

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

FORM 10-Q/A

AMENDMENT NO. 1

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission file number 1-13265

CENTERPOINT ENERGY RESOURCES CORP.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

76-0511406
(I.R.S. Employer
Identification No.)

1111 LOUISIANA
HOUSTON, TEXAS 77002
(Address and zip code of
principal executive offices)

(713) 207-1111
(Registrant's telephone number,
including area code)

CENTERPOINT ENERGY RESOURCES CORP. MEETS THE CONDITIONS SET FORTH IN GENERAL
INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM 10-Q
WITH THE REDUCED DISCLOSURE FORMAT.

Indicate by check mark whether the registrant: (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant is a shell company (as defined in
Rule 12b-2 of the Exchange Act). Yes No

As of November 1, 2005, all 1,000 shares of CenterPoint Energy Resources Corp.
common stock were held by Utility Holding, LLC, a wholly owned subsidiary of
CenterPoint Energy, Inc.

EXPLANATORY NOTE

CenterPoint Energy Resources Corp. (CERC Corp. or the Company) hereby amends Items 1, 2, and 4 of Part I and Item 6 of Part II of its Quarterly Report on Form 10-Q for the period ended September 30, 2005 as originally filed on November 9, 2005 (Form 10-Q) to reflect the restatement of the Company's unaudited condensed consolidated financial statements as discussed in Note 12. Contemporaneously with the filing of this Amendment No. 1 to the Form 10-Q on this Form 10-Q/A, the Company is filing Amendment No. 2 to its Annual Report on Form 10-K/A for the year ended December 31, 2004.

For purposes of this Form 10-Q/A, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, each item of the Form 10-Q that was affected by the restatement has been amended to the extent affected and restated in its entirety. NO ATTEMPT HAS BEEN MADE IN THIS FORM 10-Q/A TO UPDATE OTHER DISCLOSURES AS PRESENTED IN THE FORM 10-Q EXCEPT AS REQUIRED TO REFLECT THE EFFECTS OF THE RESTATEMENT. ACCORDINGLY, THIS FORM 10-Q/A SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S SEC FILINGS MADE SUBSEQUENT TO THE FILING OF THE FORM 10-Q, INCLUDING ANY AMENDMENTS OF THOSE FILINGS. IN ADDITION, THIS FORM 10-Q/A INCLUDES UPDATED CERTIFICATIONS FROM THE COMPANY'S CEO AND CFO AS EXHIBITS 31.1, 31.2, 32.1 AND 32.2.

CENTERPOINT ENERGY RESOURCES CORP.
QUARTERLY REPORT ON FORM 10-Q/A
FOR THE QUARTER ENDED SEPTEMBER 30, 2005

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION	
	Item 1. Financial Statements.....	1
	Condensed Statements of Consolidated Operations	
	Three Months and Nine Months Ended September 30, 2004 and 2005	
	(unaudited) (as restated).....	1
	Condensed Consolidated Balance Sheets	
	December 31, 2004 and September 30, 2005 (unaudited)	
	(as restated).....	2
	Condensed Statements of Consolidated Cash Flows	
	Nine Months Ended September 30, 2004 and 2005 (unaudited)	
	(as restated).....	4
	Notes to Unaudited Condensed Consolidated Financial Statements.....	5
	Item 2. Management's Narrative Analysis of the Results of Operations...	17
	Item 4. Controls and Procedures.....	26
PART II.	OTHER INFORMATION	
	Item 6. Exhibits.....	28

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. Actual results may differ materially from those expressed or implied by these statements. You can generally identify our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "will," 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 you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

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

- state and federal legislative and regulatory actions or developments, constraints placed on our activities or business by the Public Utility Holding Company Act of 1935, as amended (1935 Act), the impact of the repeal of the 1935 Act and changes in or application of laws or regulations applicable to other aspects of our business and actions with respect to:
 - allowed rates of return;
 - rate structures;
 - recovery of investments; and
 - operation and construction of facilities;
- timely rate increases, including recovery of costs;
- industrial, commercial and residential growth in our service territory and changes in market demand and demographic patterns;
- the timing and extent of changes in commodity prices, particularly natural gas;
- changes in interest rates or rates of inflation;
- weather variations and other natural phenomena;
- the timing and extent of changes in the supply of natural gas;
- commercial bank and financial market conditions, our access to capital, the costs of such capital, receipt of certain financing approvals under the 1935 Act, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;
- actions by rating agencies;
- effectiveness of our risk management activities;
- inability of various counterparties to meet their obligations to us;
- non-payment of our services due to financial distress of our customers;
- our ability to control costs;
- the investment performance of CenterPoint Energy's employee benefit plans;

- our potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or to have the anticipated benefits to us; and
- other factors we discuss in "Risk Factors" beginning on page 26 in Item 5 of Part II of our Quarterly Report on Form 10-Q for the period ended September 30, 2005 filed on November 9, 2005.

Additional risk factors are described in other documents we file with the Securities and Exchange Commission.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
 (AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS
 (MILLIONS OF DOLLARS)
 (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2005	2004	2005
	(AS RESTATED, SEE NOTE 12)			
REVENUES	\$1,117	\$1,587	\$4,404	\$5,261
EXPENSES:				
Natural gas	826	1,277	3,366	4,161
Operation and maintenance	184	188	536	532
Depreciation and amortization	47	50	139	149
Taxes other than income taxes	28	32	107	108
Total	1,085	1,547	4,148	4,950
OPERATING INCOME	32	40	256	311
OTHER INCOME (EXPENSE):				
Interest and other finance charges ...	(45)	(39)	(134)	(136)
Other, net	4	6	10	18
Total	(41)	(33)	(124)	(118)
INCOME (LOSS) BEFORE INCOME TAXES	(9)	7	132	193
Income Tax (Expense) Benefit	7	(3)	(49)	(66)
NET INCOME (LOSS)	\$ (2)	\$ 4	\$ 83	\$ 127
	=====	=====	=====	=====

See Notes to the Company's Interim Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
 (AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (MILLIONS OF DOLLARS)
 (UNAUDITED)

ASSETS

	DECEMBER 31, 2004	SEPTEMBER 30, 2005 (AS RESTATED, SEE NOTE 12)
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 141	\$ 107
Accounts and notes receivable, net	545	503
Accrued unbilled revenue	502	189
Accounts and notes receivable - affiliated companies, net ...	12	--
Materials and supplies	25	32
Natural gas inventory	176	318
Non-trading derivative assets	50	195
Taxes receivable	155	1
Deferred tax asset	12	2
Prepaid expenses	9	10
Other	92	233
	-----	-----
Total current assets	1,719	1,590
	-----	-----
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment	4,296	4,508
Less accumulated depreciation	(462)	(524)
	-----	-----
Property, plant and equipment, net	3,834	3,984
	-----	-----
OTHER ASSETS:		
Goodwill, net	1,741	1,744
Other intangibles, net	20	19
Non-trading derivative assets	18	108
Accounts and notes receivable - affiliated companies, net ...	18	16
Other	117	138
	-----	-----
Total other assets	1,914	2,025
	-----	-----
TOTAL ASSETS	\$7,467	\$7,599
	=====	=====

See Notes to the Company's Interim Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
 (AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED CONSOLIDATED BALANCE SHEETS -- (CONTINUED)
 (MILLIONS OF DOLLARS)
 (UNAUDITED)

LIABILITIES AND STOCKHOLDER'S EQUITY

	DECEMBER 31, 2004	SEPTEMBER 30, 2005 (AS RESTATED, SEE NOTE 12)
	-----	-----
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 367	\$ 6
Accounts payable	733	708
Accounts and notes payable - affiliated companies, net ...	--	13
Taxes accrued	78	63
Interest accrued	58	46
Customer deposits	60	60
Non-trading derivative liabilities	26	89
Accumulated deferred income taxes, net	--	2
Other	273	559
	-----	-----
Total current liabilities	1,595	1,546
	-----	-----
OTHER LIABILITIES:		
Accumulated deferred income taxes, net	641	637
Non-trading derivative liabilities	6	14
Benefit obligations	128	129
Other	557	659
	-----	-----
Total other liabilities	1,332	1,439
	-----	-----
LONG-TERM DEBT	2,001	1,986
	-----	-----
COMMITMENTS AND CONTINGENCIES (NOTES 1 AND 9)		
STOCKHOLDER'S EQUITY:		
Common stock	--	--
Additional paid-in capital	2,232	2,292
Retained earnings	305	332
Accumulated other comprehensive income	2	4
	-----	-----
Total stockholder's equity	2,539	2,628
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$7,467	\$7,599
	=====	=====

See Notes to the Company's Interim Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(MILLIONS OF DOLLARS)
(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30,

2004 2005

(A S R E S T A T E D , S E E N O T E 1 2)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 83	\$ 127
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	139	149
Amortization of deferred financing costs	7	6
Deferred income taxes	9	(2)
Changes in other assets and liabilities:		
Accounts receivable and unbilled revenues, net	387	355
Accounts receivable/payable, affiliates	(23)	(10)
Inventory	(86)	(140)
Taxes receivable	21	214
Accounts payable	(183)	(10)
Fuel cost recovery	43	(69)
Interest and taxes accrued	(3)	(26)
Net non-trading derivative assets and liabilities	(18)	6
Margin deposits, net	15	78
Short-term risk management activities, net	1	(19)
Other current assets	(23)	(41)
Other current liabilities	(4)	65
Other assets	(6)	6
Other liabilities	(8)	--
Other, net	(3)	(2)
	-----	-----
Net cash provided by operating activities	348	687
	-----	-----

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(170)	(280)
Decrease (increase) in notes receivable from affiliates	(83)	38
Other, net	(4)	(5)
	-----	-----
Net cash used in investing activities	(257)	(247)
	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES:

Decrease in short-term borrowings, net	(63)	--
Payments of long-term debt	--	(372)
Decrease in notes payable with affiliates	(32)	(1)
Debt issuance costs	(2)	(1)
Dividend to parent	(12)	(100)
	-----	-----
Net cash used in financing activities	(109)	(474)
	-----	-----

NET DECREASE IN CASH AND CASH EQUIVALENTS	(18)	(34)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	34	141
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 16	\$ 107
	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Payments:

Interest	\$ 137	\$ 142
Income taxes	73	91

See Notes to the Company's Interim Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) BACKGROUND AND BASIS OF PRESENTATION

General. Included in this Quarterly Report on Form 10-Q/A (Form 10-Q/A) of CenterPoint Energy Resources Corp. are the condensed consolidated interim financial statements and notes (Interim Financial Statements) of CenterPoint Energy Resources Corp. and its subsidiaries (collectively, CERC Corp. or the Company). The Interim Financial Statements are unaudited, omit certain financial statement disclosures and should be read with the Annual Report on Form 10-K of CERC Corp. for the year ended December 31, 2004 filed on March 24, 2005 (CERC Corp. Form 10-K), as amended by Amendment No. 1 thereto filed on August 29, 2005, and as amended by Amendment No. 2 thereto filed on January 10, 2006 (CERC Corp. Form 10-K/A).

Background. The Company's operating subsidiaries own and operate natural gas distribution facilities, interstate pipelines and natural gas gathering, processing and treating facilities. The Company's operations of its local distribution companies are conducted through two unincorporated divisions: Minnesota Gas and Southern Gas Operations, which includes Houston Gas. Through wholly owned subsidiaries, the Company owns two interstate natural gas pipelines and gas gathering systems, provides various ancillary services, and offers variable and fixed-price physical natural gas supplies to commercial and industrial customers and natural gas distributors.

The Company is an indirect wholly owned subsidiary of CenterPoint Energy, Inc. (CenterPoint Energy), a public utility holding company created on August 31, 2002, as part of a corporate restructuring of Reliant Energy, Incorporated (Reliant Energy) that implemented certain requirements of the Texas Electric Choice Plan. CenterPoint Energy is a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended (1935 Act). The 1935 Act and related rules and regulations impose a number of restrictions on the activities of CenterPoint Energy and those of its subsidiaries. The 1935 Act, among other things, limits the ability of CenterPoint Energy and its subsidiaries to issue debt and equity securities without prior authorization, restricts the source of dividend payments to current and retained earnings without prior authorization, regulates sales and acquisitions of certain assets and businesses and governs affiliated service, sales and construction contracts. On August 8, 2005, President Bush signed into law the Energy Policy Act of 2005 (Energy Act). Under that legislation, the 1935 Act is repealed effective February 8, 2006. After the effective date of the repeal, CenterPoint Energy and its subsidiaries will no longer be subject to restrictions imposed under the 1935 Act. Until the repeal is effective, CenterPoint Energy and its subsidiaries remain subject to the provisions of the 1935 Act and the terms of orders issued by the Securities and Exchange Commission (SEC) under the 1935 Act. The Energy Act grants to the Federal Energy Regulatory Commission (FERC) authority to require holding companies and their subsidiaries to maintain certain books and records and make them available for review by FERC and state regulatory authorities. The Energy Act requires FERC to issue regulations to implement its jurisdiction under the Energy Act, and on September 16, 2005, FERC issued proposed rules for public comment. It is presently unknown what, if any, specific obligations under those rules may be imposed on CenterPoint Energy and its subsidiaries as a result of that rulemaking.

Basis of Presentation. The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company's Interim Financial Statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the respective periods. Amounts reported in the Company's Condensed Statements of Consolidated Operations are not necessarily indicative of amounts expected for a full-year period due to the effects of, among other things, (a) seasonal fluctuations in demand for energy and energy services, (b) changes in energy commodity prices, (c) timing of maintenance and other expenditures and (d) acquisitions and dispositions of businesses, assets and other interests.

Note 2(e) (Regulatory Assets and Liabilities), Note 3 (Regulatory Matters), Note 5 (Derivative Instruments) and Note 9 (Commitments and Contingencies) to the consolidated annual financial statements in the CERC Corp. Form

10-K/A (CERC Corp. 10-K/A Notes) relate to certain contingencies. These notes, as updated herein, should be read with this Form 10-Q/A.

For information regarding environmental matters and legal proceedings, see Note 9 to the Interim Financial Statements.

(2) NEW ACCOUNTING PRONOUNCEMENTS

In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3" (SFAS No. 154). SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. The correction of an error in previously issued financial statements is not an accounting change and must be reported as a prior-period adjustment by restating previously issued financial statements. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In March 2005, the FASB issued FASB Interpretation No. (FIN) 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47). FIN 47 clarifies that an entity must record a liability for a "conditional" asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The Company is evaluating the effect of adoption of this new standard on its financial position, results of operations and cash flows.

(3) REGULATORY MATTERS

(a) Rate Cases.

In November 2004, Southern Gas Operations filed an application for a \$28 million base rate increase, as adjusted, with the Arkansas Public Service Commission (APSC). In September 2005, the APSC ordered an \$11 million rate reduction, including a \$10 million reduction relating to depreciation rates, which went into effect on September 25, 2005.

In April 2005, the Railroad Commission of Texas (Railroad Commission) approved a settlement that increased Southern Gas Operations' base rate and service revenues by a combined \$2 million in the unincorporated environs of its Beaumont/East Texas and South Texas Divisions. In June and August 2005, Southern Gas Operations filed requests to implement these rates within the incorporated cities located in its Beaumont/East Texas and South Texas Divisions. If these rates are approved in all jurisdictions as requested, Southern Gas Operations' base rate and service revenues are expected to increase by an additional \$16 million annually.

In June 2005, the Minnesota Public Utilities Commission (MPUC) approved a settlement which increases Minnesota Gas' base rates by approximately \$9 million annually. An interim rate increase of \$17 million had been implemented in October 2004. Substantially all of the excess amounts collected in interim rates over those approved in the final settlement were refunded to customers in the third quarter.

On November 2, 2005, Minnesota Gas filed a request with the MPUC to increase annual rates by \$41 million. It has requested that an interim rate increase of \$35 million be implemented January 1, 2006. Any difference between the interim rates collected and the final rates would be subject to refund to customers. A decision by the MPUC is expected in the third quarter of 2006.

(b) City of Tyler, Texas Dispute.

In July 2002, the City of Tyler, Texas, asserted that Southern Gas Operations had overcharged residential and small commercial customers in that city for gas costs under supply agreements in effect since 1992. That dispute was referred to the Railroad Commission by agreement of the parties for a determination of whether Southern Gas Operations has properly charged and collected for gas service to its residential and commercial customers in its Tyler distribution system in accordance with lawful filed tariffs during the period beginning November 1, 1992, and

ending October 31, 2002. In December 2004, the Railroad Commission conducted a hearing on the matter. On May 25, 2005, the Railroad Commission issued a final order finding that the Company had complied with its tariffs, acted prudently in entering into its gas supply contracts, and prudently managed those contracts. On August 10, 2005, the City of Tyler appealed this order to the Court of Appeals.

(c) Settlement of FERC Audit.

On June 27, 2005, CenterPoint Energy Gas Transmission Company (CEGT), a subsidiary of CERC Corp., received an Order from FERC accepting the terms of a settlement agreed upon by CEGT with the Staff of the FERC's Office of Market Oversight and Investigations (OMOI). The settlement brought to a conclusion an investigation of CEGT initiated by OMOI in August 2003. Among other things, the investigation involved a comprehensive review of CEGT's relationship with its marketing affiliates and compliance with various FERC record-keeping and reporting requirements covering the period from January 1, 2001 through September 22, 2004.

OMOI Staff took the position that some of CEGT's actions resulted in a limited number of violations of FERC's affiliate regulations or were in violation of certain record-keeping and administrative requirements. OMOI did not find any systematic violations of its rules governing communications or other relationships among affiliates.

The settlement included two remedies: a payment of a \$270,000 civil penalty and the execution of a compliance plan, applicable to both CEGT and CenterPoint Energy-Mississippi River Transmission Corporation (MRT). The compliance plan consists of a detailed set of Implementation Procedures that will facilitate compliance with FERC's Order No. 2004, the Standards of Conduct, which regulate behavior between regulated entities and their affiliates. The Company does not believe the compliance plan will have any material effect on CEGT's or MRT's ability to conduct their business.

(4) DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to various market risks. These risks arise from transactions entered into in the normal course of business. The Company utilizes derivative financial instruments such as physical forward contracts, swaps and options to mitigate the impact of changes in cash flows of its natural gas businesses on its operating results and cash flows.

Cash Flow Hedges. During the nine months ended September 30, 2004 and 2005, hedge ineffectiveness was less than \$1 million from derivatives that qualify for and are designated as cash flow hedges. No component of the derivative instruments' gain or loss was excluded from the assessment of effectiveness. If it becomes probable that an anticipated transaction will not occur, the Company realizes in net income the deferred gains and losses recognized in accumulated other comprehensive loss. Once the anticipated transaction occurs, the accumulated deferred gain or loss recognized in accumulated other comprehensive loss is reclassified and included in the Company's Statements of Consolidated Operations under the caption "Natural Gas." Cash flows resulting from these transactions in non-trading energy derivatives are included in the Statements of Consolidated Cash Flows in the same category as the item being hedged. As of September 30, 2005, the Company expects \$(0.4) million in accumulated other comprehensive loss to be reclassified into net income during the next twelve months.

Other Derivative Financial Instruments. The Company also has natural gas contracts that are derivatives which are not hedged and are accounted for on a mark-to-market basis with changes in fair value reported through earnings. Load following services that the Company offers its natural gas customers create an inherent tendency for the Company to be either long or short natural gas supplies relative to customer purchase commitments. The Company measures and values all of its volumetric imbalances on a real-time basis to minimize its exposure to commodity price and volume risk. The Company does not engage in proprietary or speculative commodity trading. Unhedged positions are accounted for by adjusting the carrying amount of the contracts to market and recognizing any gain or loss in operating income, net. During the nine months ended September 30, 2004 and 2005, the Company recognized net gains (losses) related to unhedged positions amounting to \$(4) million and \$14 million, respectively. As of December 31, 2004, the Company had recorded short-term risk management assets and liabilities of \$4 million and \$5 million, respectively, included in other current assets and other current liabilities, respectively. As of September 30, 2005, the Company had recorded short-term risk management assets and liabilities of \$55 million and \$37 million, respectively, included in other current assets and other current liabilities, respectively.

A portion of CenterPoint Energy Services, Inc.'s (CES) activities include entering into transactions for the physical purchase, transportation and sale of natural gas at different locations (physical contracts). CES attempts to mitigate basis risk associated with these activities by entering into financial derivative contracts (financial contracts or financial basis swaps) to address market price volatility between the purchase and sale delivery points that can occur over the term of the physical contracts. The underlying physical contracts are accounted for on an accrual basis with all associated earnings not recognized until the time of actual physical delivery. The timing of the earnings impacts for the financial contracts differs from the physical contracts because the financial contracts meet the definition of a derivative under SFAS No. 133, "Accounting for Derivative Instruments" (SFAS No. 133), and are recorded at fair value as of each reporting balance sheet date with changes in value reported through earnings. Changes in prices between the delivery points (basis spreads) can and do vary daily resulting in changes to the fair value of the financial contracts. However, the economic intent of the financial contracts is to fix the actual net difference in the natural gas pricing at the different locations for the associated physical purchase and sale contracts throughout the life of the physical contracts and thus, when combined with the physical contracts' terms, provide an expected fixed gross margin on the physical contracts that will ultimately be recognized in earnings at the time of actual delivery of the natural gas. As of September 30, 2005, the mark-to-market value of the financial contracts described above reflected an unrealized loss of \$3.6 million; however, the underlying expected fixed gross margin associated with delivery under the physical contracts combined with the price risk management provided through the financial contracts is \$2.3 million. As described above, over the term of these financial contracts, the quarterly reported mark-to-market changes in value may vary significantly and the associated unrealized gains and losses will be reflected in CES' earnings.

CES also sells physical gas and basis to its end-use customers who desire to lock in a future spread between a specific location and Henry Hub (NYMEX). As a result, CES incurs exposure to commodity basis risk related to these transactions, which it attempts to mitigate by buying offsetting financial basis swaps. Under SFAS No. 133, CES records at fair value and marks-to-market the financial basis swaps as of each reporting balance sheet date with changes in value reported through earnings. However, the associated physical sales contracts are accounted for using the accrual basis, whereby earnings impacts are not recognized until the time of actual physical delivery. Although the timing of earnings recognition for the financial basis swaps differs from the physical contracts, the economic intent of the financial basis swaps is to fix the basis spread over the life of the physical contracts to an amount substantially the same as the portion of the basis spread pricing included in the physical contracts. In so doing, over the period that the financial basis swaps and related physical contracts are outstanding, actual cumulative earnings impacts for changes in the basis spread should be minimal, even though from a timing perspective there could be fluctuations in unrealized gains or losses associated with the changes in fair value recorded for the financial basis swaps. The cumulative earnings impact from the financial basis swaps recognized each reporting period is expected to be offset by the value realized when the related physical sales occur. As of September 30, 2005, the mark-to-market value of the financial basis swaps reflected an unrealized loss of \$4.8 million.

(5) GOODWILL AND INTANGIBLES

Goodwill by reportable business segment is as follows (in millions):

	DECEMBER 31, 2004	SEPTEMBER 30, 2005
	-----	-----
Natural Gas Distribution ...	\$1,085	\$1,085
Pipelines and Gathering	601	604
Other Operations	55	55
	-----	-----
Total	\$1,741	\$1,744
	=====	=====

The Company performs its goodwill impairment test at least annually and evaluates goodwill when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Upon adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," the Company initially selected January 1 as its annual goodwill impairment testing date. Since the time the Company selected the January 1 date, the Company's year-end closing and reporting process has been truncated in order to meet the accelerated reporting requirements of the SEC, resulting in significant constraints on the Company's human resources at year-end and during its first fiscal quarter. Accordingly, in order to meet the accelerated reporting deadlines and to provide adequate time to complete the analysis each year, beginning in the third quarter of 2005, the Company changed the date on which it performs its

annual goodwill impairment test from January 1 to July 1. The Company believes the July 1 alternative date will alleviate the resource constraints that exist during the first quarter and allow it to utilize additional resources in conducting the annual impairment evaluation of goodwill. The Company performed the test at July 1, 2005, and determined that no impairment charge for goodwill was required. The change is not intended to delay, accelerate or avoid an impairment charge. The Company believes that this accounting change is an alternative accounting principle that is preferable under the circumstances.

The components of the Company's other intangible assets consist of the following:

	DECEMBER 31, 2004		SEPTEMBER 30, 2005	
	CARRYING AMOUNT	ACCUMULATED AMORTIZATION	CARRYING AMOUNT	ACCUMULATED AMORTIZATION
	(IN MILLIONS)			
Land use rights ...	\$ 7	\$(3)	\$ 7	\$ (3)
Other	21	(5)	22	(7)
	---	---	---	---
Total	\$28	\$(8)	\$29	\$(10)
	===	===	===	===

The Company recognizes specifically identifiable intangibles, including land use rights and permits, when specific rights and contracts are acquired. The Company has no intangible assets with indefinite lives recorded as of September 30, 2005. The Company amortizes other acquired intangibles on a straight-line basis over the lesser of their contractual or estimated useful lives that range from 47 to 75 years for land use rights and 4 to 25 years for other intangibles.

Amortization expense for other intangibles for both the three months ended September 30, 2004 and 2005 was \$0.4 million. Amortization expense for other intangibles for the nine months ended September 30, 2004 and 2005 was \$1.3 million and \$1.4 million, respectively. Estimated amortization expense for the remainder of 2005 is approximately \$0.5 million and is approximately \$2 million per year for each of the five succeeding fiscal years.

(6) LONG-TERM DEBT AND RECEIVABLES FACILITY

(a) Long-Term Debt.

Credit Facilities. In June 2005, the Company replaced its \$250 million three-year revolving credit facility with a \$400 million five-year revolving credit facility. The new credit facility terminates on June 30, 2010. Borrowings under this facility may be made at the London interbank offered rate (LIBOR) plus 55 basis points, including the facility fee, based on current credit ratings. An additional utilization fee of 10 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. As of September 30, 2005, such credit facility was not utilized.

Junior Subordinated Debentures (Trust Preferred Securities). In June 1996, a Delaware statutory business trust created by CERC Corp. (CERC Trust) issued \$173 million aggregate amount of convertible preferred securities to the public. CERC Trust used the proceeds of the offering to purchase convertible junior subordinated debentures issued by CERC Corp. having an interest rate and maturity date that correspond to the distribution rate and mandatory redemption date of the convertible preferred securities. CERC Corp. considers its obligation under the Amended and Restated Declaration of Trust, Indenture and Guaranty Agreement relating to the convertible preferred securities, taken together, to constitute a full and unconditional guarantee by CERC Corp. of CERC Trust's obligations with respect to the convertible preferred securities. The convertible junior subordinated debentures represented CERC Trust's sole asset and its entire operations. The amount of outstanding junior subordinated debentures was included in long-term debt as of December 31, 2004. On July 1, 2005, the remaining \$0.3 million of convertible preferred securities and the \$6 million of related convertible junior subordinated debentures were called for redemption on August 1, 2005. Most of the convertible preferred securities were converted prior to the redemption date and the remaining securities were redeemed.

(b) Receivables Facility.

In January 2005, the Company's \$250 million receivables facility was extended to January 2006 and temporarily increased, for the period from January 2005 to June 2005, to \$375 million to provide additional liquidity

to the Company during the peak heating season of 2005. As of September 30, 2005, the Company had \$141 million of advances under its receivables facility.

Advances under the receivables facility averaged \$173 million for the nine months ended September 30, 2005. Sales of receivables were approximately \$447 million and \$480 million for the three months ended September 30, 2004 and 2005, respectively, and \$1.7 billion and \$1.4 billion for the nine months ended September 30, 2004 and 2005, respectively.

(7) COMPREHENSIVE INCOME

The following table summarizes the components of total comprehensive income (net of tax):

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2005	2004	2005
	(IN MILLIONS)			
Net income (loss)	\$(2)	\$ 4	\$ 83	\$127
Other comprehensive income (loss):				
Net deferred gain from cash flow hedges	17	1	34	11
Reclassification of deferred gain from cash flow hedges realized in net income	(6)	(7)	(14)	(9)
Other comprehensive income (loss)	11	(6)	20	2
Comprehensive income (loss)	\$ 9	\$(2)	\$103	\$129

The following table summarizes the components of accumulated other comprehensive income:

	DECEMBER 31, 2004	SEPTEMBER 30, 2005
	(IN MILLIONS)	
Net deferred gain from cash flow hedges...	\$2	\$4

(8) RELATED PARTY TRANSACTIONS

The following table summarizes receivables from, or payables to, CenterPoint Energy or its subsidiaries:

	DECEMBER 31, 2004	SEPTEMBER 30, 2005
	(IN MILLIONS)	
Accounts receivable from affiliates	\$ 4	\$ 11
Accounts payable to affiliates	(34)	(28)
Notes receivable from affiliates(1)	42	4
Accounts and notes receivable/(payable) -- affiliated companies, net ..	\$ 12	\$(13)
Long-term accounts receivable from affiliates	\$ 64	\$ 64
Long-term accounts payable to affiliates	(45)	(48)
Long-term notes payable to affiliates	(1)	--
Long-term accounts and notes receivable -- affiliated companies, net ..	\$ 18	\$ 16

(1) Represents money pool investments.

For the three months ended September 30, 2004 and 2005, the Company had net interest income related to affiliate borrowings of \$2.9 million and \$0.9 million, respectively. For the nine months ended September 30, 2004 and 2005, the Company had net interest income related to affiliate borrowings of \$7.0 million and \$3.5 million, respectively.

The 1935 Act generally prohibits borrowings by CenterPoint Energy from its

subsidiaries, including the Company, either through the money pool or otherwise.

For the three and nine months ended September 30, 2004, the sales and services provided by the Company to Texas Genco Holdings, Inc. (Texas Genco), a former subsidiary of CenterPoint Energy, totaled \$3 million and \$20 million, respectively. For the three and nine months ended September 30, 2005, the Company provided no sales or services to CenterPoint Energy or its subsidiaries.

CenterPoint Energy provides some corporate services to the Company. The costs of services have been directly charged to the Company using methods that management believes are reasonable. These methods include negotiated usage rates, dedicated asset assignment, and proportionate corporate formulas based on assets, operating margins, operating expenses and employees. These charges are not necessarily indicative of what would have been incurred had the Company not been an affiliate. Amounts charged to the Company for these services were \$29 million and \$33 million for the three months ended September 30, 2004 and 2005, respectively, and \$84 million and \$93 million for the nine months ended September 30, 2004 and 2005, respectively, and are included primarily in operation and maintenance expenses.

Pursuant to the tax sharing agreement with CenterPoint Energy, the Company received an allocation of CenterPoint Energy's tax benefits totaling \$5 million and \$60 million for the three and nine months ended September 30, 2005, respectively, which was recorded as an increase to additional paid-in capital.

In the second quarter of 2005, the Company paid a dividend of \$100 million to Utility Holding, LLC, the Company's parent.

(9) COMMITMENTS AND CONTINGENCIES

(a) Legal Matters.

Natural Gas Measurement Lawsuits. CERC Corp. and certain of its subsidiaries are defendants in a suit filed in 1997 under the Federal False Claims Act alleging mismeasurement of natural gas produced from federal and Indian lands. The suit seeks undisclosed damages, along with statutory penalties, interest, costs, and fees. The complaint is part of a larger series of complaints filed against 77 natural gas pipelines and their subsidiaries and affiliates. An earlier single action making substantially similar allegations against the pipelines was dismissed by the federal district court for the District of Columbia on grounds of improper joinder and lack of jurisdiction. As a result, the various individual complaints were filed in numerous courts throughout the country. This case has been consolidated, together with the other similar False Claims Act cases, in the federal district court in Cheyenne, Wyoming.

In addition, CERC Corp. and certain of its subsidiaries are defendants in two mismeasurement lawsuits brought against approximately 245 pipeline companies and their affiliates pending in state court in Stevens County, Kansas. In one case (originally filed in May 1999 and amended four times), the plaintiffs purport to represent a class of royalty owners who allege that the defendants have engaged in systematic mismeasurement of the volume of natural gas for more than 25 years. The plaintiffs amended their petition in this suit in July 2003 in response to an order from the judge denying certification of the plaintiffs' alleged class. In the amendment the plaintiffs dismissed their claims against certain defendants (including two of the Company's subsidiaries), limited the scope of the class of plaintiffs they purport to represent and eliminated previously asserted claims based on mismeasurement of the Btu content of the gas. The same plaintiffs then filed a second lawsuit, again as representatives of a class of royalty owners, in which they assert their claims that the defendants have engaged in systematic mismeasurement of the Btu content of natural gas for more than 25 years. In both lawsuits, the plaintiffs seek compensatory damages, along with statutory penalties, treble damages, interest, costs and fees. The Company believes that there has been no systematic mismeasurement of gas and that the suits are without merit. The Company does not expect the ultimate outcome to have a material impact on its financial condition, results of operations or cash flows.

Gas Cost Recovery Litigation. In October 2002, a suit was filed in state district court in Wharton County, Texas against the Company, CenterPoint Energy, Entex Gas Marketing Company, and certain non-affiliated companies alleging fraud, violations of the Texas Deceptive Trade Practices Act, violations of the Texas Utilities Code, civil conspiracy and violations of the Texas Free Enterprise and Antitrust Act with respect to rates charged to certain consumers of natural gas in the State of Texas. Subsequently the plaintiffs added as defendants CenterPoint Energy Marketing Inc., CenterPoint Energy Gas Transmission Company, United Gas, Inc., Louisiana Unit Gas Transmission Company, CenterPoint Energy Pipeline Services, Inc., and CenterPoint Energy Trading and

Transportation Group, Inc., all of which are subsidiaries of the Company. The plaintiffs alleged that defendants inflated the prices charged to certain consumers of natural gas. In February 2003, a similar suit was filed in state court in Caddo Parish, Louisiana against the Company with respect to rates charged to a purported class of certain consumers of natural gas and gas service in the State of Louisiana. In February 2004, another suit was filed in state court in Calcasieu Parish, Louisiana against the Company seeking to recover alleged overcharges for gas or gas services allegedly provided by Southern Gas Operations to a purported class of certain consumers of natural gas and gas service without advance approval by the Louisiana Public Service Commission (LPSC). In October 2004, a similar case was filed in district court in Miller County, Arkansas against the Company, CenterPoint Energy, Entex Gas Marketing Company, CenterPoint Energy Gas Transmission Company, CenterPoint Energy Field Services, CenterPoint Energy Pipeline Services, Inc., Mississippi River Transmission Corp. and other non-affiliated companies alleging fraud, unjust enrichment and civil conspiracy with respect to rates charged to certain consumers of natural gas in at least the states of Arkansas, Louisiana, Mississippi, Oklahoma and Texas. At the time of the filing of each of the Caddo and Calcasieu Parish cases, the plaintiffs in those cases filed petitions with the LPSC relating to the same alleged rate overcharges. The Caddo and Calcasieu Parish cases have been stayed pending the resolution of the respective proceedings by the LPSC. The plaintiffs in the Miller County case seek class certification, but the proposed class has not been certified. In November 2004, the Miller case was removed to federal district court in Texarkana, Arkansas. In February 2005, the Wharton County case was removed to federal district court in Houston, Texas, and in March 2005, the plaintiffs voluntarily moved to dismiss the case and agreed not to refile the claims asserted unless the Miller County case is not certified as a class action or is later decertified. In June 2005, the Miller County case was remanded to state district court in Miller County. The range of relief sought by the plaintiffs in these cases includes injunctive and declaratory relief, restitution for the alleged overcharges, exemplary damages or trebling of actual damages, civil penalties and attorney's fees. In these cases, the Company, CenterPoint Energy and their affiliates deny that they have overcharged any of their customers for natural gas and believe that the amounts recovered for purchased gas have been in accordance with what is permitted by state regulatory authorities. The allegations in these cases are similar to those asserted in the City of Tyler proceeding described in Note 3(b). The Company and CenterPoint Energy do not expect the outcome of these matters to have a material impact on the financial condition, results of operations or cash flows of either the Company or CenterPoint Energy.

Pipeline Safety Compliance. In 2005, the Company received an order from the Minnesota Office of Pipeline Safety to remove certain components from a portion of its distribution system by December 2, 2005. Those components were installed by a predecessor company and are not in compliance with current state and federal codes. The Company estimates the amount of expenditures to locate and replace such components to be approximately \$38 million. The Company is seeking to recover the capitalized expenditures, together with a return on those amounts through rates.

Minnesota Cold Weather Rule. In December 2004, the MPUC opened an investigation to determine whether the Company's practices regarding restoring natural gas service during the period between October 15 and April 15 (Cold Weather Period) are in compliance with the MPUC's Cold Weather Rule (CWR), which governs disconnection and reconnection of customers during the Cold Weather Period. The Minnesota Office of the Attorney General (OAG) issued its report alleging the Company has violated the CWR and recommended a \$5 million penalty. The Company filed its reply comments in July 2005. The Company and the OAG have reached agreement on procedures to be followed for the current Cold Weather Period beginning October 15, 2005. In addition, in June 2005, the Company was named in a suit filed on behalf of a purported class of customers who allege that the Company's conduct under the CWR was in violation of the Minnesota Consumer Fraud Act and the Minnesota Deceptive Trade Practices Act and was negligent and fraudulent. The Company believes that it has not knowingly and intentionally violated the CWR and intends to vigorously contest the lawsuit. The Company does not expect this matter to have a material adverse effect on its financial condition, results of operations or cash flows.

(b) Environmental Matters.

Hydrocarbon Contamination. CERC Corp. and certain of its subsidiaries are among the defendants in lawsuits filed beginning in August 2001 in Caddo Parish and Bossier Parish, Louisiana. The suits allege that, at some unspecified date prior to 1985, the defendants allowed or caused hydrocarbon or chemical contamination of the Wilcox Aquifer, which lies beneath property owned or leased by certain of the defendants and which is the sole or primary drinking water aquifer in the area. The primary source of the contamination is alleged by the plaintiffs to be a gas processing facility in Haughton, Bossier Parish, Louisiana known as the "Sligo Facility," which was formerly

operated by a predecessor in interest of CERC Corp. This facility was purportedly used for gathering natural gas from surrounding wells, separating gasoline and hydrocarbons from the natural gas for marketing, and transmission of natural gas for distribution.

Beginning about 1985, the predecessors of certain CERC Corp. defendants engaged in a voluntary remediation of any subsurface contamination of the groundwater below the property they owned or leased. This work has been done in conjunction with and under the direction of the Louisiana Department of Environmental Quality. The plaintiffs seek monetary damages for alleged damage to the aquifer underlying their property, unspecified alleged personal injuries, alleged fear of cancer, alleged property damage or diminution of value of their property, and, in addition, seek damages for trespass, punitive, and exemplary damages. The Company does not expect the ultimate cost associated with resolving this matter to have a material impact on the financial condition, results of operations or cash flows of the Company.

Manufactured Gas Plant Sites. The Company and its predecessors operated manufactured gas plants (MGP) in the past. In Minnesota, the Company has completed remediation on two sites, other than ongoing monitoring and water treatment. There are five remaining sites in the Company's Minnesota service territory. The Company believes that it has no liability with respect to two of these sites.

At September 30, 2005, the Company had accrued \$18 million for remediation of certain Minnesota sites. At September 30, 2005, the estimated range of possible remediation costs for these sites was \$7 million to \$42 million based on remediation continuing for 30 to 50 years. The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites to be remediated, the participation of other potentially responsible parties (PRP), if any, and the remediation methods used. The Company has utilized an environmental expense tracker mechanism in its rates in Minnesota to recover estimated costs in excess of insurance recovery. As of September 30, 2005, the Company has collected a total of \$13 million from insurance companies and its environmental tracker to be used for future environmental remediation.

In addition to the Minnesota sites, the United States Environmental Protection Agency and other regulators have investigated MGP sites that were owned or operated by the Company or may have been owned by one of its former affiliates. The Company has been named as a defendant in two lawsuits under which contribution is sought by private parties for the cost to remediate former MGP sites based on the previous ownership of such sites by former affiliates of the Company or its divisions. The Company has also been identified as a PRP by the State of Maine for a site that is the subject of one of the lawsuits. In March 2005, the court considering the other suit for contribution granted the Company's motion to dismiss on the grounds that the Company was not an "operator" of the site as had been alleged. The plaintiff in that case has filed an appeal of the court's dismissal of the Company. The Company is investigating details regarding these sites and the range of environmental expenditures for potential remediation. However, the Company believes it is not liable as a former owner or operator of those sites under the Comprehensive Environmental, Response, Compensation and Liability Act of 1980, as amended, and applicable state statutes, and is vigorously contesting those suits and its designation as a PRP.

Mercury Contamination. The Company's pipeline and distribution operations have in the past employed elemental mercury in measuring and regulating equipment. It is possible that small amounts of mercury may have been spilled in the course of normal maintenance and replacement operations and that these spills may have contaminated the immediate area with elemental mercury. This type of contamination has been found by the Company at some sites in the past, and the Company has conducted remediation at these sites. It is possible that other contaminated sites may exist and that remediation costs may be incurred for these sites. Although the total amount of these costs cannot be known at this time, based on experience by the Company and that of others in the natural gas industry to date and on the current regulations regarding remediation of these sites, the Company does not expect the costs of any remediation of these sites to be material to the Company's financial condition, results of operations or cash flows.

Other Environmental. From time to time the Company has received notices from regulatory authorities or others regarding its status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. In addition, the Company has been named from time to time as a defendant in litigation related to such sites. Although the ultimate outcome of such matters cannot be predicted at this time, the

Company does not expect, based on its experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

(c) Other Proceedings.

The Company is involved in other legal, environmental, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business. Some of these proceedings involve substantial amounts. The Company's management regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. The Company's management does not expect the disposition of these matters to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

(10) REPORTABLE BUSINESS SEGMENTS

Because CERC Corp. is an indirect wholly owned subsidiary of CenterPoint Energy, the Company's determination of reportable segments considers the strategic operating units under which CenterPoint Energy manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments.

The Company has identified the following reportable business segments: Natural Gas Distribution, Pipelines and Gathering, and Other Operations. For descriptions of the reportable business segments, see Note 12 to the CERC Corp. 10-K/A Notes.

The following tables summarize financial data for the Company's reportable business segments:

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004

	REVENUES FROM EXTERNAL CUSTOMERS	NET INTERSEGMENT REVENUES	OPERATING INCOME (LOSS)
	(IN MILLIONS)		
Natural Gas Distribution....	\$1,044	\$ 3	\$(2)
Pipelines and Gathering.....	73	35	35
Other Operations.....	--	1	(1)
Eliminations.....	--	(39)	--
Consolidated.....	\$1,117	\$ --	\$32
	=====	=====	=====

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005

	REVENUES FROM EXTERNAL CUSTOMERS	NET INTERSEGMENT REVENUES	OPERATING INCOME (LOSS)
	(IN MILLIONS)		
Natural Gas Distribution....	\$1,506	\$ --	\$(12)
Pipelines and Gathering.....	81	35	52
Other Operations.....	--	2	--
Eliminations.....	--	(37)	--
Consolidated.....	\$1,587	\$ --	\$ 40
	=====	=====	=====

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

	REVENUES FROM EXTERNAL CUSTOMERS	NET INTERSEGMENT REVENUES	OPERATING INCOME (LOSS)	TOTAL ASSETS AS OF DECEMBER 31, 2004
(IN MILLIONS)				
Natural Gas Distribution....	\$4,187	\$ 3	\$137	\$4,732
Pipelines and Gathering.....	217	107	123	2,637
Other Operations.....	--	6	(4)	792
Eliminations.....	--	(116)	--	(694)
Consolidated.....	\$4,404	\$ --	\$256	\$7,467
	=====	=====	=====	=====

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

	REVENUES FROM EXTERNAL CUSTOMERS	NET INTERSEGMENT REVENUES	OPERATING INCOME (LOSS)	TOTAL ASSETS AS OF SEPTEMBER 30, 2005
(IN MILLIONS)				
Natural Gas Distribution....	\$5,006	\$ 3	\$146	\$ 5,262
Pipelines and Gathering.....	252	110	168	2,925
Other Operations.....	3	5	(3)	603
Eliminations.....	--	(118)	--	(1,191)
Consolidated.....	\$5,261	\$ --	\$311	\$ 7,599
	=====	=====	=====	=====

(11) EMPLOYEE BENEFIT PLANS

The Company's employees participate in CenterPoint Energy's postretirement benefit plan. The Company's net periodic cost includes the following components relating to postretirement benefits:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2005	2004	2005
(IN MILLIONS)				
Service cost.....	\$--	\$--	\$ 1	\$ 1
Interest cost.....	3	2	8	6
Expected return on plan assets...	--	--	(1)	(1)
Net amortization.....	--	--	1	1
Other.....	--	1	1	1
Net periodic cost.....	\$ 3	\$ 3	\$10	\$ 8
	===	===	===	===

The Company previously disclosed in its financial statements for the year ended December 31, 2004, that it expected to contribute \$16 million to its postretirement benefits plan in 2005. As of September 30, 2005, \$8 million has been contributed.

(12) RESTATEMENT

Subsequent to the issuance of its condensed consolidated financial statements for the three- and nine- month periods ended September 30, 2004 and 2005, the Company determined that, during 2004 and 2005, certain transactions involving purchases and sales of natural gas among divisions within the Company's Natural Gas Distribution segment were not properly eliminated in the Company's consolidated financial statements. Consequently, revenues and natural gas expenses for the three and nine months ended September 30, 2004 were each overstated by approximately \$102 million and \$335 million, respectively. For the three and nine months ended September 30, 2005, revenues and natural gas expenses were each overstated by approximately \$145 million and \$402 million, respectively, for the same reason. As a result, the accompanying condensed consolidated financial statements have been restated from the amounts previously reported to reflect the elimination of interdivision purchases and sales of natural gas. There was no effect on the Company's previously reported operating income, net income or net cash flows for the three and nine months ended September 30, 2004 and 2005.

A summary of the significant effects of the restatement is as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 2004		NINE MONTHS ENDED SEPTEMBER 30, 2004	
	AS RESTATED	AS PREVIOUSLY REPORTED	AS RESTATED	AS PREVIOUSLY REPORTED
	(IN MILLIONS)			
STATEMENTS OF CONSOLIDATED OPERATIONS:				
Revenues	\$1,117	\$1,219	\$4,404	\$4,739
Expenses: Natural gas	826	928	3,366	3,701
Total Expenses	1,085	1,187	4,148	4,483

	THREE MONTHS ENDED SEPTEMBER 30, 2005		NINE MONTHS ENDED SEPTEMBER 30, 2005	
	AS RESTATED	AS PREVIOUSLY REPORTED	AS RESTATED	AS PREVIOUSLY REPORTED
	(IN MILLIONS)			
STATEMENTS OF CONSOLIDATED OPERATIONS:				
Revenues	\$1,587	\$1,732	\$5,261	\$5,663
Expenses: Natural gas	1,277	1,422	4,161	4,563
Total Expenses	1,547	1,692	4,950	5,352

	AS OF SEPTEMBER 30, 2005	
	AS RESTATED	AS PREVIOUSLY REPORTED
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEETS:		
Accounts receivable, net	\$ 503	\$ 587
Total current assets	1,590	1,666
Total assets	7,599	7,675
Accounts payable	708	784
Total current liabilities	1,546	1,622
Total liabilities and stockholder's equity	7,599	7,675

ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF THE RESULTS OF OPERATIONS

The following narrative analysis should be read in combination with our Interim Financial Statements contained in this Form 10-Q/A.

RESTATEMENT

The following management narrative analysis gives effect to the restatement discussed in Note 12 to our unaudited condensed consolidated financial statements.

We are an indirect wholly owned subsidiary of CenterPoint Energy, Inc. (CenterPoint Energy), a public utility holding company created on August 31, 2002, as part of a corporate restructuring of Reliant Energy, Incorporated (Reliant Energy). CenterPoint Energy is a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended (1935 Act). For information about the 1935 Act, please read " -- Liquidity -- Certain Contractual and Regulatory Limits on Our Ability to Issue Securities, Borrow Money and Pay Dividends."

The following discussion explains material changes in our revenue and expense items between the three and nine months ended September 30, 2004 and the three and nine months ended September 30, 2005. Reference is made to "Management's Narrative Analysis of the Results of Operations" in Item 7 of the Annual Report on Form 10-K of CERC Corp. for the year ended December 31, 2004 filed on March 24, 2005 (CERC Corp. Form 10-K), as amended by Amendment No. 1 thereto filed on August 29, 2005 and by Amendment No. 2 thereto filed on January 10, 2006 (CERC Corp. Form 10-K/A).

REPEAL OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

On August 8, 2005, President Bush signed into law the Energy Policy Act of 2005 (Energy Act). Under that legislation, the 1935 Act is repealed effective February 8, 2006. After the effective date of repeal, CenterPoint Energy and its subsidiaries will no longer be subject to restrictions imposed under the 1935 Act. Until the repeal is effective, CenterPoint Energy and its subsidiaries remain subject to the provisions of the 1935 Act and the terms of orders issued by the Securities and Exchange Commission (SEC) under the 1935 Act. The Energy Act grants to the Federal Energy Regulatory Commission (FERC) authority to require holding companies and their subsidiaries to maintain certain books and records and make them available for review by FERC and state regulatory authorities. The Energy Act requires FERC to issue regulations to implement its jurisdiction under the Energy Act, and on September 16, 2005, FERC issued proposed rules for public comment. It is presently unknown what, if any, specific obligations under those rules may be imposed on CenterPoint Energy and its subsidiaries as a result of that rulemaking.

CONSOLIDATED RESULTS OF OPERATIONS

Our results of operations are affected by, among other things, seasonal fluctuations in the demand for natural gas and price movements of energy commodities, the actions of various federal, state and municipal governmental authorities having jurisdiction over rates we charge, competition in our various business operations, debt service costs and income tax expense. For more information regarding factors that may affect the future results of operations of our business, please read "Risk Factors" beginning on page 26 in Item 5 of Part II of our Quarterly Report on Form 10-Q for the period ended September 30, 2005 filed on November 9, 2005 and "Management's Narrative Analysis of the Results of Operations -- Certain Factors Affecting Future Earnings" in Item 7 of the CERC Corp. Form 10-K, which is incorporated herein by reference.

The following table sets forth our consolidated results of operations for the three and nine months ended September 30, 2004 and 2005, followed by a discussion of our consolidated results of operations based on operating income. We have provided a reconciliation of consolidated operating income to net income below.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2005	2004	2005
	(IN MILLIONS)			
Revenues	\$1,117	\$1,587	\$4,404	\$5,261
Expenses:				
Natural gas	826	1,277	3,366	4,161
Operation and maintenance	184	188	536	532
Depreciation and amortization	47	50	139	149
Taxes other than income taxes	28	32	107	108
Total Expenses	1,085	1,547	4,148	4,950
Operating Income	32	40	256	311
Interest and Other Finance Charges ..	(45)	(39)	(134)	(136)
Other Income, net	4	6	10	18
Income (Loss) Before Income Taxes ...	(9)	7	132	193
Income Tax (Expense) Benefit	7	(3)	(49)	(66)
Net Income (Loss)	\$ (2)	\$ 4	\$ 83	\$ 127

THREE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2004

We reported net income of \$4 million for the three months ended September 30, 2005 as compared to a net loss of \$2 million for the same period in 2004. The increase in net income of \$6 million was primarily due to increased operating income of \$17 million in our Pipelines and Gathering business segment offset by an increase in the operating loss in our Natural Gas Distribution business segment of \$10 million.

NINE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2004

We reported net income of \$127 million for the nine months ended September 30, 2005 as compared to \$83 million for the same period in 2004. The increase in net income of \$44 million was primarily due to increased operating income of \$45 million in our Pipelines and Gathering business segment and increased operating income of \$9 million in our Natural Gas Distribution business segment. This increase was partially offset by increased income tax expense of \$17 million due to higher pre-tax income, which was reduced by a favorable tax audit adjustment recorded in the second quarter of 2005.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The following tables present operating income for our Natural Gas Distribution and Pipelines and Gathering business segments for the three and nine months ended September 30, 2004 and 2005. For information regarding factors that may affect the future results of operations of our business segments, please read "Risk Factors -- Principal Risk Factors Associated with Our Businesses," " -- Risk Factors Associated with Our Consolidated Financial Condition" and "-- Other Risks" beginning on page 26 in Item 5 of Part II of our Quarterly Report on Form 10-Q for the period ended September 30, 2005 filed on November 9, 2005.

NATURAL GAS DISTRIBUTION

The following table provides summary data of our Natural Gas Distribution business segment for the three and nine months ended September 30, 2004 and 2005:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2005	2004	2005
	(IN MILLIONS, EXCEPT CUSTOMER DATA)			
Revenues	\$ 1,047	\$ 1,506	\$ 4,190	\$ 5,009
Expenses:				
Natural gas	857	1,311	3,441	4,242
Operation and maintenance	133	141	416	414
Depreciation and amortization	36	39	106	116
Taxes other than income taxes	23	27	90	91
Total expenses	1,049	1,518	4,053	4,863
Operating Income (Loss)	\$ (2)	\$ (12)	\$ 137	\$ 146
Throughput (in billion cubic feet (Bcf)):				
Residential	15	9	121	107
Commercial and industrial	39	38	171	158
Non-rate regulated	113	160	419	491
Elimination (1)	(32)	(26)	(105)	(104)
Total Throughput	135	181	606	652
Average number of customers:				
Residential	2,777,212	2,820,629	2,791,722	2,835,306
Commercial and industrial	242,111	244,249	245,895	246,370
Non-rate regulated	6,249	6,515	6,234	6,520
Total	3,025,572	3,071,393	3,043,851	3,088,196

(1) Elimination of intrasegment sales.

THREE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2004

Our Natural Gas Distribution business segment reported an operating loss of \$12 million for the three months ended September 30, 2005 as compared to an operating loss of \$2 million for the same period in 2004. Increases in operating income from rate increases (\$3 million) and increased margins from our non-rate regulated natural gas sales business (\$11 million) were more than offset by the impact of certain derivative transactions as discussed below (\$8 million), increases in operation and maintenance expenses (\$8 million) primarily related to higher bad debt expense (\$5 million), increased depreciation expense primarily due to higher plant balances (\$3 million) and higher taxes other than income taxes (\$4 million).

A portion of CenterPoint Energy Services, Inc.'s (CES) activities include entering into transactions for the physical purchase, transportation and sale of natural gas at different locations (physical contracts). CES attempts to mitigate basis risk associated with these activities by entering into financial derivative contracts (financial contracts or financial basis swaps) to address market price volatility between the purchase and sale delivery points that can occur over the term of the physical contracts. The underlying physical contracts are accounted for on an accrual basis with all associated earnings not recognized until the time of actual physical delivery. The timing of the earnings impacts for the financial contracts differs from the physical contracts because the financial contracts meet the definition of a derivative under SFAS No. 133, "Accounting for Derivative Instruments" (SFAS No. 133), and are recorded at fair value as of each reporting balance sheet date with changes in value reported through earnings. Changes in prices between the delivery points (basis spreads) can and do vary daily resulting in changes to the fair value of the financial contracts. However, the economic intent of the financial contracts is to fix the actual net difference in the natural gas pricing at the different locations for the associated physical purchase and sale contracts throughout the life of the physical contracts and thus, when combined with the physical contracts' terms, provide an expected fixed gross margin on the physical contracts that will ultimately be recognized in earnings at the time of actual delivery of the natural gas. As of September 30, 2005, the mark-to-market value of the financial contracts described above reflected an unrealized loss of \$3.6 million; however, the underlying expected fixed gross margin associated with delivery under the physical contracts combined with the price risk management provided through the financial contracts is \$2.3 million. As described above, over the term of these financial contracts, the quarterly reported mark-to-market changes in value may vary significantly and the associated unrealized gains and losses will be reflected in CES' earnings.

CES also sells physical gas and basis to its end-use customers who desire to lock in a future spread between a specific location and Henry Hub (NYMEX). As a result, CES incurs exposure to commodity basis risk related to these transactions, which it attempts to mitigate by buying offsetting financial basis swaps. Under SFAS No. 133, CES records at fair value and marks-to-market the financial basis swaps as of each reporting balance sheet date with changes in value reported through earnings. However, the associated physical sales contracts are accounted for using the accrual basis, whereby earnings impacts are not recognized until the time of actual physical delivery. Although the timing of earnings recognition for the financial basis swaps differs from the physical contracts, the economic intent of the financial basis swaps is to fix the basis spread over the life of the physical contracts to an amount substantially the same as the portion of the basis spread pricing included in the physical contracts. In so doing, over the period that the financial basis swaps and related physical contracts are outstanding, actual cumulative earnings impacts for changes in the basis spread should be minimal, even though from a timing perspective there could be fluctuations in unrealized gains or losses associated with the changes in fair value recorded for the financial basis swaps. The cumulative earnings impact from the financial basis swaps recognized each reporting period is expected to be offset by the value realized when the related physical sales occur. As of September 30, 2005, the mark-to-market value of the financial basis swaps reflected an unrealized loss of \$4.8 million.

NINE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2004

Our Natural Gas Distribution business segment reported operating income of \$146 million for the nine months ended September 30, 2005 as compared to \$137 million for the same period in 2004. Increases in operating income from rate increases (\$19 million) and increased margins from our non-rate regulated natural gas sales business (\$13 million) were partially offset by the impact of certain derivative transactions as discussed above (\$8 million) and the impact of milder weather and decreased throughput net of continued customer growth with the addition of approximately 42,000 customers since September 2004 (\$10 million). Operation and maintenance expense decreased \$2 million. Excluding an \$8 million charge recorded in the first quarter of 2004 for severance costs associated with staff reductions, operation and maintenance expenses increased by \$6 million primarily due to increased bad debt expense (\$7 million), partially offset by lower claims expense (\$5 million) and the capitalization of previously incurred restructuring expenses as allowed by a regulatory order from the Railroad Commission of Texas (\$5 million). Additionally, operating income was unfavorably impacted by increased depreciation expense primarily due to higher plant balances (\$10 million).

During the third quarter of 2005, our east Texas, Louisiana and Mississippi natural gas service areas were affected by Hurricanes Katrina and Rita. Damage to our facilities was limited, but approximately 10,000 homes and businesses were damaged to such an extent that they will not be taking service for the foreseeable future. The impact on the Natural Gas Distribution business segment's operating income was not material.

PIPELINES AND GATHERING

The following table provides summary data of our Pipelines and Gathering business segment for the three and nine months ended September 30, 2004 and 2005:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2005	2004	2005
	(IN MILLIONS)			
Revenues	\$108	\$116	\$324	\$362
Expenses:				
Natural gas	6	--	33	25
Operation and maintenance	52	47	122	121
Depreciation and amortization ...	11	12	33	34
Taxes other than income taxes ...	4	5	13	14
Total expenses	73	64	201	194
Operating Income	\$ 35	\$ 52	\$123	\$168
Throughput (in Bcf):				
Natural Gas Sales	1	--	8	4
Transportation	181	199	658	700
Gathering	79	92	233	262
Elimination (1)	--	(1)	(5)	(4)
Total Throughput.....	261	290	894	962

(1) Elimination of volumes both transported and sold.

THREE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2004

Our Pipelines and Gathering business segment reported operating income of \$52 million for the three months ended September 30, 2005 compared to \$35 million for the same period in 2004. Operating margins (revenues less natural gas costs) increased by \$14 million primarily due to increased demand for certain transportation and ancillary services (\$13 million) and increased throughput and demand for services related to our core gas gathering operations (\$6 million), partially offset by reductions in project-related revenues (\$6 million). Additionally, operation and maintenance expenses decreased by \$5 million primarily due to a reduction in project-related expenses (\$6 million), offset by increased litigation costs (\$4 million) recorded in the third quarter of 2005.

NINE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2004

Our Pipelines and Gathering business segment reported operating income of \$168 million for the nine months ended September 30, 2005 compared to \$123 million for the same period in 2004. Operating margins (revenues less natural gas costs) increased by \$46 million primarily due to increased demand for certain transportation and ancillary services (\$31 million), increased throughput and demand for services related to our core gas gathering operations (\$20 million), partially offset by reductions in project-related revenues (\$10 million). Additionally, operation and maintenance expenses decreased by \$1 million primarily due to a reduction in project-related expenses (\$9 million), offset by increased litigation costs (\$4 million) recorded in the third quarter of 2005.

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

For information on other developments, factors and trends that may have an impact on our future earnings, please read "Management's Narrative Analysis of Results of Operations -- Certain Factors Affecting Future Earnings" in Item 7 of Part II of the CERC Corp. Form 10-K, which is incorporated herein by reference, and "Risk Factors" beginning on page 26 in Item 5 of Part II of our Quarterly Report on Form 10-Q for the period ended September 30, 2005 filed on November 9, 2005.

LIQUIDITY

Our liquidity and capital requirements are affected primarily by our results of operations, capital expenditures, debt service requirements, and working capital needs. Our principal cash requirements for the last three months of 2005 are approximately \$145 million of capital expenditures. We expect that borrowings under our credit facility, anticipated cash flows from operations and borrowings from affiliates under the money pool described below will be sufficient to meet our cash needs for 2005. Cash needs may also be met by issuing securities in the capital markets.

The 1935 Act currently regulates our financing ability, as more fully described in "--Certain Contractual and Regulatory Limits on Our Ability to Issue Securities, Borrow Money and Pay Dividends" below.

On October 25, 2005, CenterPoint Energy Gas Transmission Company (CEGT), a subsidiary of CERC Corp., executed a definitive Precedent Agreement with XTO Energy Inc. (XTO) for CEGT to transport approximately 600 million cubic feet per day of XTO's natural gas production for ten years. To fulfill the requirements of the agreement, CEGT will construct a new 168-mile pipeline between Carthage, Texas and its Perryville Hub in northeast Louisiana. The \$375 million pipeline will have an initial design capacity of approximately one Bcf per day. Pending authorization by FERC, the pipeline could be in service as early as the winter of 2006-2007. This agreement is expected to cause an increase in our estimated capital requirements of approximately \$5 million, \$353 million and \$17 million in 2005, 2006 and 2007, respectively, for our Pipelines and Gathering business segment from what was previously disclosed in the CERC Corp. Form 10-K.

Off-Balance Sheet Arrangements. Other than operating leases, we have no off-balance sheet arrangements. However, we do participate in a receivables factoring arrangement. We have a bankruptcy remote subsidiary, which we consolidate, which was formed for the sole purpose of buying receivables created by us and selling those receivables to an unrelated third-party. This transaction is accounted for as a sale of receivables under the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," and, as a result, the related receivables are excluded from the Consolidated Balance Sheet. In January 2005, the \$250 million facility was extended to January 2006 and temporarily increased, for the period from January 2005 to June 2005, to \$375 million. As of September 30, 2005, we had \$141 million of advances under our receivables facility.

Credit Facilities. In June 2005, we replaced our \$250 million three-year revolving credit facility with a \$400 million five-year revolving credit facility. The new credit facility terminates on June 30, 2010. Borrowings under this facility may be made at the London interbank offered rate (LIBOR) plus 55 basis points, including the facility fee, based on current credit ratings. An additional utilization fee of 10 basis points applies to borrowings whenever more than 50% of the facility is utilized. Changes in credit ratings could lower or raise the increment to LIBOR depending on whether ratings improved or were lowered.

Our \$400 million credit facility contains covenants, including a total debt to capitalization covenant of 65% and an earnings before interest, taxes, depreciation and amortization (EBITDA) to interest covenant. Borrowings under our \$400 million credit facility are available notwithstanding that a material adverse change has occurred or litigation that could be expected to have a material adverse effect has occurred, so long as other customary terms and conditions are satisfied.

As of November 1, 2005, our \$400 million credit facility was not utilized.

Securities Registered with the SEC. At September 30, 2005, we had a shelf registration statement covering \$500 million principal of debt securities.

Temporary Investments. On September 30, 2005, we had temporary external investments of \$74 million. Our temporary external investments were reduced by \$325 million in July 2005 when the proceeds from the liquidation of such investments were used to pay our maturing debt. As of November 1, 2005, we had temporary external investments in a money market fund of \$1.2 million. Such investments may be utilized to meet our cash flow needs.

Money Pool. We participate in a "money pool" through which we and certain of our affiliates can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The money pool's net funding requirements are generally met by borrowings of CenterPoint Energy.

The terms of the money pool are in accordance with requirements currently applicable to registered public utility holding companies under the 1935 Act and under an order from the SEC relating to our financing activities dated June 29, 2005 (June 2005 Financing Order). Our money pool borrowing limit under the existing order is \$600 million. At November 1, 2005, we had no investments in or borrowings from the money pool. The money pool may not provide sufficient funds to meet our cash needs.

Impact on Liquidity of a Downgrade in Credit Ratings. As of November 1, 2005, Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services, a division of The McGraw Hill Companies (S&P) and Fitch, Inc. (Fitch) had assigned the following credit ratings to our senior unsecured debt:

MOODY'S		S&P		FITCH	
RATING	OUTLOOK(1)	RATING	OUTLOOK(2)	RATING	OUTLOOK(3)
Baa3	Stable	BBB	Stable	BBB	Stable

- (1) A "stable" outlook from Moody's indicates that Moody's does not expect to put the rating on review for an upgrade or downgrade within 18 months from when the outlook was assigned or last affirmed.
- (2) An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate to longer term.
- (3) A "stable" outlook from Fitch encompasses a one-to-two year horizon as to the likely ratings direction.

We cannot assure you that these ratings will remain in effect for any given period of time or that one or more of these ratings will not be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to buy, sell or hold our securities and may be revised or withdrawn at any time by the rating agency. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to obtain short- and long-term financing, the cost of such financings, the willingness of suppliers to extend credit lines to us on an unsecured basis and the execution of our commercial strategies.

A decline in credit ratings could increase borrowing costs under our \$400 million revolving credit facility. A decline in credit ratings would also increase the interest rate on long-term debt to be issued in the capital markets and would negatively impact our ability to complete capital market transactions as more fully described in "-- Certain Contractual and Regulatory Limits on Our Ability to Issue Securities, Borrow Money and Pay Dividends" below. Additionally, a decline in credit ratings could increase cash collateral requirements and reduce margins of our Natural Gas Distribution business segment.

As described above under "-- Credit Facilities," our \$400 million credit facility does not contain a material adverse change clause with respect to borrowings.

CES, one of our wholly owned subsidiaries, provides comprehensive natural gas sales and services to industrial and commercial customers, electric generators and natural gas utilities throughout the central United States. In order to hedge its exposure to natural gas prices, CES has agreements with provisions standard for the industry that establish credit thresholds and require a party to provide additional collateral on two business days' notice when that party's rating or the rating of a credit support provider for that party (CERC Corp. in this case) falls below those levels. We estimate that as of September 30, 2005, unsecured credit limits extended to CES by counterparties could aggregate \$115 million; however, utilized credit capacity is significantly lower. In addition, we purchase natural gas under supply agreements that contain an aggregate credit threshold of \$100 million based on our S&P Senior Unsecured Long-Term Debt rating of BBB. Upgrades and downgrades from this BBB rating will increase and decrease the aggregate credit threshold accordingly.

Cross Defaults. Under CenterPoint Energy's revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness exceeding \$50 million by us will cause a default. Pursuant to the indenture governing CenterPoint Energy's senior notes, a payment default by us, in respect of, or an acceleration of, borrowed money and certain other specified types of obligations in the aggregate principal amount of \$50 million will cause a default. As of November 1, 2005, CenterPoint Energy had issued six series of senior notes aggregating

\$1.4 billion in principal amount under this indenture. A default by CenterPoint Energy would not trigger a default under our debt instruments or bank credit facilities.

Other Factors that Could Affect Cash Requirements. In addition to the above factors, our liquidity and capital resources could be affected by:

- cash collateral requirements that could exist in connection with certain contracts, including gas purchases, gas price hedging and gas storage activities of our Natural Gas Distribution business segment, particularly given gas price levels and volatility;
- acceleration of payment dates on certain gas supply contracts under certain circumstances as a result of increased gas prices and concentration of suppliers;
- increased costs related to the acquisition of gas;
- increases in interest expense in connection with debt refinancings and borrowings under our credit facility;
- various regulatory actions;
- slower customer payments and increased write-offs of receivables due to higher gas prices;
- restoration costs and revenues losses resulting from natural disasters such as hurricanes; and
- various of the risks identified under "Risk Factors" beginning on page 26 in Item 5 of Part II of our Quarterly Report on Form 10-Q for the period ended September 30, 2005 filed on November 9, 2005.

Certain Contractual and Regulatory Limits on Our Ability to Issue Securities, Borrow Money and Pay Dividends. Our bank facility and our receivables facility limit our debt as a percentage of our total capitalization to 65% and contain an EBITDA to interest covenant.

Our parent, CenterPoint Energy, is a registered public utility holding company under the 1935 Act. The 1935 Act and related rules and regulations impose a number of restrictions on our parent's activities and those of its subsidiaries, including us. The 1935 Act, among other things, limits our parent's ability and the ability of its regulated subsidiaries, including us, to issue debt and equity securities without prior authorization, restricts the source of dividend payments to current and retained earnings without prior authorization, regulates sales and acquisitions of certain assets and businesses and governs affiliated service, sales and construction contracts. On August 8, 2005, President Bush signed into law the Energy Act. Under that legislation, the 1935 Act is repealed effective February 8, 2006. After the effective date of repeal, CenterPoint Energy and its subsidiaries will no longer be subject to restrictions imposed under the 1935 Act. Until the repeal is effective, CenterPoint Energy and its subsidiaries remain subject to the provisions of the 1935 Act and the terms of orders issued by the SEC under the 1935 Act. The Energy Act grants to FERC authority to require holding companies and their subsidiaries to maintain certain books and records and make them available for review by FERC and state regulatory authorities. The Energy Act requires FERC to issue regulations to implement its jurisdiction under the Energy Act, and on September 16, 2005, FERC issued proposed rules for public comment. It is presently unknown what, if any, specific obligations under those rules may be imposed on CenterPoint Energy and its subsidiaries as a result of that rulemaking.

The June 2005 Financing Order establishes limits on the amount of external debt and equity securities that can be issued by CenterPoint Energy and its regulated subsidiaries, including us, without additional authorization but generally permits CenterPoint Energy to refinance its existing obligations and those of its regulated subsidiaries, including us. We are in compliance with the authorized limits. The order also generally permits utilization of our undrawn credit facilities. Unless we obtain a further order from the SEC, as of October 31, 2005, we are authorized to issue an additional \$367 million of debt or preferred securities.

In the June 2005 Financing Order, the SEC "reserved jurisdiction" over a number of matters, meaning that an order will be required from the SEC before we may conduct those activities. However, an order regarding the activities over which the SEC has reserved jurisdiction generally can be issued by the SEC more quickly than orders

on other matters, although there is no assurance that a release of jurisdiction will be granted on a given matter or the terms under which such an order may be issued. In the June 2005 Financing Order, the SEC reserved jurisdiction over all authority otherwise granted if the common equity level of CenterPoint Energy falls below its level as of March 31, 2005 (11.4% net of securitization debt) or if the common equity ratio of either us or CenterPoint Energy Houston Electric, LLC, another wholly owned subsidiary of CenterPoint Energy, falls below 30%. Among the other transactions over which the SEC reserved jurisdiction are: (i) issuance of securities by CenterPoint Energy or any of its subsidiaries, including us, unless our and the issuer's other securities which are rated have an investment grade rating from at least one nationally recognized statistical rating organization, (ii) further investment in inactive subsidiaries and (iii) payment of dividends by us from capital or unearned surplus. The June 2005 Financing Order also contains certain requirements for interest rates, maturities, issuance expenses and use of proceeds in connection with securities issued by us or any of our subsidiaries. So long as the common equity of CenterPoint Energy is less than 30% of its capitalization, the SEC also reserved jurisdiction over the use of proceeds from authorized financings for the acquisition of additional energy-related or gas-related companies. Finally, the SEC reserved jurisdiction over the issuance of \$500 million in incremental debt and preferred securities by us. The total authorized amount of debt and preferred securities that could be outstanding during the authorization period, including the amounts over which the SEC has reserved jurisdiction and undrawn amounts under our revolving credit facility, is \$3.256 billion. The foregoing and the following restrictions contained in the June 2005 Financing Order, along with other restrictions contained in that order, will cease to apply to us on February 8, 2006.

The 1935 Act limits the payment of dividends to payment from current and retained earnings unless specific authorization is obtained to pay dividends from other sources. The June 2005 Financing Order also requires that we maintain a ratio of common equity to total capitalization of 30%. At September 30, 2005, our ratio was 57%.

Relationship with CenterPoint Energy. We are an indirect wholly owned subsidiary of CenterPoint Energy. As a result of this relationship, the financial condition and liquidity of our parent company could affect our access to capital, our credit standing and our financial condition.

CRITICAL ACCOUNTING POLICIES

A critical accounting policy is one that is both important to the presentation of our financial condition and results of operations and requires management to make difficult, subjective or complex accounting estimates. An accounting estimate is an approximation made by management of a financial statement element, item or account in the financial statements. Accounting estimates in our historical consolidated financial statements measure the effects of past business transactions or events, or the present status of an asset or liability. The accounting estimates described below require us to make assumptions about matters that are highly uncertain at the time the estimate is made. Additionally, different estimates that we could have used or changes in an accounting estimate that are reasonably likely to occur could have a material impact on the presentation of our financial condition or results of operations. The circumstances that make these judgments difficult, subjective and/or complex have to do with the need to make estimates about the effect of matters that are inherently uncertain. Estimates and assumptions about future events and their effects cannot be predicted with certainty. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments. These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. Our significant accounting policies are discussed in Note 2 to the consolidated financial statements in the CERC Corp. Form 10-K/A. We believe the following accounting policies involve the application of critical accounting estimates. Accordingly, these accounting estimates have been reviewed and discussed with the audit committee of the board of directors of CenterPoint Energy.

IMPAIRMENT OF LONG-LIVED ASSETS AND INTANGIBLES

We review the carrying value of our long-lived assets, including goodwill and identifiable intangibles, whenever events or changes in circumstances indicate that such carrying values may not be recoverable, and at least annually for goodwill as required by SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). Unforeseen events and changes in circumstances and market conditions and material differences in the value of long-lived assets and intangibles due to changes in estimates of future cash flows, regulatory matters and operating costs could negatively affect the fair value of our assets and result in an impairment charge.

Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties and may be estimated using a number of techniques, including quoted market prices or valuations by third parties, present value techniques based on estimates of cash flows, or multiples of earnings or revenue performance measures. The fair value of the asset could be different using different estimates and assumptions in these valuation techniques.

We perform our goodwill impairment test at least annually and evaluate goodwill when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Upon adoption of SFAS No. 142, we initially selected January 1 as our annual goodwill impairment testing date. Since the time we selected the January 1 date, our year-end closing and reporting process has been truncated in order to meet the accelerated periodic reporting requirements of the SEC resulting in significant constraints on our human resources at year-end and during our first fiscal quarter. Accordingly, in order to meet the accelerated reporting deadlines and to provide adequate time to complete the analysis each year, beginning in the third quarter of 2005, we changed the date on which we perform our annual goodwill impairment test from January 1 to July 1. We believe the July 1 alternative date will alleviate the resource constraints that exist during the first quarter and allow us to utilize additional resources in conducting the annual impairment evaluation of goodwill. We performed the test at July 1, 2005, and determined that no impairment charge for goodwill was required. The change is not intended to delay, accelerate or avoid an impairment charge. We believe that this accounting change is an alternative accounting principle that is preferable under the circumstances.

UNBILLED REVENUES

Revenues related to the sale and/or delivery of natural gas are generally recorded when natural gas is delivered to customers. However, the determination of sales to individual customers is based on the reading of their meters, which is performed on a systematic basis throughout the month. At the end of each month, amounts of natural gas delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is estimated. Unbilled natural gas sales are estimated based on estimated purchased gas volumes, estimated lost and unaccounted for gas and tariffed rates in effect. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Interim Financial Statements for a discussion of new accounting pronouncements that affect us.

ITEM 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with Exchange Act Rules 13a-15 and 15d-15, we have re-evaluated, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13(a)-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that, solely because of the material weakness in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of September 30, 2005. This conclusion is different than the conclusion disclosed in the original filing of our Quarterly Report on Form 10-Q for the period ended September 30, 2005 in which management concluded that our disclosure controls and procedures were effective. As a result of the material weakness described below, which was identified subsequent to the original filing of our Quarterly Report on Form 10-Q for the period ended September 30, 2005, management has re-evaluated the effectiveness of our disclosure controls and procedures.

We determined that, during 2004 and 2005, certain transactions involving purchases and sales of natural gas among divisions within our Natural Gas Distribution segment were not properly eliminated in the consolidated financial statements. Consequently, revenues and natural gas expenses during the three and nine months ended September 30, 2004 were each overstated by approximately \$102 million and \$335 million, respectively. For the three and nine months ended September 30, 2005, revenues and natural gas expenses were each overstated by

approximately \$145 million and \$402 million, respectively, for the same reason and management concluded that a restatement of the consolidated financial statements for the three and nine months ended September 30, 2004 and 2005 was necessary to correct this error. Subsequent to the period covered by this report, in connection with the discovery of the error described above and the conclusion that we had a material weakness in our internal control over financial reporting related to ineffective controls over the process of eliminating certain interdivision purchases and sales of natural gas within our Natural Gas Distribution segment in the consolidation process, we improved procedures related to the recording and reporting of purchases and sales of natural gas, including increased review and approval controls by senior financial personnel over the personnel that will prepare the accruals and enhanced analysis of the recorded activity, including ensuring that intercompany activity is properly eliminated in consolidation.

There has been no change in our internal control over financial reporting that occurred during the three months ended September 30, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. However, subsequent to the date of filing our original Quarterly Report on Form 10-Q for the period ended September 30, 2005, we took the remedial action described above.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

The following exhibits are filed herewith:

Exhibits included with this report are designated by a cross (+); exhibits previously filed with our Quarterly Report on Form 10-Q for the period ended September 30, 2005 as filed on November 9, 2005 are designated by two crosses (++); all exhibits not so designated are incorporated by reference to a prior filing of CenterPoint Energy Resources Corp.

EXHIBIT NUMBER	DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
3.1.1	- Certificate of Incorporation of RERC Corp.	Form 10-K for the year ended December 31, 1997	1-13265	3(a)(1)
3.1.2	- Certificate of Merger merging former NorAm Energy Corp. with and into HI Merger, Inc. dated August 6, 1997	Form 10-K for the year ended December 31, 1997	1-13265	3(a)(2)
3.1.3	- Certificate of Amendment changing the name to Reliant Energy Resources Corp.	Form 10-K for the year ended December 31, 1998	1-13265	3(a)(3)
3.1.4	- Certificate of Amendment changing the name to CenterPoint Energy Resources Corp.	Form 10-Q for the quarter ended June 30, 2003	1-13265	3(a)(4)
3.2	- Bylaws of RERC Corp.	Form 10-K for the year ended December 31, 1997	1-13265	3(b)
4.1	- \$400,000,000 Credit Agreement, dated as of June 30, 2005, among CERC Corp., as Borrower, and the Initial Lenders named therein, as Initial Lenders	Form 8-K dated June 29, 2005	1-13265	4.1
++18.1	- Preferability Letter re: Change in Accounting Principle			
+31.1	- Rule 13a-14(a)/15d-14(a) Certification of David M. McClanahan			
+31.2	- Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			
+32.1	- Section 1350 Certification of David M. McClanahan			
+32.2	- Section 1350 Certification of Gary L. Whitlock			
++99.1	- Items incorporated by reference from the CERC Corp. Form 10-K. Item 1 "Business -- Regulation" and "-- Environmental Matters," Item 3 "Legal Proceedings" and Item 7 "Management's Narrative Analysis of the Results of Operations -- Certain Factors Affecting Future Earnings" and Notes 2(e) (Regulatory Assets and Liabilities), 3 (Regulatory Matters), 5 (Derivative Instruments), 9 (Commitments and Contingencies) and 12 (Reportable Business Segments).			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENTERPOINT ENERGY RESOURCES CORP.

By: /s/ James S. Brian

James S. Brian
Senior Vice President and Chief
Accounting Officer

Date: January 10, 2006

EXHIBIT INDEX

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3.1.2	- Certificate of Merger merging former NorAm Energy Corp. with and into HI Merger, Inc. dated August 6, 1997	Form 10-K for the year ended December 31, 1997	1-13265	3(a)(2)
3.1.3	- Certificate of Amendment changing the name to Reliant Energy Resources Corp.	Form 10-K for the year ended December 31, 1998	1-13265	3(a)(3)
3.1.4	- Certificate of Amendment changing the name to CenterPoint Energy Resources Corp.	Form 10-Q for the quarter ended June 30, 2003	1-13265	3(a)(4)
3.2	- Bylaws of RERC Corp.	Form 10-K for the year ended December 31, 1997	1-13265	3(b)
4.1	- \$400,000,000 Credit Agreement, dated as of June 30, 2005, among CERC Corp., as Borrower, and the Initial Lenders named therein, as Initial Lenders	Form 8-K dated June 29, 2005	1-13265	4.1
++18.1	- Preferability Letter re: Change in Accounting Principle			
+31.1	- Rule 13a-14(a)/15d-14(a) Certification of David M. McClanahan			
+31.2	- Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			
+32.1	- Section 1350 Certification of David M. McClanahan			
+32.2	- Section 1350 Certification of Gary L. Whitlock			
++99.1	- Items incorporated by reference from the CERC Corp. Form 10-K. Item 1 "Business -- Regulation" and "-- Environmental Matters," Item 3 "Legal Proceedings" and Item 7 "Management's Narrative Analysis of the Results of Operations -- Certain Factors Affecting Future Earnings" and Notes 2(e) (Regulatory Assets and Liabilities), 3 (Regulatory Matters), 5 (Derivative Instruments), 9 (Commitments and Contingencies) and 12 (Reportable Business Segments).			

CERTIFICATIONS

I, David M. McClanahan, certify that:

1. I have reviewed this amended Quarterly Report on Form 10-Q/A of CenterPoint Energy Resources Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 10, 2006

/s/ David M. McClanahan

 David M. McClanahan
 President and Chief Executive Officer

CERTIFICATIONS

I, Gary L. Whitlock, certify that:

1. I have reviewed this amended Quarterly Report on Form 10-Q/A of CenterPoint Energy Resources Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 10, 2006

/s/ Gary L. Whitlock

Gary L. Whitlock
Executive Vice President and
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the amended Quarterly Report of CenterPoint Energy Resources Corp. (the "Company") on Form 10-Q/A for the period ended September 30, 2005 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, David M. McClanahan, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 10, 2006

/s/ David M. McClanahan

David M. McClanahan
President and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the amended Quarterly Report of CenterPoint Energy Resources Corp. (the "Company") on Form 10-Q/A for the period ended September 30, 2005 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Gary L. Whitlock, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 10, 2006

/s/ Gary L. Whitlock

Gary L. Whitlock
Executive Vice President and
Chief Financial Officer