80 percent. These increases, which are consistent with our goal of returning 50 to 75 percent of our earnings to shareholders, demonstrate your board of directors' confidence in our future earnings and cash flow.

DAVID M. McCLANAHAN
President and CEO

MILTON CARROLL
Chairman

The dividends we paid in 2007, when combined with a 3.3 percent change in our stock price, produced a total shareholder return of 7.4 percent.

BUILDING ON OUR STRENGTHS

Our company remains focused on creating long-term growth and sustainable earnings in each of our businesses. For our regulated operations, we work continuously to improve our business models and are implementing our rate strategy to give us a better opportunity to earn our authorized rates of return. In our pipelines and field services businesses, we are capturing growth opportunities from our unique position in the mid-continent region where gas drilling and production are at record levels. The focus of our competitive natural gas sales and services business is on expanding our commercial and industrial customer base and optimizing the assets used to serve these customers. Finally, we continue to evaluate the acquisition of other assets that would complement our existing businesses and create long-term shareholder value.

This year, each of our businesses strengthened its position in the industry in which it operates.

Electric transmission and distribution performed in line with our expectations. While operating income declined \$15 million, as we felt the full impact of our 2006 rate case settlement, we added 53,000 new customers. We are confident that customer growth driven by the strong Houston economy will require continued investment in needed infrastructure and will position us for long-term success.

*“Our company remains focused on creating long-term growth and **sustainable earnings in each of our businesses.**”*

Our strongest growth last year was in **natural gas distribution** where operating income increased \$94 million, 76 percent over 2006. An improved business model, productivity improvements, more normal weather and the addition of over 38,000 customers helped this business achieve record performance. We also worked to implement a rate strategy that separates the recovery of our fixed operating costs and return on our investment from the volume of natural gas consumed, thus reducing the impact of unpredictable weather. These progressive rate designs better align the interests of our company and our customers and support the promotion of energy conservation.

Benefiting from pipeline investments needed to get new natural gas supplies to market, **interstate pipelines** saw operating income increase by \$56 million, 31 percent over 2006. Income from the first two phases of our Carthage to Perryville (CP) pipeline accounted for much of the increase. Our growth will continue in 2008 with the scheduled completion of CP Phase III and the Southeast Supply Header, a joint venture with Spectra Energy.

“The concern about global climate change will also
put more focus on conservation and using energy wisely...
We are well positioned to serve in a leadership role.”

Over the last three years, our fastest growing business has been natural gas **field services**. We continue to capitalize on strong drilling activity near our system and benefit from high customer loyalty. Operating income rose \$10 million over 2006, an increase of 11 percent. In 2007, we committed more than \$100 million in growth capital to this business and expect to invest approximately \$75 to \$100 million annually over the next four to five years.

Competitive natural gas sales and services reported a small decrease in operating income, primarily as a result of reduced profitability in our wholesale business due to lower locational and seasonal gas price differentials. Nonetheless, we made solid progress on our long-term growth strategy by growing our retail commercial and industrial customer base by 1,700.

■ IMPROVING OUR FINANCIAL POSITION

We resolved several of the issues remaining from the 1999 restructuring of the electric industry in Texas. Last summer, the state passed a law allowing us to sell \$488 million of transition bonds to recover certain previously approved transition costs. This law provides a win-win scenario, allowing us to recover our funds immediately while customers pay lower interest rates. The bonds were sold in February 2008, and will result in more than \$100 million in customer savings over the next 15 years. Additionally, we settled our final fuel reconciliation proceeding, which added \$17 million to operating income.

One important issue remains unresolved: our appeal of the Texas Public Utility Commission’s decision in our true-up case. In December, we received a disappointing decision from the Texas 3rd Court of Appeals that reduced the amount of potential true-up recovery. We have asked the Court of Appeals to reconsider its decision and will appeal to the Texas Supreme Court if our motion for rehearing is unsuccessful.

ADDRESSING OUR NATION'S ENERGY NEEDS

Looking to the future, we are confident that our company is positioned to succeed in a changing energy and environmental landscape.

The electric utility industry is expected to turn to natural gas, an abundant and clean-burning fossil fuel, to bridge the gap until cleaner alternatives are available. As a result, consumption of natural gas is expected to increase, putting pressure on natural gas supply and pricing. Although high gas prices will present challenges for our local distribution business, we believe the market demands for more natural gas will create opportunities for our pipelines and field services units. We stand ready to meet the needs of our customers and the marketplace.

The concern about global climate change will also put more focus on conservation and using energy wisely. As a utility, we are well positioned to serve in a leadership role. In most of our natural gas service territory, we are pursuing decoupled rates, weather normalization and adjustment mechanisms, and funding to promote energy conservation, energy audits, and incentives for high-efficiency commercial and residential natural gas products.

We also promote energy efficiency in our electric service territory. For the sixth consecutive year, the U.S. Environmental Protection Agency presented us with the ENERGY STAR Sustained Excellence Award for promoting energy-efficient home construction. Last year, we continued our evaluation of advanced metering and an intelligent electric distribution grid. We have installed 10,000 smart meters in a limited deployment and have received encouraging results. We believe the real-time energy data that will be available from advanced meters will enable customers to better manage and reduce their energy use.

Not only do we help our customers conserve energy, but we are careful consumers ourselves. Last year, we received the 2007 ENERGY STAR Award for efficient energy use at our corporate headquarters' building. We also have reduced energy use at our other Houston-area facilities by 27 percent since 2002.

Finally, we recognize that our employees are the most important driver of our success. To address our future workforce needs, we are hiring and training new employees and partnering with educational institutions. Our employees not only contribute to our business success, they work hard for the communities we serve. Last year, our employees volunteered more than 174,000 hours and raised more than \$2 million dollars for nonprofit organizations.

The energy industry is on the move, and we're moving with it. We appreciate your confidence in our company, and we will work hard to increase the value of your investment.

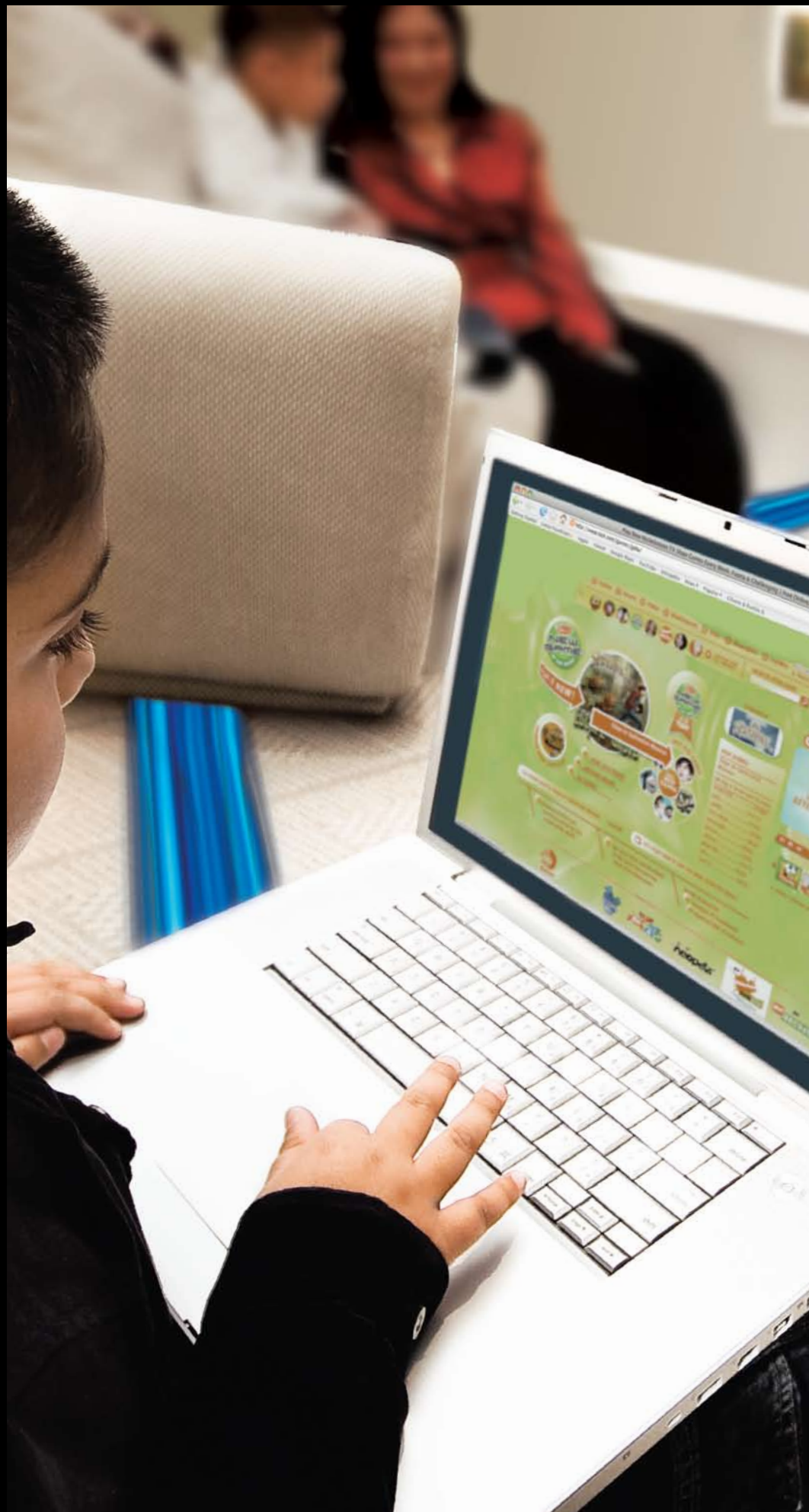
Sincerely,



MILTON CARROLL
Chairman



DAVID M. McCLANAHAN
President and CEO



A person is sitting at a desk in a modern office environment. In the foreground, a laptop is open, displaying a green-themed website. In the background, a large monitor shows a video of a meeting with several people around a table. The person at the desk is wearing blue jeans and brown shoes.

Energy powers homes, schools and businesses *and empowers people.*

OUR ELECTRIC TRANSMISSION AND DISTRIBUTION (T&D) BUSINESS REPORTED

operating income of \$561 million, (consisting of \$400 million from the T&D utility, \$42 million from the competition transition charge and \$119 million related to transition bonds), a result of adding more than 53,000 customers and improving operating efficiency, which helped offset the impact of lower rates. 2007 marked the eleventh consecutive year of customer growth in excess of 2 percent, a trend we expect to continue.

Meeting Houston's growing electric demand as well as maintaining our existing assets requires large capital investments. The Hillje project, a 68-mile, 345 kilovolt transmission line and switching station that improved power flow into the Houston area, was completed in July 2007. We invested \$401 million in infrastructure last year and plan to invest an additional \$2 billion over the next five years.

We are also considering further investments in advanced meters and intelligent grid infrastructure. A successful pilot project involving the deployment and operation of 10,000 advanced meters demonstrated the capability of a new generation of smart meters and broadband over power line technology to provide two-way communication.

Our operational performance on cost and reliability measures, when compared to similar utilities, was rated top-quartile in both the Southern Company Survey and the PA Consulting Group report. Additionally, we received the Edison Electric Institute 2007 Emergency Assistance Award for providing outstanding storm recovery assistance to utilities in Chicago, Illinois, Dallas and Beaumont, Texas, and Tulsa, Oklahoma.

OUR NATURAL GAS DISTRIBUTION BUSINESS HAD RECORD EARNINGS IN 2007,
with \$218 million in operating income.

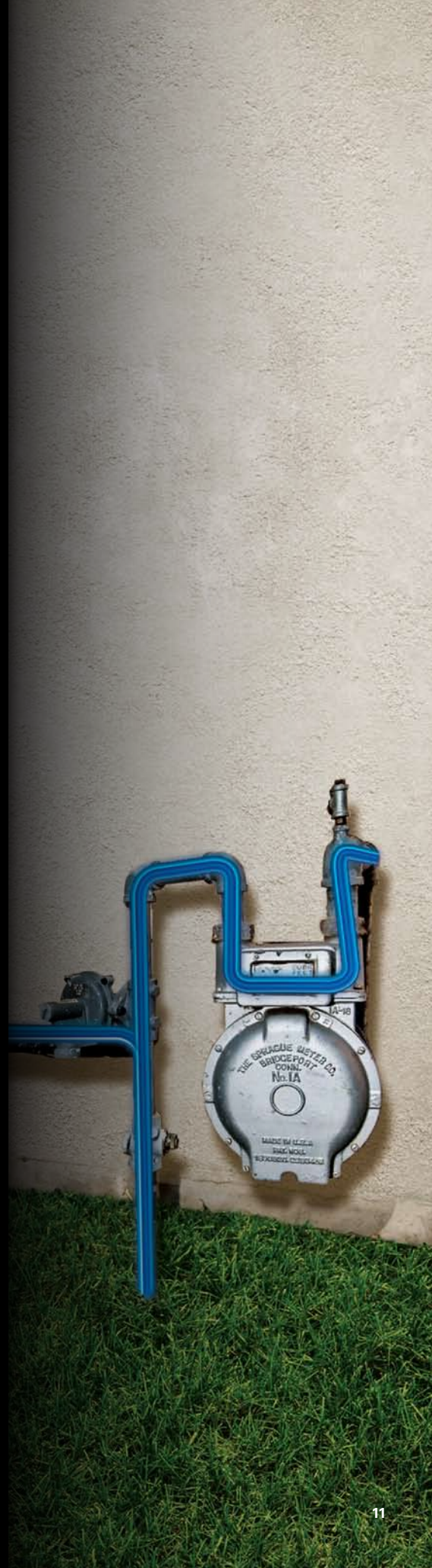
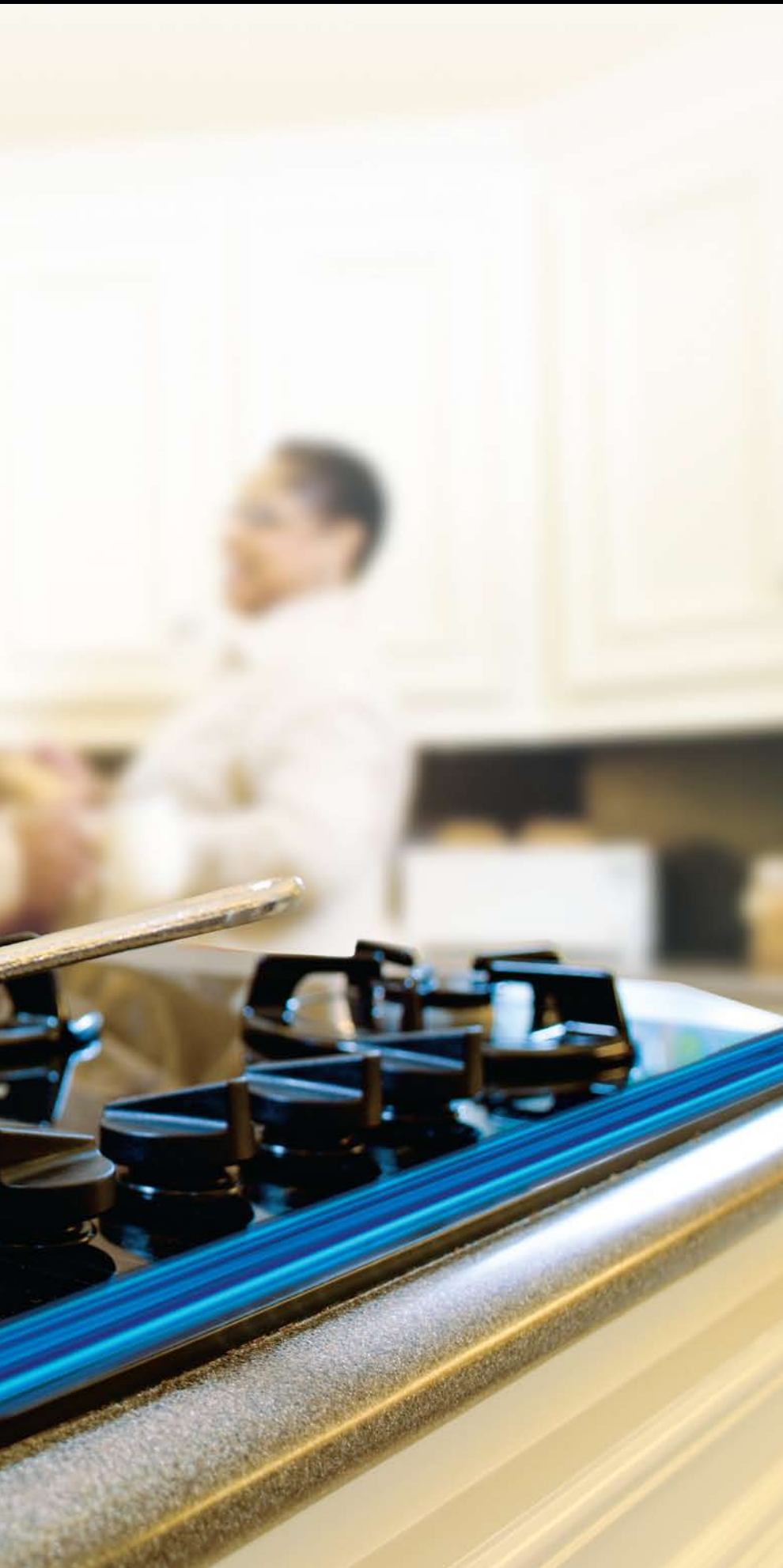
Across our six-state service area, we added more than 38,000 customers with Texas leading the way, mostly in the fast-growing Houston area. We also improved our business model, resulting in increased productivity and lower operating costs.

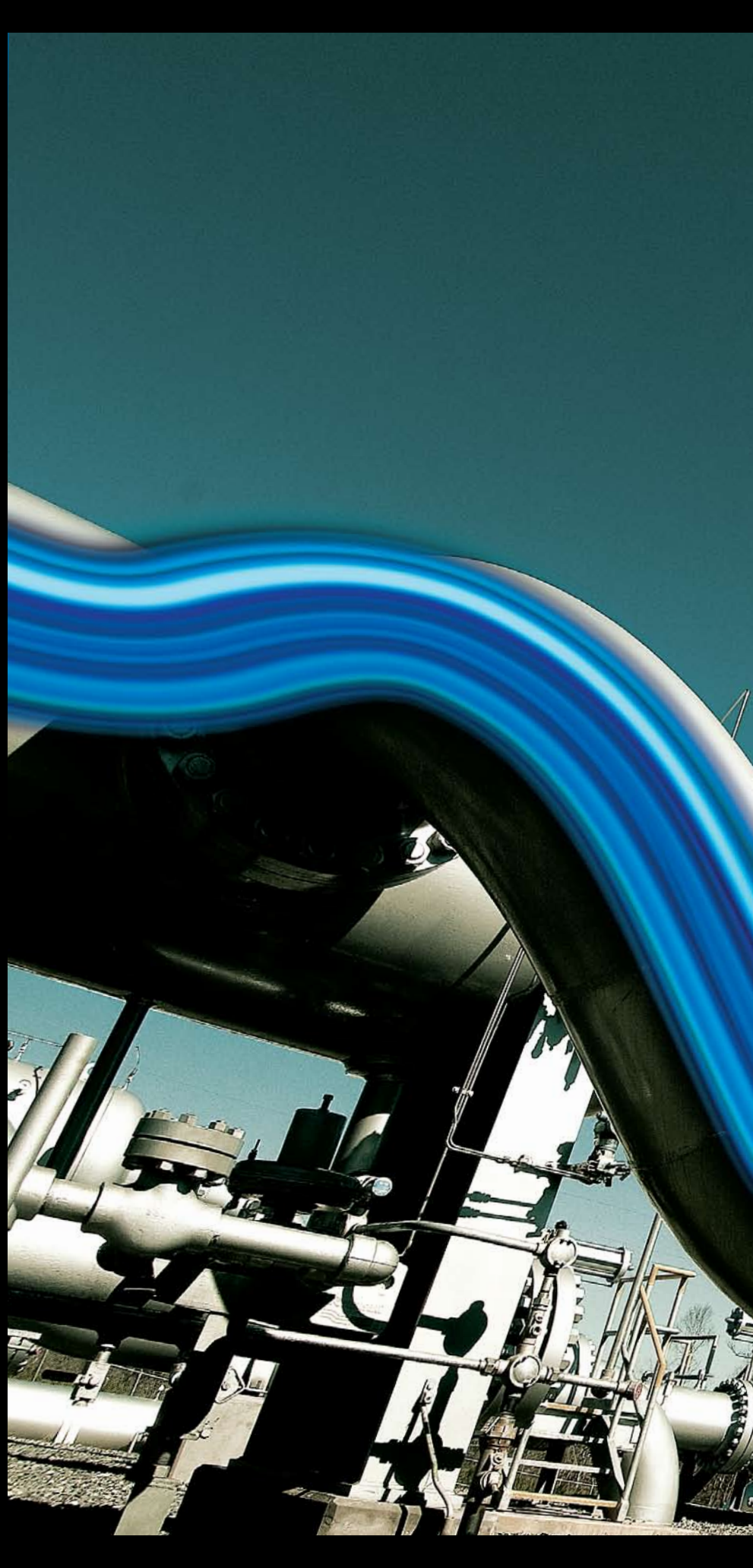
We continue to focus on a rate strategy designed to enhance our opportunity to earn our authorized rates of return while helping our customers use less energy. Our goal is to implement progressive rate designs that minimize the impacts of weather and reduced customer use. By better aligning the interests of our company and our customers, these rate designs support the promotion of conservation and energy efficiency.

We recently accomplished this objective in Arkansas where we settled a rate case that increased base rates by \$20 million and provided a rate design that decoupled the recovery of our fixed costs from the volume of gas sold and at the same time increased funding for energy-efficiency programs. We also made rate changes in two other jurisdictions to more effectively minimize the impact of weather — a weather normalization tariff in Louisiana and a modified rate adjustment mechanism in Oklahoma.

In Minnesota, we implemented a \$21 million rate increase. Also, legislation was passed to promote rate decoupling, which will likely be addressed in our next rate case. To help our low-income customers pay their utility bills, we implemented an affordability program and worked with Minnesota legislators to secure additional funding from the federal Low-Income Home Energy Assistance Program.

Energy efficiency
begins with us.





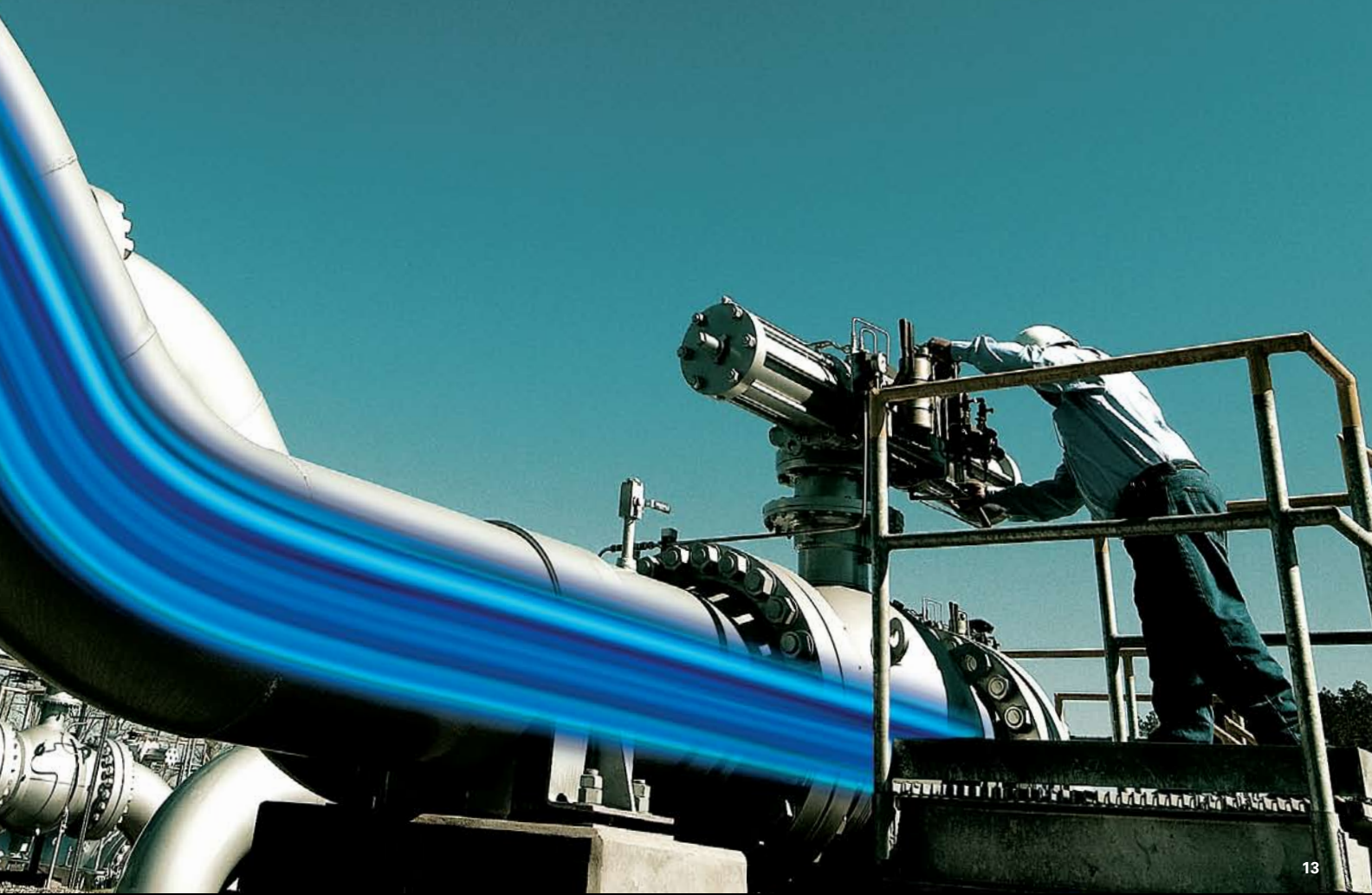
OUR INTERSTATE PIPELINES BUSINESS ACHIEVED ITS FIFTH CONSECUTIVE YEAR OF RECORD EARNINGS
with operating income of \$237 million in 2007.

Increased drilling and production activity within our footprint drove system expansion. We placed Phases I and II of our 172-mile Carthage to Perryville pipeline into service, adding 1.25 billion cubic feet (Bcf) of capacity to our system, and we began construction on Phase III, which will increase capacity to 1.5 Bcf. We've also begun construction of the 270-mile Southeast Supply Header, a joint venture with Spectra Energy, which will transport up to 1.0 Bcf of natural gas per day when service begins in the second half of 2008. Both new pipelines are needed to move gas from the mid-continent region to growing natural gas markets in Florida and on the East Coast.

We are also expanding our existing system to serve new customers, such as a new power generation facility in Arkansas.

Our financial and operating performance also benefited from improved planning and scheduling processes, enabling us to enhance our various transportation and storage services. We value our customer relationships and measure our performance against their expectations, which we believe will enable us to retain and expand our customer base.

**Energy seeks new markets,
so we build pipelines.**



Natural gas production is expanding;
— ***we are ready.***

FOR THE FIFTH CONSECUTIVE YEAR, OUR FIELD SERVICES business had record performance, reporting operating income of \$99 million in 2007, plus equity income of \$10 million from a jointly owned natural gas processing plant.

In 2007, we added over 400 new well connections to our system and by year end, our average daily throughput was 1.2 Bcf per day. We completed 12 new major gathering, processing and treating projects.

We also continue an ongoing compressor optimization and asset rationalization program, which not only reduces our operating expense but improves our ability to serve our customers.



CENTERPOINT ENERGY SERVICES (CES), OUR COMPETITIVE NATURAL GAS sales and services business, had a good year, producing operating income of \$75 million.

Acquisitions of 1,700 industrial and commercial customers from retail natural gas providers in South Dakota and Indiana brought total CES customers to more than 8,800. Our total natural gas throughput was 522 Bcf in 2007. We also signed an agreement to serve 21 plants for the largest U.S. producer of ethanol.

We enhanced our natural gas storage position in 2007 by starting commercial operation of our new salt dome gas storage facility in Houston and leasing an additional 2 Bcf of storage in the mid-continent area.

In an increasingly competitive market, we continue to focus on customer retention and pursue retail and wholesale growth. We enhanced our wholesale capabilities by acquiring an additional 0.2 Bcf per day of long-term firm transportation capacity, giving us access to new gas sources to serve growing customer demand.

We meet the energy needs of
business and industry.



CENTERPOINT ENERGY BOARD MEMBERS



[from left to right] Donald R. Campbell, O. Holcombe Crosswell, Michael E. Shannon, Peter S. Wareing, David M. McClanahan, Thomas F. Madison, Milton Carroll, Derrill Cody, Robert T. O'Connell, Sherman M. Wolff and Janiece M. Longoria.

CENTERPOINT ENERGY OFFICERS



[from left to right] Wayne D. Stinnett, Thomas R. Standish, Byron R. Kelley, Scott E. Rozzell, David M. McClanahan, Gary L. Whitlock and Joseph B. McGoldrick.

CENTERPOINT ENERGY INVESTOR INFORMATION

INVESTOR SERVICES

If you have questions about your CenterPoint Energy investor account, please contact us at:

In Houston: (713) 207-3060
Toll Free: (800) 231-6406
Fax: (713) 207-3169

Investor services, online tools, such as News and Event Alerts, and a list of publications may be found on the company's Web site at CenterPointEnergy.com/investors.

Investor Services representatives are available from 8 a.m. to 5 p.m. Central time, Monday through Friday to help you with questions about CenterPoint Energy common stock or enrollment in the CenterPoint Energy Investor's Choice Plan.

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

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

INFORMATION REQUESTS

Call (888) 468-3020 toll free for additional copies of: 2007 Annual Report and Form 10-K
2008 Proxy Statement

DIVIDEND PAYMENTS

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

INSTITUTIONAL INVESTORS

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

STOCK LISTING

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

AUDITORS

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

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MAILING ADDRESS

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

WEB ADDRESS

CenterPointEnergy.com

CERTIFICATIONS

CenterPoint Energy has filed the CEO/CFO certifications regarding the quality of the company's public disclosure required to be filed with the SEC as Exhibits 31.1 and 31.2 to its annual report on Form 10-K and to its quarterly reports on Form 10-Q. In addition, following its annual meeting in 2007, CenterPoint Energy submitted its CEO certification to the New York Stock Exchange pursuant to Section 303A.12(a) of the NYSE's Listed Company's Manual.



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HOUSTON, TX 77002

