

CENTERPOINT ENERGY INC

Form U-1

April 08, 2005

File No. 070- \_\_\_\_\_

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

FORM U-1

APPLICATION/DECLARATION

UNDER

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

CenterPoint Energy, Inc.  
1111 Louisiana  
Houston, Texas 77002

Utility Holding, LLC  
1011 Centre Road, Suite 324  
Wilmington, Delaware 19805

CenterPoint Energy Service Company, LLC  
CenterPoint Energy Funding Company  
CenterPoint Energy Houston Electric, LLC  
CenterPoint Energy Transition Bond Company, LLC  
CenterPoint Energy Transition Bond Company II, LLC  
Houston Industries FinanceCo GP, LLC  
CenterPoint Energy, Inc. (a Delaware corporation)  
CenterPoint Energy Investment Management, Inc.  
CenterPoint Energy Power Systems, Inc.  
CenterPoint Energy Products, Inc.  
CenterPoint Energy Properties, Inc.  
CenterPoint Energy Tegco, Inc.  
NorAm Energy Corp.  
Texas Genco Holdings, Inc.  
Texas Genco GP, LLC  
Texas Genco LP, LLC  
Utility Rail Services, Inc.  
Block 368 GP, LLC  
CenterPoint Energy Resources Corp.  
ALG Gas Supply Company  
Allied Materials Corporation

Arkansas Louisiana Finance Corporation  
Arkla Industries Inc.  
Arkla Products Company  
CenterPoint Energy Alternative Fuels, Inc.  
CenterPoint Energy Consumer Group, Inc.  
CenterPoint Energy Field Services, Inc.  
CenterPoint Energy Field Services Holdings, Inc.  
CenterPoint Energy Gas Processing, Inc.  
CenterPoint Energy Gas Receivables, LLC  
CenterPoint Energy Gas Transmission Company  
CenterPoint Energy Hub Services, Inc.

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CenterPoint Energy - Illinois Gas Transmission Company  
CenterPoint Energy Intrastate Holdings, LLC  
Pine Pipeline Acquisition Company, LLC  
CenterPoint Energy Gas Services, Inc.  
CenterPoint Energy Retail Interests, Inc.  
CenterPoint Energy - Mississippi River Transmission Corporation  
CenterPoint Energy MRT Holdings, Inc.  
CenterPoint Energy MRT Services Company  
CenterPoint Energy Pipeline Services, Inc.  
CenterPoint Energy OQ, LLC  
CenterPoint Energy Trading and Transportation Group, Inc.  
Entex Gas Marketing Company  
Entex NGV, Inc.  
Entex Oil & Gas Company  
Intex, Inc.  
CenterPoint Energy Intrastate Pipelines, Inc.  
Minnesota Intrastate Pipeline Company  
National Furnace Company  
NorAm Utility Services, Inc.  
NorAm Financing I  
HL&P Capital Trust II  
CenterPoint Energy Funds Management, Inc.  
United Gas, Inc.  
CenterPoint Energy International, Inc.  
CenterPoint Energy International Holdings, LLC  
Reliant Energy El Salvador, S.A. de C.V.  
CenterPoint Energy International II, Inc.  
HIE Ford Heights, Inc.  
HIE Fulton, Inc.  
CenterPoint Energy International Services, Inc.  
CenterPoint Energy Light, Inc.  
Reliant Energy Brasil, Ltda.  
Reliant Energy Brazil Ltd.  
HIE Brasil Rio Sul Ltda.  
Reliant Energy International Brasil Ltda.

Reliant Energy Brazil Tiete Ltd.  
Reliant Energy Colombia Ltda.  
Reliant Energy Outsource Ltd.  
Venus Generation El Salvador  
Worldwide Electric Holdings B.V.

c/o CenterPoint Energy, Inc.  
1111 Louisiana  
Houston, Texas 77002

(Name of companies filing this statement and address of principal executive offices)

CenterPoint Energy, Inc.  
1111 Louisiana  
Houston, Texas 77002

(Name of top registered holding company parent of each applicant or declarant)

Rufus S. Scott  
Vice President, Deputy General Counsel and Assistant Corporate Secretary  
CenterPoint Energy, Inc.  
1111 Louisiana

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(Names and addresses of agents for service)

The Commission is also requested to send copies  
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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time, we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements, that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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.

Some of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements are discussed under "Risk Factors" in Item 1 of Part I of the Annual Report of CenterPoint Energy, Inc. on Form 10-K for the fiscal year ended December 31, 2004.

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

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CenterPoint Energy, Inc. ("CenterPoint" or the "Company") and its Subsidiaries (together, the "Applicants" or the "CenterPoint System") are seeking authorization and approvals as set forth herein.(1)

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION

A. REQUESTED AUTHORIZATION

This Application-Declaration seeks the following authorizations and approvals of the Securities and Exchange Commission (the "Commission"):

In order to ensure that CenterPoint is able to meet its capital requirements and plan its future financing, CenterPoint and its Subsidiaries hereby request authorization as more fully described herein for financing transactions for the period beginning with the effective date of an order issued pursuant to this filing and continuing, unless otherwise specified in this Application, until June 30, 2008 (the "Authorization Period").

(i) CenterPoint requests authorization for: (a) securities issuances,(2) (b) guarantees and other forms of credit support, as well as performance guarantees ("Guarantees"), and (c) hedging transactions, and derivative instruments with respect to any of the foregoing, as described more fully herein;

(ii) With respect to its Subsidiaries, CenterPoint requests such authorization as may be required for issuances of securities, Guarantees, and hedging transactions, and derivative instruments with respect to any of the foregoing, as described more fully herein;

(iii) CenterPoint requests that the Commission approve the continuation of a CenterPoint Group Money Pool (the "Money Pool");

(iv) CenterPoint and its Subsidiaries request that the Commission approve the continuation of existing financing arrangements, Guarantees and hedging arrangements, as well as any transactions undertaken to extend the terms of or replace, refund or refinance existing obligations and the issuance of new obligations in exchange for existing obligations, provided in each case that the issuing entity's total capitalization is not increased as a result of such financing transaction;(3)

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(1) The term "Subsidiaries" refers to each direct or indirect subsidiary company of CenterPoint as listed on the cover page hereto, as well as any direct or indirect subsidiary companies that CenterPoint may form with the approval of the Commission or in reliance on rules or statutory exemptions.

(2) The term "issuance" refers to the issue or sale of the subject security.

(3) So long as the issuing entity's total capitalization is not increased as a result, securities issued in transactions undertaken to extend the terms of or replace, refund or refinance existing

(v) CenterPoint further requests authority to issue or sell external debt securities, preferred stock, preferred securities (including trust preferred securities) and equity-linked securities in an incremental amount of \$500 million (the "CenterPoint Incremental Debt and Preferred Limit"), such that the total amount of CenterPoint external debt, preferred stock, preferred securities and equity-linked securities will not exceed \$4.334 billion at any one time outstanding during the Authorization Period (the "CenterPoint Aggregate Debt and Preferred Limit"), provided that CenterPoint requests that the Commission reserve jurisdiction over \$150 million of the CenterPoint Incremental Debt and Preferred Limit such that the amount of CenterPoint external debt, preferred stock, preferred securities (including trust preferred securities) and equity-linked securities under the authorized CenterPoint Aggregate Debt and Preferred Limit will not exceed \$4.184 billion at any one time outstanding during the Authorization Period;(4)

(vi) CenterPoint requests authority to issue or sell an additional 200 million shares of common stock or options, warrants or other rights to purchase an equivalent number of shares of common stock (and to issue or deliver common stock upon the exercise of such options, warrants or other rights) (the "CenterPoint Additional Common Stock Limit"), and to issue one Right (as defined herein) in connection with each share of common stock;

(vii) CenterPoint Energy Houston Electric, LLC ("CEHE") (5) requests authority to issue or sell external debt securities, preferred stock and preferred securities (including trust preferred securities) in an incremental amount not to exceed \$500 million at any one time outstanding during the Authorization Period (the "CEHE Incremental Debt and Preferred Limit"), such that the total amount of CEHE external debt, preferred stock and preferred securities will not exceed \$4.280 billion at any one time outstanding during the Authorization Period (in addition to the securitization debt described in (xiv) below) (the "CEHE Aggregate Debt and

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obligations and the issuance of new obligations in exchange for existing obligations do not count as "incremental" securities issuances. Exhibit G-1 is a table setting forth by issuer: (i) the type of securities and amount of each that is outstanding or, in the case of credit facilities that are not fully drawn, could be outstanding as of March 7, 2005; (ii) the amount of incremental investment authority that is being requested; and (iii) the total amount of securities that could be outstanding pursuant to the requested authority at any one time during the Authorization Period.

(4) For purposes of this application, the term "external" financing refers to a transaction in which securities are issued and sold to an entity that is

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not a member of the CenterPoint System.

The "incremental" authority refers to the requested net increase in the total amount of securities in each relevant category that may be outstanding at any one time during the Authorization Period over the amount of securities in that category issued and outstanding as of March 7, 2005, or which would be permitted under existing credit facilities if fully drawn down at that date.

(5) CEHE was referred to as "the T&D Utility" in previous filings.

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Preferred Limit"), provided that CEHE requests that the Commission reserve jurisdiction over \$150 million of the CEHE Incremental Debt and Preferred Limit such that the amount of CEHE external debt securities, preferred stock and preferred securities under the authorized CEHE Aggregate Debt Limit will not exceed \$4.130 billion at any one time outstanding during the Authorization Period;

(viii) CenterPoint Energy Resources Corp. ("CERC") (6) requests authority to issue or sell external debt securities, preferred stock and preferred securities (including trust preferred securities) in an incremental amount not to exceed \$500 million (the "CERC Incremental Debt and Preferred Limit"), such that the total amount of external CERC debt securities, preferred stock and preferred securities will not exceed \$3.106 billion at any one time during the Authorization Period (the "CERC Aggregate Debt and Preferred Limit"), provided that CERC requests that the Commission reserve jurisdiction over the issuance of CERC external debt securities, preferred stock and preferred securities in the amount of \$150 million of the CERC Incremental Debt and Preferred Limit, such that the amount of CERC external debt securities, preferred stock and preferred securities under the authorized CERC Aggregate Debt Limit will not exceed \$2.956 billion at any one time outstanding during the Authorization Period;

(ix) The Subsidiaries may also finance their capital needs through borrowings from CenterPoint, directly or indirectly through Utility Holding, LLC ("Utility Holding"), and Utility Holding requests authority to issue and sell securities to its parent company, CenterPoint, and to acquire securities from its subsidiary companies;

(x) CenterPoint requests that the Commission approve the issuance by CenterPoint and its Subsidiaries of nonexempt Guarantees in an amount such that the total amount of nonexempt Guarantees issued by CenterPoint and its Subsidiaries, in the aggregate, does not exceed \$4 billion outstanding at any time during the Authorization Period (the "CenterPoint System Guarantee Limit");

(xi) CenterPoint and its Subsidiaries request authority for the declaration and payment of dividends out of capital or unearned surplus to the extent described below;

(xii) CenterPoint requests authority to form and capitalize financing entities (including special purpose subsidiaries) (collectively "Financing Subsidiaries" or "Financing Subsidiary") in connection with the issuance of securities as requested in this filing as well as authority for the financing entities to issue such securities and to transfer the proceeds of any financing to their respective parent companies;

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(6) CERC was referred to as "GasCo" in previous filings.

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(xiii) To the extent necessary, CEHE requests authorization to issue transition bonds through CenterPoint Energy Transition Bond Company II, LLC ("Transition Bond II") in one or more series, (the "Transition Bonds") in an amount not to exceed that authorized by the Public Utility Commission of Texas ("Texas Commission") to monetize and recover the balance of stranded costs relating to generation assets and other qualified costs as determined in the 2004-2005 true-up proceeding described more fully herein, such authority to be in addition to that otherwise requested in this filing; and

(xiv) In the event that its appeal of the Texas Commission's decision is successful, CEHE requests authorization to issue transition bonds, in one or more series, through one or more to-be-formed Financing Subsidiaries in an amount equal to that authorized by the Texas Commission, such authority to be in addition to that otherwise requested in this filing.

CenterPoint also requests continued authority for its Subsidiaries, other than the Utility Subsidiaries and Utility Holding (the "Non-Utility Subsidiaries"), to restructure their duly authorized businesses from time to time; (7) and

CenterPoint requests such other authority not enumerated above as may be described herein.

B. BACKGROUND

1. Generally

By order dated July 5, 2002 (HCAR No. 27548) (the "July Order"), the Commission authorized the formation of a new registered holding company, CenterPoint, and the distribution ("Distribution") to shareholders of the remaining stock of Reliant Resources, Inc. ("RRI").(8) The Distribution, which was made on September 30, 2002, completed the separation from CenterPoint of the merchant power generation and energy trading and marketing business of RRI.

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

- CEHE engages in the electric transmission and distribution business in a 5,000- square mile area of the Texas Gulf Coast that includes Houston.
- CERC owns gas distribution systems. Through unincorporated divisions, CERC provides natural gas distributions services in Louisiana, Mississippi, Texas, Arkansas, Oklahoma and

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(7) The term "Utility Subsidiaries" refers to CEHE and CERC.

(8) On April 26, 2004, RRI changed its corporate name to Reliant Energy, Inc. For ease of reference, the Application/Declaration will continue to refer to the company as RRI herein.

Minnesota. Through wholly owned subsidiaries, CERC 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.

In July 2004, CenterPoint announced its agreement to sell its majority owned subsidiary, Texas Genco Holdings, Inc. ("Texas Genco"), to Texas Genco LLC (formerly known as GC Power Acquisition LLC), an entity owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for \$2.813 billion in cash. Following the sale, Texas Genco distributed \$2.231 billion in cash to CenterPoint. Texas Genco's principal remaining asset is its ownership interest in the South Texas Project, a nuclear generating facility. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment of \$700 million to CenterPoint, is expected to close during the week of April 11, 2005. The Nuclear Regulatory Commission (the "NRC") approved the sale on April 4, 2005.

CenterPoint also engages in financing transactions and energy-related and other functionally related businesses through its nonutility subsidiary companies.

For the year ended December 31, 2004, CenterPoint had revenues of \$8.5 billion, and income from continuing operations before income taxes and extraordinary loss of \$344 million. As of December 31, 2004, CenterPoint had assets totaling \$18 billion.

Based on its business plans and current condition in the financial markets, CenterPoint anticipates that its financing activities during the Authorization Period will consist primarily of refinancing currently outstanding debt obligations. Those activities are expected to consist primarily of the issuance of debt securities with the proceeds utilized to retire existing debt and to pay costs of issuance of new debt and any tender or call premiums associated with retired debt. The largest part of the requested incremental financing authority, however, is sought to address uncertainties in both CenterPoint's businesses and the financial markets. For example, if either of CEHE or CERC experienced significant damage to its facilities, such as a result of a hurricane or some other event, additional capital amounts might be required for repairs or replacement of facilities. Even though insurance may cover some of these costs, the need to respond quickly to restore service in an emergency may require CenterPoint to access the capital markets on short notice in order to finance repairs or to procure other equipment. The amount of any such unexpected requirement for additional capital is of necessity not readily quantifiable, but CenterPoint needs flexibility to move expeditiously and hence is seeking additional financing authority to address such possibilities.

Similarly, rapid changes in the capital markets require CenterPoint to maintain flexibility in the types of financing it pursues. If CenterPoint were to find itself unable to finance at one of its subsidiaries, the parent company would need the flexibility to raise funds itself and loan or contribute them to the subsidiary. Also, there may be changes in the market's appetite for a given type of security. For example, although Applicants are seeking authority for the



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issuance of preferred stock, that type of security is not generally in favor in the market at this time. In the event, however, that preferred stock becomes a more attractive financing alternative, CenterPoint seeks authority to issue that security.

### 2. Existing Financing Authority

CenterPoint currently has an aggregate external debt authority of \$5.169 billion, with the Commission reserving jurisdiction over an additional \$478 million. CEHE holds an aggregate external debt authority of \$3.853 billion, with the Commission reserving jurisdiction over an additional \$250 million, and CERC holds an aggregate external debt authority of \$2.607 billion, with the Commission reserving jurisdiction over an additional \$430 million.

By Holding Company Act Release No. 27692, File No. 70-10128, dated June 30, 2003, and by various supplemental orders (collectively, the "2003 Omnibus Financing Order"), the Commission authorized CenterPoint and its Subsidiaries to effect certain financial transactions.

### 3. Transactions Pursuant to Authority Granted in the 2003 Omnibus Financing Order

Pursuant to the authority granted in the 2003 Omnibus Financing Order, CenterPoint and its Subsidiaries have engaged in the following financing transactions:

- In July 2003, CenterPoint remarketed two series of insurance-backed pollution control bonds aggregating \$151 million, reducing the interest rate from 5.8% to 4%. Of the total amount of bonds remarketed, \$92 million mature on August 1, 2015 and \$59 million mature on October 15, 2015.

- On September 9, 2003, CEHE issued \$300 million aggregate principal amount of 5.75% general mortgage bonds due January 15, 2014. Proceeds were used to repay approximately \$258 million of intercompany notes payable to CenterPoint and to repay approximately \$40 million of money pool borrowings. Proceeds in the amount of approximately \$292 million from the note and money pool repayments were ultimately used by CenterPoint to repay a portion of the term loan under CenterPoint's February 28, 2003 credit facility.

- On September 9, 2003, CenterPoint issued \$200 million aggregate principal amount of 7.25% senior notes due September 1, 2010. Proceeds in the amount of approximately \$198 million were used to repay a portion of the term loan under CenterPoint's February 28, 2003 credit facility.

- On October 7, 2003, CenterPoint entered into a new three-year credit facility composed of a revolving credit facility of \$1.4 billion and a \$925 million term loan. Proceeds from the first step of the Texas Genco disposition, which were received in December 2004, together with cash from a \$177 million "price to beat" clawback payment received from RRI in November 2004, were used to retire the term loan, redeem \$375 million in trust preferred securities and temporarily repay all borrowings under the revolving credit facility, which was

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reduced to \$750 million. The \$750 million facility was replaced in March 2005 with a \$1 billion revolving credit facility having a 5-year term, which is summarized below. (9)

- On November 3, 2003, CERC issued \$160 million aggregate principal amount of its 5.95% senior notes due 2014. CERC accepted \$140 million aggregate

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principal amount of CERC's 6 3/8% Term Enhanced ReMarketable Securities (the "TERMS") maturing in November 2003 and \$1.25 million as consideration for the unsecured senior notes. CERC retired the TERMS received and used the remaining proceeds to finance remaining costs of issuance of the notes and for general corporate purposes.

- On December 17, 2003, CenterPoint issued \$255 million aggregate principal amount of convertible senior notes due January 15, 2024 with an interest rate of 2.875%.

- In February 2004, \$56 million aggregate principal amount of collateralized 5.6% pollution control bonds due 2027 and \$44 million aggregate principal amount of 4.25% collateralized insurance-backed pollution control bonds due 2017 were issued on behalf of CEHE. The pollution control bonds are collateralized by general mortgage bonds of CEHE with principal amounts, interest rates and maturities that match the pollution control bonds. The proceeds were used to extinguish two series of 6.7% collateralized pollution control bonds with an aggregate principal amount of \$100 million issued on behalf of CenterPoint. (10) CEHE's 6.7% first mortgage bonds, which collateralized CenterPoint's payment obligations under the refunded pollution control bonds were retired in connection with the extinguishment of the refunded pollution control bonds. CEHE's 6.7% notes payable to CenterPoint were also cancelled upon the extinguishment of the refunded pollution control bonds.

- In March 2004, \$45 million aggregate principal amount of 3.625% collateralized insurance-backed pollution control bonds due 2012 and \$84 million aggregate principal amount of 4.25% collateralized insurance-backed pollution control bonds due 2017 were issued on behalf of CEHE. The pollution control bonds are collateralized by general mortgage bonds of CEHE with principal amounts, interest rates and maturities that match the pollution control bonds. The proceeds were used to extinguish two series of 6.375% collateralized pollution control bonds with an aggregate principal amount of \$45 million and one series of 5.6% collateralized pollution control bonds with an aggregate principal amount of \$84 million issued on behalf of CenterPoint. (10) CEHE's 6.375% and 5.6% first mortgage bonds, which collateralized CenterPoint's payment obligations under the refunded pollution control bonds were retired in connection with the extinguishment of the refunded pollution control bonds. CEHE's 6.375% and 5.6% notes payable to CenterPoint were also cancelled upon the extinguishment of the refunded pollution control bonds.

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(9) This \$1 billion credit facility is further explained infra Section B.3.

(10) The pollution control bonds extinguished represent debt that was incurred by the integrated utility prior to the formation of CenterPoint, but became an obligation of the holding company, upon its formation, under the terms of the underlying installment payment agreements.

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- In March 2005, CenterPoint replaced its \$750 million revolving credit facility with a \$1 billion five-year revolving credit facility under which borrowings may be made at LIBOR plus 100 basis points based on current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings any time more than 50% of the facility is utilized. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered.

- In March 2005, CEHE established a \$200 million five-year revolving credit facility under which borrowings may be made at LIBOR plus 75 basis points

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based on CenterPoint Houston's current credit rating. An additional utilization fee of 12.5 basis points applies to borrowings any time more than 50% of the facility is utilized. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered.

- CEHE also established a \$1.31 billion senior secured credit facility in March 2005 (the "CEHE Backstop Facility"). This facility is available to be utilized only to refinance CEHE's \$1.31 billion term loan maturing in November 2005 in the event that proceeds from the issuance of the Transition Bonds are not sufficient to repay such term loan. Drawings may be made under this credit facility until November 2005, at which time any outstanding borrowings are converted to term loans maturing in November 2007. Net proceeds from the issuance of the Transition Bonds and certain new net indebtedness for borrowed money issued by CEHE in excess of \$200 million must be used to repay borrowings under the new facility. Based on CEHE's current credit ratings, borrowings under the facility can be made at LIBOR plus 75 basis points. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered. Any drawings under this facility must be secured by CEHE's general mortgage bonds in the same principal amount and bearing the same interest rate as such drawings.

#### 4. Existing Financing Arrangements

As of March 7, 2005, CenterPoint had outstanding borrowings or capacity under existing credit facilities totaling \$3.834 billion. These included a \$1 billion bank facility, \$519 million in uncollateralized pollution control bonds, \$678 million in collateralized pollution control bonds, \$600 million in senior unsecured notes, \$830 million of convertible senior notes and \$107 million, representing the debt component of the Zero-Premium Exchangeable Subordinated Notes ("ZENS"). Financing entities that were indirect subsidiaries of CenterPoint had issued \$100 million of trust preferred securities.

Also as of that date:

- CEHE and its subsidiaries had outstanding borrowings or capacity under existing credit facilities totaling approximately \$3.779 billion. These included a \$200 million bank facility, the \$1.310 billion term loan, \$102 million in First Mortgage Bonds, \$1.262 billion in General Mortgage Bonds, \$229 million in

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collateralized pollution control bonds, and \$676 million in transition bonds issued by its subsidiary, CenterPoint Energy Transition Bond Company, LLC.(11)

- CERC had outstanding borrowings or capacity under existing credit facilities totaling \$2.605 billion. These obligations included \$2.242 billion in notes and debentures, \$77 million in convertible subordinated debentures, \$36 million in notes payable and \$250 million in unused capacity under a bank facility. CERC had also received advances totaling \$181 million under a \$375 million receivables facility. CERC's subsidiary, NorAm Financing I, had issued \$334,000 of trust preferred securities.

#### 5. Texas Financing Order

Pursuant to the Texas Electric Choice Law, the Public Utility Commission of Texas (the "Texas Commission") determined in a true-up proceeding the stranded and certain other costs that CEHE would be entitled to recover from customers. On December 2, 2004, CEHE filed an application with the Texas

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Commission for a financing order (the "Financing Order") to permit securitization of the sum of the total balance determined by the Texas Commission in its order issued in December 2004 (the "True-Up Order"), which will be adjusted upward to reflect the accrual of interest and payment of excess mitigation credits after August 31, 2004.(12) The Financing Order was issued on March 16, 2005.(13) The Financing Order authorizes CEHE to securitize approximately \$1.494 billion plus (i) the amount of excess mitigation credits provided by CEHE after August 31, 2004, (ii) interest on the stranded cost amount through the date of issuance of the Transition Bonds and (iii) certain up-front qualified costs related to the issuance of the Transition Bonds.(14)

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(11) This summary does not include the CEHE Backstop Facility, which is available only to refinance CEHE's \$1.3 billion term loan.

(12) In a previous order, the Texas Commission ordered CEHE to provide certain credits for what were then viewed as excess mitigation costs over a period of time. It is anticipated that those credits will terminate on April 29, 2005 under a settlement approved by the Texas Commission.

(13) A number of parties have filed appeals of the financing order with the district court in Travis County, Texas, and CenterPoint anticipates that the issuance of the Transition Bonds will be delayed while those appeals remain pending.

(14) Under the Restructuring Law, CEHE is entitled to recover any portion of the true-up balance not securitized by the Transition Bonds through a non-bypassable competition transition charge. In general, the retail electric customers within the utility's service territory as it existed on May 1, 1999 will be assessed competition transition charges regardless of whether the retail electric customers receive service from the utility that historically served them or another entity. Competition transition charges are similar to transition charges in the way they are imposed and collected, but competition transition charges are not securitized. In January 2005, CEHE filed an application for a competition transition charge to recover the entire true-up balance (plus accrued interest and excess mitigation credits). CEHE adjusted the amount sought through the competition transition charge to the extent that it was authorized to securitize any portion of such

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Pursuant to the Financing Order, the Transition Bonds will be issued by Transition Bond II, with the net proceeds paid by Transition Bond II to CEHE in exchange for the right to collect transition charges imposed under the Financing Order. The principal amount and interest on the bonds will be amortized through non-bypassable transition charges to CEHE's customers, as authorized by the Texas Commission. The obligations on the bonds will be non-recourse to CEHE and to all other entities in the CenterPoint system other than Transition Bond II. CenterPoint hopes to be in a position to issue the bonds during 2005, but the schedule may be affected by the timing of the completion of any appeals of the order and market conditions.

In a separate application, CEHE has applied for an order covering the issuance of the Transition Bonds by Transition Bond II.

### 6. Disposition of the Texas Genco Entities

On July 21, 2004, CenterPoint and Texas Genco entered into a definitive transaction agreement pursuant to which Texas Genco agreed to be acquired in a multi-step transaction by GC Power Acquisition LLC (now known as Texas Genco LLC), a newly formed entity, for approximately \$3.65 billion in

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cash.

In December 2004, the first step of that transaction was completed with the repurchase by Texas Genco of the 19% of its stock that previously had been issued to the public and the sale of all of Texas Genco's fossil generation assets to Texas Genco LLC. CenterPoint received cash proceeds from that sale of \$2.231 billion. Following that step, Texas Genco owns only its interest in nuclear generation assets. The second step of the transaction, which is subject to approval from the NRC, is expected to be completed by the end of the second quarter of 2005. In that step, Texas Genco LLC will acquire Texas Genco and its nuclear generation assets for approximately \$700 million cash.

Total cash proceeds to CenterPoint from the sale are expected to be approximately \$2.9 billion. CenterPoint used the proceeds from the first step of the transaction primarily to pay down outstanding debt, including senior debt under its bank credit facility, to redeem trust preferred securities and to fund pension contributions. CenterPoint intends to use the approximately \$700 million in cash proceeds from the second step of the transaction to further reduce debt.

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amount. In an order issued at the same time as the Financing Order, the Texas Commission required that the benefit of certain deferred taxes be reflected as a reduction in the competition transition charge rather than as a reduction to the balance on which Transition Bonds could be issued. Under the Texas Commission's rules, the competition transition charge will allow CEHE to earn a return on the unamortized true-up balance to be recovered through the competition transition charge. Hearings in this proceeding began on April 6, 2005.

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### C. THE FINANCING REQUEST

#### 1. Parameters for Financing Authority

Authorization is requested herein to engage in certain financing transactions during the Authorization Period for which the specific terms and conditions are not at this time known, and which may not be covered by Rule 52 under the Act, without further prior approval by the Commission. The following general terms will be applicable where appropriate to the financing transactions requested to be authorized hereby:

(a) Effective Cost of Money. The effective cost of money on any long-term debt financings occurring pursuant to the authorizations granted under this Application-Declaration will not exceed the greater of (i) 500 basis points over the yield to maturity of a U.S. Treasury security having a remaining term approximately equal to the term of the subject debt, or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other companies of reasonably comparable credit quality as determined by the competitive capital markets.(15)

The effective cost of money on any short-term debt financings occurring pursuant to the authorizations granted under this Application-Declaration will not exceed the greater of (i) 500 basis points over the comparable-term LIBOR rates, or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other companies of reasonably comparable credit quality as determined by the competitive capital markets.

The dividend rate on any series of preferred stock or preferred or equity-linked securities will not exceed the greater of (i) 700

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basis points over the yield to maturity of a U.S. Treasury security having a remaining term approximately equal to the term of the series of preferred stock or preferred or equity-linked securities or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other companies of reasonably comparable credit quality as determined by the competitive capital markets.

(b) Maturity. The maturity of long-term indebtedness will not exceed 50 years. All series of preferred stock, preferred securities and equity-linked securities (other than preferred stock, which may be perpetual) will be required to be redeemed no later than 50 years after the issuance thereof.

(c) Issuance Expenses. The underwriting fees, commissions or other similar remuneration paid in connection with the non-competitive issue, sale or distribution of securities pursuant to this Application will not exceed the greater

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(15) The term "competitive capital markets" does not mean that competitive bidding is required in connection with any of the securities issuances for which authority is requested herein.

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of (i) 500 basis points of the principal or face amount of the securities being issued or gross proceeds of the financing or (ii) the competitive market rates which are consistent with similar securities of comparable credit quality and maturities issued by other companies. (16)

(d) Use of Proceeds. The proceeds from the sale of securities in external financing transactions will be used for general corporate purposes including (i) the financing, in part, of the capital expenditures of the CenterPoint System, (ii) the financing of working capital requirements of the CenterPoint System, (iii) the refinancing or acquisition, retirement or redemption pursuant to Rule 42 under the Act of securities previously issued by CenterPoint or its Subsidiaries or as otherwise authorized by the Commission, (iv) direct or indirect investment in companies authorized under the Act, (v) to meet unexpected contingencies, payment and timing differences, and cash requirements, and (vi) other lawful purposes. The Applicants represent that no such financing proceeds will be used to acquire a new Subsidiary unless such financing is consummated in accordance with an order of the Commission or an available exemption under the Act.

(e) Common Equity Ratio. Net of securitization debt and based on current projections, CenterPoint's projected equity capitalization will be 30% or greater by the end of 2007; however, it is possible that this may not occur until 2008. In connection with the requested authority, CenterPoint is undertaking to provide the Commission on a quarterly basis confidential exhibits updating CenterPoint's financial projections and assumptions through 2008.

At all times during the Authorization Period, CERC will maintain common equity of at least 30% of its Total Capitalization, which is defined as common equity, preferred stock, long-term debt and short-term debt, as reflected in the most recent Form 10-K or Form 10-Q filed with the Commission adjusted to reflect changes in

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capitalization since the balance sheet date therein.

As used herein, "Consolidated Capitalization" means Total Capitalization excluding securitization obligations. Although CEHE will at all times during the Authorization Period have member's equity of greater than 30% of Consolidated Capitalization, in carrying out the Texas Commission's Financing Order, CEHE's consolidated member's equity ratio is projected to decrease below the Commission's target of 30% of Total Capitalization during part of the period that the Transition Bonds are outstanding, if the securitization debt is included. The decrease in CEHE's consolidated member's equity ratio below 30% is due to the Transition Bonds being shown as debt in the consolidated financial statements of CEHE. The Transition Bonds will be non-recourse to CEHE and will be serviced by the cash flows from the transition charges imposed under the Financing Order, not the revenues of CEHE's utility operations. Accordingly, while shown as debt on financial statements, the Transition Bonds do not represent leverage in the

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(16) Issuance Expenses will not count toward the Effective Cost of Money discussed above.

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classical sense that the 30% standard was intended to address. Excluding the Transition Bonds from the consolidated pro forma capital structure of CEHE, the member's equity ratio would be least 30% of its Total Capitalization at all times during the Authorization Period.(17)

(f) Investment Grade Ratings. Apart from securities issued for the purpose of funding the operations of subsidiaries through the Money Pool, no guarantees or other securities (other than common stock) may be issued in reliance on the authority requested herein unless: (i) the security to be issued, if rated, is rated investment grade by at least one nationally recognized statistical rating organization as that term is used in paragraphs (c) (2) (vi) (E), (F) and (H) of Rule 15c3-1 under the Securities Exchange Act of 1934 ("NRSRO"); (ii) all outstanding rated securities of the issuer are rated investment grade by at least one NRSRO; and (iii) all outstanding rated securities of the top-level registered holding company are rated investment grade by at least one NRSRO.(18)

(g) Authorization Period. No security will be issued pursuant to the authority sought herein after the last day of the Authorization Period (which is June 30, 2008), provided, however, that securities issuable or deliverable upon exercise or conversion of, or in exchange for, securities issued on or before June 30, 2008 in accordance with the terms of such authorization may be issued or delivered after such date.

### 2. CenterPoint External Financing

CenterPoint requests authority to issue and sell securities including common stock, preferred stock and preferred and equity-linked securities (either directly or through a subsidiary), warrants, long-term and short-term debt securities and convertible securities and derivative instruments with respect to any of the foregoing.(19) CenterPoint also requests authorization to enter into obligations with respect to tax-exempt debt issued on behalf of CenterPoint by governmental authorities. Such obligations may

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relate to the refunding of

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(17) Following issuance of the Transition Bonds, CEHE will have member's equity capitalization of less than 20% of Total Capitalization if the securitization debt is included. CEHE will improve its equity ratio as securitization obligations are paid down. However, it is not anticipated that CEHE will reach a level of at least 30% of Total Capitalization within five years. Accordingly, Applicants request an exemption from the generally required 30% common equity ratio in order to carry out the Texas Commission's Financing Order.

(18) The Applicants ask the Commission to reserve jurisdiction of the issuance of securities subject to the Investment Grade Ratings criteria where one or more of the Investment Grade Ratings criteria are not met.

(19) Any convertible or equity-linked securities or warrants would be convertible into or linked only to securities that CenterPoint and its Subsidiaries are otherwise authorized to issue pursuant to rule or Commission order and will count against the authorized limits for those securities granted pursuant to the authority sought herein.

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outstanding tax-exempt debt or to the remarketing of tax-exempt debt. CenterPoint seeks authorization to enter into lease arrangements, and certain hedging transactions in connection with the foregoing issuances of taxable or tax-exempt securities.

CenterPoint may sell securities covered by this Application in any one of the following ways: (i) through underwriters; (ii) to initial purchasers in transactions in reliance on Rule 144A under the Securities Act of 1933 or dealers; (iii) through agents; (iv) directly to a limited number of purchasers or a single purchaser; (v) in exchange for already outstanding securities, including tender offers; or (vi) directly to employees (or to trusts established for their benefit), shareholders and others. If underwriters are used in the sale of the securities, such securities may be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be offered to the public either through underwriting syndicates (which may be represented by a managing underwriter or underwriters designated by CenterPoint) or directly by one or more underwriters acting alone. The securities may be sold directly by CenterPoint or through agents designated by CenterPoint from time to time. If common stock or convertible debt is being sold in an underwritten offering, CenterPoint may grant the underwriters thereof a "green shoe" option permitting the purchase from CenterPoint at the same price of additional shares or debt then being offered solely for the purpose of covering over-allotments.

Sales may be registered under the Securities Act of 1933 or effected through competitive bidding among underwriters. In addition, sales may be made through private placements, sales to initial purchasers in Rule 144A transactions or other non-public offerings to one or more persons. All such sales will be upon terms and conditions, at rates or prices and under conditions negotiated or based upon, or otherwise determined by, competitive capital markets.

(a) Common Stock

CenterPoint is authorized under its restated articles of incorporation to issue one billion shares of common stock, par value \$.01 per



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share, and related preferred stock purchase rights. Each share of common stock includes one right ("Right") to purchase from CenterPoint a unit consisting of one one-thousandth of a share of CenterPoint Series A Preferred Stock at a purchase price of \$42.50 per unit, subject to adjustment. The Rights are issued pursuant to the Rights Agreement dated as of January 1, 2002 between CenterPoint and JPMorgan Chase Bank (the "Rights Agreement"), a copy of which was filed with CenterPoint's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-31447) and incorporated by reference. (20)

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(20) The Rights will become exercisable shortly after (i) any public announcement that a person or group of associated persons has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of CenterPoint common stock; or (ii) the start of a tender or exchange offer that would result in a person or group of associated persons becoming a 20% owner. The Rights are also exercisable for shares of (i) CenterPoint common stock in the event of certain tender or exchange offers not approved by the CenterPoint board; and (ii) the common stock of an acquiring company in the event of certain mergers, business

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As of February 28, 2005, CenterPoint had 308,501,031 shares of common stock outstanding. CenterPoint seeks authority to issue 200 million additional shares of common stock (including Rights) and to issue warrants, options and other rights to acquire an equivalent amount of common stock.

Such issuances may be used for the general corporate purposes described above in Section C.1.(d). In addition, CenterPoint proposes, from time to time during the Authorization Period, to issue and/or acquire in open market transactions or negotiated block purchases, shares of CenterPoint common stock for allocation under incentive compensation plans and other equity compensation and employee benefit plans, and for the CenterPoint Investor's Choice Plan. (21) Such transactions would comply with applicable law and Commission interpretations then in effect. The requested authority to issue or deliver CenterPoint common stock under these plans includes the authority to issue related options, warrants, stock appreciation rights, stock units and other derivative securities pursuant to those plans, including derivative securities with respect to Subsidiaries provided they are not settled in stock of such Subsidiaries. Any newly issued shares of common stock, including shares of common stock issued upon the conversion or exercise of warrants, convertible debt or other equity-linked securities, will be counted toward the overall limit on common stock; shares of common stock purchased in the open market or otherwise acquired for the purpose of reissuance under Stock Based Plans will not be counted toward this limit to the extent that the net effect of the purchase and reissuance does not increase the number of shares of common stock outstanding.

(b) External Debt, Preferred Stock, Preferred and Equity-Linked Securities

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combinations, or substantial sales or transfers of assets or earning power. Under certain circumstances, CenterPoint may substitute cash, property, other equity securities or debt, or may reduce the exercise price of the Rights. The Rights attach to all certificates representing the outstanding shares of common stock and are transferable only with such certificates. The Rights are redeemable at CenterPoint's option prior to their becoming exercisable and expire on December 31, 2011.

CenterPoint seeks continued authority to continue to implement the Rights

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Agreement. Any shares of CenterPoint Series A Preferred Stock, CenterPoint common stock or other consideration issued upon exercise of the Rights will not be counted against the external financing limits requested in this filing.

(21) CenterPoint's existing stock-related employee plans are: CenterPoint Energy, Inc. Savings Plan; CenterPoint Energy, Inc. 1994 Long-Term Incentive Compensation Plan; Long-Term Incentive Plan of CenterPoint Energy, Inc.; CenterPoint Energy, Inc. and Subsidiaries Common Stock Participation Plan for Designated New Employees and Non-Officer Employees; NorAm Energy Corp. 1994 Incentive Equity Plan; and CenterPoint Energy, Inc. Stock Plan for Outside Directors (collectively, the "Stock Based Plans"). The requested authority relating to benefit and compensation plans is intended to apply to these plans, as they may be amended or supplemented from time to time, and similar plans or arrangements that may be adopted in the future without any additional prior Commission order.

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CenterPoint requests Commission authorization during the Authorization Period to issue debt securities and preferred stock, and to issue directly or indirectly through one or more Financing Subsidiaries long-term debt securities, preferred stock, preferred securities (including, trust preferred securities), and equity-linked securities (including preferred securities that are convertible, either mandatorily or at the option of the holder, into common stock, or forward purchase contracts for common stock).

Long-term debt securities may be comprised of bonds, notes, medium-term notes or debentures under one or more indentures, long-term indebtedness under agreements with banks or other institutional lenders, directly or indirectly, and convertible debt.(22) Long-term securities could also include obligations relating to the refunding or remarketing of tax-exempt debt issued on behalf of CenterPoint or its Subsidiaries by governmental authorities.

Long-term debt issued pursuant to the requested authority will be unsecured.(23) Specific terms of any borrowings may include one or more revolving credit facilities, and will also continue to be determined by CenterPoint at the time of issuance. Any borrowings will comply in all regards with the parameters on financing authorization set forth above. The request for authorization for CenterPoint to issue long-term debt securities is consistent with the current authority under the 2003 Omnibus Financing Order and authorization that the Commission has granted to other combination gas and electric holding companies.(24)

Short-term debt issued by CenterPoint will be unsecured. Types of short-term debt securities may include borrowings under one or more bank loans, commercial paper, short-term notes, bid notes, institutional borrowings, and privately placed notes. Specific terms of any short-term borrowings will be determined by CenterPoint at the time of issuance and will comply with the parameters for financing authorization set forth above. The maturity of any short-term debt issued will not exceed 364 days or, if the notional maturity is greater than 364 days, the debt security will include put options at appropriate points in time to cause the security to be accounted for as a current liability under GAAP.

CenterPoint may sell commercial paper or privately placed notes ("commercial paper"), from time to time, in established domestic or European commercial paper markets. Such commercial paper may be sold at a discount or bear interest at a rate per annum prevailing at the date of issuance for commercial paper of a similarly situated company. CenterPoint may, without counting against the limit on parent financings set forth above, maintain

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back-up lines of

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(22) Debt will be convertible only into such securities as are otherwise authorized under the Act.

(23) Currently outstanding debt at CenterPoint that is secured by obligations at CEHE may be similarly secured upon a refinancing or refunding.

(24) See, e.g., E.ON AG, Holding Co. Act Release No. 27539 (June 14, 2002); Allegheny Energy, Inc., Holding Co. Act Release No. 27486 (Dec. 31, 2001); Exelon Corporation, Holding Co. Act Release No. 27266 (Nov. 2, 2000); New Century Energies, Inc., Holding Co. Act Release No. 27212 (Aug. 16, 2000).

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credit in connection with one or more commercial paper programs in an aggregate amount not to exceed the amount of authorized commercial paper.

CenterPoint may sell short-term notes through one or more private placements or public offerings primarily to traditional money market investors. CenterPoint may enter into individual agreements with one or more commercial banks that may or may not be lenders under CenterPoint credit facilities. These agreements would permit CenterPoint to negotiate with one or more banks on any given day for such lender, or any affiliate or subsidiary of such lender, to purchase promissory notes directly from CenterPoint.

There are many different variations of equity-linked products offered in the marketplace. Equity-linked securities will be linked to common stock or preferred stock or preferred securities that CenterPoint is otherwise authorized to issue. Typically, these products combine a security with a fixed obligation (e.g., preferred stock or debt) with a conversion feature that is exercisable (often mandatorily) initially within a relatively short period (e.g., three to six years after issuance). These instruments may also be tax advantaged. From the issuer's standpoint, an equity-linked security may offer a means to raise capital at a lower overall economic or after-tax cost than other types of long-term securities, in that the fixed obligation component may have a lower after-tax cost than straight preferred stock and all or a portion of the interest or dividends paid may be tax deductible. From an economic standpoint, these types of securities also generally carry a lower cost than common equity. Preferred or equity-linked securities may be issued in one or more series with such rights, preferences, and priorities as may be designated in the instrument creating each such series. Dividends, distributions or interest on preferred or equity-linked securities will be made periodically and to the extent funds are legally available for such purpose, but may be made subject to terms that allow the issuer to defer dividend or interest payments or distributions or to satisfy them with payments in-kind rather than in cash, for specified periods. Preferred or equity-linked securities may be convertible or exchangeable into shares of common or preferred stock (as applicable) that have otherwise been authorized pursuant to authority herein requested.

Preferred stock and equity-linked securities may be sold directly or indirectly to or through underwriters, initial purchasers or dealers or pursuant to any other method of distribution described for common stock in Section 2 above. The Commission has approved the issuance of such securities on several occasions.(25)

### (c) Financing Risk Management Devices

CenterPoint requests authority to enter into hedging arrangements intended to reduce or manage the volatility of financial and other business

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risks to which CenterPoint is subject. These arrangements may include, but are not limited to interest rate swaps, caps, floors, collars, forward agreements, issuance of structured notes (i.e., a debt instrument in which the principal and/or interest payments are indirectly linked to the value of an underlying asset or index), or transactions involving the purchase or sale, including short sales, of U.S. Treasury or

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(25) The Southern Company, Holding Co. Act Release No. 27134 (Feb. 9, 2000); Ameren Corporation, Holding Co. Act Release No. 27449 (Oct. 5, 2001).

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U.S. governmental agency (e.g., Fannie Mae) obligations or LIBOR based swap instruments (collectively referred to as "Hedging Instruments"). The transactions would be for fixed periods and stated notional amounts as generally accepted as prudent in the capital markets. In no case will the notional principal amount of any interest rate hedge exceed that of the underlying debt instrument. CenterPoint will not engage in "speculative transactions" as that term is described in Statement of Financial Accounting Standards ("SFAS") 133 ("Accounting for Derivative Instruments and Hedging Activities"). Transaction fees, commissions and other amounts payable to brokers in connection with an interest rate hedge will not exceed those generally obtainable in capital markets for parties of comparable credit quality. CenterPoint may employ interest rate derivatives as a means of prudently managing the risk associated with any of its outstanding debt issued pursuant to this authorization or an applicable exemption by, in effect, synthetically (i) converting variable rate debt to fixed rate debt, (ii) converting fixed rate debt to variable rate debt, (iii) limiting the impact of changes in interest rates resulting from variable rate debt and (iv) managing other risks that may attend outstanding securities. Transactions will be entered into for a fixed or determinable period. CenterPoint will only enter into agreements with counterparties having a senior debt rating at the time the transaction is executed of at least "BBB-" or its equivalent, as published by a NRSRO ("Approved Counterparties").

In addition, CenterPoint requests authorization to enter into hedging transactions with respect to anticipated debt offerings (the "Anticipatory Hedges"), subject to the limitations and restrictions expressed below. Such Anticipatory Hedges would only be entered into with Approved Counterparties, and would be utilized to fix and/or limit the risk associated with any issuance of securities through appropriate means, including (i) a forward sale of exchange-traded Hedging Instruments, (ii) the purchase of put options on Hedging Instruments, (iii) a put options purchase in combination with the sale of call options Hedging Instruments, (iv) some combination of the above and/or other derivative or cash transactions, including, but not limited to, structured notes, caps and collars, appropriate for the Anticipatory Hedges, and (v) other financial derivatives or other products including Treasury rate locks, swaps, forward starting swaps, and options on the foregoing. Anticipatory Hedges may be executed on-exchange with brokers through the opening of futures and/or options positions traded on the Chicago Board of Trade, the opening of over-the-counter positions with one or more counterparties, or a combination of the two. CenterPoint or its applicable Subsidiary will determine the structure of each Anticipatory Hedge transaction at the time of execution. CenterPoint may decide to lock in interest rates and/or limit its exposure to interest rate increases.

Each Hedging Instrument and Anticipatory Hedge will be treated for accounting purposes as provided for under GAAP. Fees, commissions and other amounts payable to the counterparty or exchange (excluding, however, the swap or option payments) in connection with Hedging Instruments will not exceed those generally obtainable in competitive markets for similarly-situated parties of

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comparable credit quality. CenterPoint will comply with SFAS 133 and SFAS 138 ("Accounting for Certain Derivative Instruments and Certain Hedging Activities") or such other standards relating to accounting for derivative transactions as are adopted and implemented by the Financial Accounting Standards Board.

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### 3. Subsidiary Financing

To the extent such transactions are not otherwise exempted, (26) the Utility Subsidiaries request authority to issue and sell securities, including preferred stock, preferred securities (including trust preferred securities) (either directly or through a subsidiary), long-term and short-term debt securities (including convertible debt, commercial paper and privately placed short-term notes), and derivative instruments with respect to any of the foregoing on the same terms and conditions discussed above for CenterPoint, except that Utility Subsidiary debt may be secured or unsecured in the amounts and subject to aggregate amounts of securities outstanding in the applicable categories as set forth on Exhibit G-1 and referenced in Item 1.A. (27) The Utility Subsidiaries and Utility Holding also request authorization to enter into obligations with respect to new tax-exempt debt issued on behalf of a Utility Subsidiary or Utility Holding, as appropriate, by governmental authorities as well as obligations entered into in connection with the refunding of outstanding tax-exempt debt assumed by CenterPoint in connection with the August 31, 2002 restructuring by which CenterPoint and Utility Holding became holding companies for the Utility Subsidiaries. Utility Holding will not issue or sell securities to entities outside of the CenterPoint System. To the extent not exempt pursuant to Rule 52, the Utility Subsidiaries also request authority to enter into hedging transactions to manage their risk in connection with the foregoing issuance of securities subject to the limitations and requirements applicable to CenterPoint, provided, that Utility Holding will not enter into such hedging transactions.

### 4. Guarantees and Intra-System Advances

#### (a) Guarantees

Authorization is requested for CenterPoint during the Authorization Period to enter into guarantees to third parties, obtain letters of credit, enter into support or expense agreements or liquidity support agreements or otherwise provide credit support with respect to the obligations of the Subsidiaries, including performance guarantees, as may be appropriate to carry on in the ordinary course of CenterPoint or its Subsidiaries' duly-authorized utility and related businesses, and the Subsidiaries request authority to provide to their respective Subsidiaries guarantees and other forms of credit support such that in the aggregate, CenterPoint and its Subsidiaries will not enter into guarantees in an amount exceeding the CenterPoint System Guarantee Limit. (28) Excluded from the CenterPoint System Guarantee Limit are obligations exempt pursuant to Rule 45 under the Act.

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(26) The Non-Utility Subsidiaries will rely on Rules 45 and 52 under the Act for financings described in this Section C. (3).

(27) To the extent that CERC issues secured debt, such debt will be secured by a pledge of the stock of its nonutility subsidiary companies.

(28) The amount of the requested authority is intended to accommodate situations such as the CenterPoint System's exposure to, among other things, the volatility of natural gas prices. Although natural gas supplies have been sufficient in recent years, available supplies are subject to disruption from a

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variety of events, which can have the effect of creating rapid change in pricing.

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Certain of the guarantees may be in support of obligations that are not capable of exact quantification. In such cases, CenterPoint will determine the exposure under a guarantee for purposes of measuring compliance with the CenterPoint System Guarantee Limit by appropriate means, including estimation of exposure based on loss experience or potential payment amounts. As appropriate, these estimates will be made in accordance with GAAP and sound financial practices. Such estimation will be reevaluated periodically.

The guarantor may charge each Subsidiary a fee for any guarantee provided on its behalf that is not greater than the cost, if any, of obtaining the liquidity necessary to perform the guarantee (for example, bank line commitment fees or letter of credit fees, plus other transactional expenses) for the period of time the guarantee remains outstanding.

The amount of any guarantees will be counted toward the applicable limits under Rules 53 and 58.

### (b) Money Pool

CenterPoint and certain of its Subsidiaries (together, the "Parties") hereby request authorization to continue to conduct the Money Pool as approved in the 2003 Omnibus Financing Order, and the Subsidiaries, to the extent not exempted by Rule 52 under the Act, also request authorization to make, from time to time, unsecured short-term borrowings from the Money Pool and to contribute surplus funds to the Money Pool and to lend and extend credit to (and acquire promissory notes from) one another through the Money Pool. (29)

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As explained in CenterPoint's Annual Report on Form 10-K for the year ended December 31, 2004, CERC is subject to volatility in gas prices. Additionally, CERC must commit to gas purchases in advance of receipt of the revenues under which they recover those costs. During periods of rapid increase in prices, the volumes involved in such purchases can significantly increase the dollar value of the credit that suppliers effectively extend to their purchasers. In view of the recent experience of many energy companies, suppliers generally are more cautious in making large commitments to customers and maintain careful scrutiny of customers' credit. When prices go up, CenterPoint and its subsidiaries may be required to demonstrate increased financial commitments to purchasers.

Depending on the circumstances, increased exposures may impact borrowing costs and certainly will require commitments of credit capacity to the supply contracts.

(29) The Participants in the Money Pool will be CenterPoint, CenterPoint Energy Service Company, LLC (the "Service Company"), the Utility Subsidiaries, CenterPoint Energy Properties, Inc., CenterPoint Energy Products, Inc., and CenterPoint Energy Funding Company. CenterPoint Energy Funding Company is an entity through which CenterPoint funded or acquired foreign utility companies within the meaning of Section 33 of the Act and so, this company will be an investor in but not a borrower from the Money Pool. No exempt wholesale generator or foreign utility company will be a borrower from the Money Pool.

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CenterPoint is requesting authorization to contribute surplus funds

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and to lend and extend credit to the Utility Subsidiaries through the Money Pool. CenterPoint will not be a borrower from the Money Pool.

Under the terms of the Money Pool, each Party determines each day the amount of funds each desires to contribute to the Money Pool, and contributes such funds to the Money Pool.(30) The determination of whether a Party has funds to contribute (either from surplus funds or from external borrowings) and the determination whether a Party shall lend such funds to the Money Pool is made by such Party's treasurer, or by a designee thereof, in such Party's sole discretion. Each Party may withdraw any of its funds at any time upon notice to the Service Company, as administrative agent of the Money Pool.

Short-term funds will be available from the following sources: (1) surplus funds in the treasuries of the Parties, and (2) proceeds from external borrowings, including bank loans, the sale of notes and/or the sale of commercial paper by the Parties, in each case to the extent permitted by applicable laws and regulatory orders.

Each borrowing Party will borrow pro rata from each fund source in the same proportion that the amount of funds provided from that fund source bears to the total amount then loaned through the Money Pool. On a day when more than one source of funds is invested in the Money Pool with different rates of interest used to fund loans through the Money Pool, each borrower will borrow pro rata from each such funding source from the Money Pool in the same proportion that the amount of funds provided by that fund source bears to the total amount of funds invested into the Money Pool. If there are insufficient funds to meet all borrowing requests, the needs of the Utility Subsidiaries will be met before loans are made to any Non-Utility Subsidiaries.

The determination of whether a Party has funds to lend to the Money Pool will be made by its Treasurer, or by a designee thereof. The Service Company, as administrator of the Money Pool, will provide each Party with a report for each business day that includes, among other things, cash activity for the day and the balance of loans outstanding. All borrowings from the Money Pool shall be authorized by the borrowing Party's treasurer, or by a designee thereof. No Party shall be required to effect a borrowing through the Money Pool if such Party determines that it can (and is authorized to) effect such borrowing more advantageously directly from banks or through the sale of its own notes or commercial paper.

Funds which are loaned by Parties and are not utilized to satisfy borrowing needs of other Parties will be invested by the Service Company on behalf of the lending Parties in one or more short term instruments, including (i) interest-bearing deposits with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies; (iii) commercial paper rated not less than A-1 by Standard & Poor's and P-1 by Moody's Investors Services, Inc.; (iv) money market funds; (v) bank certificates of deposit; (vi) Eurodollar funds; (vii) repurchase agreements

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(30) An Amended and Restated Form of Money Pool Agreement is attached hereto as Exhibit J-1.

collateralized by securities issued or guaranteed by the U.S. government; and (viii) such other investments as are permitted by Section 9(c) of the Act and Rule 40 thereunder.

The interest rate applicable on any day to then outstanding loans through the Money Pool, whether or not evidenced by a promissory demand note,

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will be the composite weighted average daily effective cost incurred by CenterPoint for external borrowings outstanding on that date. The daily effective cost shall be inclusive of interest rate swaps related to such external funds. If there are no external borrowings outstanding on that date, then the rate will be the certificate of deposit yield equivalent of the 30-day Federal Reserve "AA" Non-Financial Commercial Paper Composite Rate or if no composite is established for that day, then the applicable rate will be the composite for the next preceding day for which a composite is established. If the composite shall cease to exist, then the rate will be the composite which then most closely resembles the composite and/or most closely mirrors the pricing CenterPoint would expect if it had external borrowings.

Interest income related to external investments will be calculated daily and allocated back to lending Parties on the basis of their relative contribution to the Money Pool on that date.

Each Party receiving a loan from the Money Pool shall repay the principal amount of such loan, together with all interest accrued thereon, on demand by the administrator and in any event not later than the expiration date of the Commission authorization for the operation of the Money Pool. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty.

Borrowings by the Utility Subsidiaries from the Money Pool should not exceed the following amounts at any one time outstanding during the Authorization Period:

CEHE	\$600 million
CERC	\$600 million

(c) Other Intra-System Financing

The Subsidiaries may also finance their capital needs through borrowings from CenterPoint, directly or indirectly through Utility Holding. Any short-term borrowings by Utility Subsidiaries pursuant to this request would be counted toward the Money Pool limits above.

Utility Holding requests authority to issue and sell securities to its parent company and to acquire securities from its subsidiary companies on the same terms and conditions as specified above. Applicants also seek authority for Utility Holding to transfer any dividends or financing proceeds received from its subsidiaries to CenterPoint.

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### 5. Changes in Capital Stock of Majority Owned Subsidiaries

The portion of an individual Subsidiary's aggregate financing to be effected through the sale of stock or other equity securities to CenterPoint or other immediate parent company during the Authorization Period pursuant to Rule 52 and/or pursuant to an order issued pursuant to this filing cannot be ascertained at this time. It may happen that the proposed sale of capital securities (i.e., common stock or preferred stock) may in some cases exceed the then authorized capital stock of such Subsidiary. In addition, the Subsidiary may choose to use capital stock with no par value.

As needed to accommodate such proposed transactions and to provide for future issues, request is made for authority to change the terms of any 50% or more owned Subsidiary's authorized capital stock capitalization or other equity interests by an amount deemed appropriate by CenterPoint or other intermediate parent company; provided that the consents of all other



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shareholders or other equity holders have been obtained for the proposed change. This request for authorization is limited to CenterPoint's 50% or more owned Subsidiaries and will not affect the aggregate limits or other conditions contained herein. A Subsidiary would be able to change the par value, or change between par value and no-par stock, or change the form of such equity from common stock to limited partnership or limited liability company interests or similar instruments, or from such instruments to common stock, without additional Commission approval. Any such action by a Utility Subsidiary would be subject to and would only be taken upon the receipt of any necessary approvals by the state commission in the state or states where the Utility Subsidiary is incorporated and doing business.(31) CenterPoint will be subject to all applicable laws regarding the fiduciary duty of fairness of a majority shareholder to minority shareholders in any such 50% or more owned Subsidiary and will undertake to ensure that any change implemented under this paragraph comports with such legal requirements.(32)

### 6. Payment of Dividends Out of Capital or Unearned Surplus

CenterPoint requests authority to declare and pay dividends out of capital or unearned surplus in an amount up to \$300 million during the Authorization Period. CenterPoint requests that the Commission reserve jurisdiction over this request.(33)

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(31) The Commission has previously approved substantially similar proposals. See e.g., FirstEnergy Corp., Holding Co. Act Release No. 27694 (June 30, 2003).

(32) Applicants state that, in the event that proxy solicitations are necessary with respect to the internal corporate reorganizations, Applicants will seek the necessary Commission approvals under Sections 6(a)(2) and 12(e) of the Act through the appropriate filing of a declaration.

(33) The requested authority to declare and pay dividends out of capital or unearned surplus is intended to address circumstances in which CenterPoint projects that it would have insufficient earnings to support the established dividend in a given quarter to declare and pay the dividend.

CEHE is also seeking authority to declare and pay dividends in a separate application in connection with the issuance of Transition Bonds, as described in Section (A)(xiii).

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### 7. Financing Subsidiaries

CenterPoint and its Subsidiaries propose to organize and acquire, directly or indirectly, the common stock or other equity interests of one or more Financing Subsidiaries for the purpose of effecting various financing transactions from time to time through the Authorization Period. Financing Subsidiaries may be corporations, trusts, partnerships or other entities created specifically for the purposes described herein. The amount of securities issued by the Financing Subsidiaries to third parties will count toward the respective financing limits of its immediate parent as set forth on Exhibit G-1. (34) Authorization is hereby requested for the issuance of such securities by the Financing Subsidiaries and for the transfer of proceeds from such issuance to the respective parent companies.

CenterPoint and, to the extent such issuances are not exempt pursuant to Rule 52, the Subsidiaries also request authorization to issue their subordinated unsecured notes ("Subordinated Notes") to any Financing Subsidiary

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to evidence the loan of financing proceeds by a Financing Subsidiary to its parent company. The principal amount, maturity and interest rate on such Subordinated Notes will be designed to parallel the amount, maturity and interest or distribution rate on the securities issued by a Financing Subsidiary, in respect of which the Subordinated Note is issued. CenterPoint or a Subsidiary may, if required, guarantee or enter into support or expense agreements in respect of the obligations of such Financing Subsidiaries.

It is anticipated that the Financing Subsidiaries will be wholly-owned indirect subsidiaries of CenterPoint and fully consolidated for purposes of financial reporting. No Financing Subsidiary shall acquire or dispose of, directly or indirectly, any interest in any utility asset, as that term is defined under the Act, without first obtaining such further approval as may be required.

The business of the Financing Subsidiary will be limited to effecting financing transactions that have been otherwise authorized for CenterPoint and its Subsidiaries. In connection with such financing transactions, CenterPoint or its Subsidiaries may enter into one or more guarantees or other credit support agreements in favor of the Financing Subsidiary.

Any Financing Subsidiary organized pursuant to this filing shall be organized only if, in management's opinion, the creation and utilization of such Financing Subsidiary will likely result in tax savings, increased access to capital markets and/or lower cost of capital for CenterPoint or its Subsidiaries.

The ability to use financing subsidiaries in financing transactions can sometimes offer increased state and/or federal tax efficiency. Increased tax efficiency can result if a financing subsidiary is located in a state or country that has tax laws that make the proposed financing transaction more tax efficient relative to the sponsor's existing taxing jurisdiction. For

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(34) This request is in addition to the request for authority to issue transition bonds through a Financing Subsidiary in connection with the securitization of stranded costs infra. Applicants are asking the Commission to reserve jurisdiction over that request, pending completion of the record.

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example, foreign finance subsidiaries, depending upon the identity of the borrowers, can often earn income that is not subject to current U.S. federal income taxation. However, decreasing tax exposure is usually not the primary goal when establishing a financing subsidiary. Because of the potential significant non-tax benefits of such transactions, discussed below, use of a financing subsidiary can benefit an issuer even without a net improvement in its tax position.

Financing subsidiaries can increase a company's ability to access new sources of capital by enabling it to undertake financing transactions with features and terms attractive to a wider investor base. Financing subsidiaries can be established in jurisdictions and/or in forms that have terms favorable to its sponsor and that at the same time provide targeted investors with attractive incentives to provide financing. Many of these investors would not be participants in the sponsor's bank group, and they typically would not hold sponsor bonds or commercial paper. Thus they represent potential new sources of capital.

One aspect of transactions involving finance subsidiaries is that

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they can enable a more efficient allocation of risks among investors and the sponsor, resulting in a lower all-in financing rate. In a simple example, finance subsidiaries can be used to securitize specific assets, or pools of assets, at reasonable-to-attractive rates. The financing cost could be lower because the assets may have a unique risk profile that is especially appealing to specific investors, or because the diversification achieved by pooling assets reduces the total level of risk.

Each of CenterPoint and its Subsidiaries also requests authorization to enter into an expense agreement with its respective Financing Subsidiary, pursuant to which it would agree to pay all expenses of such entity. Any amounts issued by such Financing Subsidiaries to third parties pursuant to this authorization will be included in the additional external financing limitation authorized herein for the immediate parent of such financing entity. However, the underlying intra-system mirror debt and parent guarantee shall not be so included. Applicants also seek authority for the Financing Subsidiaries to transfer the proceeds of any financing to their respective parent companies.

### D. RESTRUCTURING OF NON-UTILITY INTERESTS

The Commission previously authorized CenterPoint to restructure its non-utility interests from time to time as may be necessary or appropriate. CenterPoint seeks a continuation of this authority, provided that companies in the CenterPoint System will engage, directly or indirectly, only in businesses that are duly authorized, whether by order, rule or statute.

### E. SECURITIZATION OF STRANDED COSTS

To the extent required, CenterPoint seeks authority to issue, in an amount to be determined, transition bonds to monetize and recover the balance of stranded costs relating to previously owned electric generation assets and other qualified costs as determined in the event that (i) CenterPoint does not issue the full amount of Transition Bonds authorized by the Texas Commission (as discussed above in Section B.5) or (ii) the Texas Commission grants additional authority for CenterPoint to issue transition bonds, and, as may be required, for such subsidiaries to transfer the proceeds to CEHE, Utility Holding and CenterPoint. As with the debt of its existing transition bond company (CenterPoint Energy Transition Bond Company, LLC), the

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holders of the transition bonds will not have recourse to any assets or revenues of CenterPoint or its subsidiary companies (other than those of the special purpose entity issuing such transition bonds), nor would the system's creditors have recourse to any assets or revenues of the entity issuing the transition bonds. Any issuance would be subject to the financing parameters described previously herein. CenterPoint also requests authority for CEHE and Utility Holding to declare and pay dividends with respect to amounts related to any such issuance. The Applicants ask the Commission to reserve jurisdiction over this request, pending completion of the record.

### F. FILING OF CERTIFICATES OF NOTIFICATION

As approved in the 2003 Omnibus Financing Order, with respect to CenterPoint, the reporting systems of the Securities Exchange Act of 1934, as amended (the "1934 Act") and the Securities Act of 1933, as amended (the "1933 Act") are integrated with the reporting system under the 1935 Act. To effect such integration, the portion of the 1933 Act and 1934 Act reports containing or reflecting disclosures of transactions occurring pursuant to the authorizations granted in this proceeding are incorporated by reference into this proceeding through Rule 24 certificates of notification. The certificates contain all other

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information required by Rule 24, including the certification that each transaction being reported had been carried out in accordance with the terms and conditions of and for the purposes represented in this Application. Such certificates of notification are to be filed within 60 days after the end of the first three calendar quarters and within 90 days after the end of the last calendar quarter in which transactions occur.

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

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

- (i) The sales of any common stock or preferred or equity-linked securities by CenterPoint or a Subsidiary and the purchase price per share and the market price per share at the date of the agreement of sale;
- (ii) The total number of shares of CenterPoint common stock issued or issuable pursuant to options granted during the quarter under employee benefit plans and dividend reinvestment plans, including any employee benefit plans or dividend reinvestment plans hereafter adopted;
- (iii) If CenterPoint common stock has been transferred to a seller of securities of a company being acquired, the number of shares so issued, the value per share and whether the shares are restricted in the hands of the acquirer;
- (iv) If a guarantee is issued during the quarter, the name of the guarantor, the name of the beneficiary of the guarantee and the amount, terms and purpose of the guarantee;
- (v) The amount and terms of any long-term debt issued by CenterPoint during the quarter, and the aggregate amount of short-term debt outstanding as of

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the end of the quarter, as well as the weighted average interest rate for such short-term debt as of such date;

- (vi) The amount and terms of any long-term debt issued by any Utility Subsidiary during the quarter, and the aggregate amount of short-term debt outstanding as of the end of the quarter, as well as the weighted average interest rate for such short-term debt as of such date;
- (vii) The amount and terms of any financings consummated by any Non-Utility Subsidiary that are not exempt under Rule 52;
- (viii) The notional amount and principal terms of any Hedging Instruments or Anticipatory Hedges entered into during the quarter and the identity of the other parties thereto;
- (ix) The name, parent company and amount of equity in any intermediate subsidiary during the quarter and the amount and terms of any securities issued by such subsidiaries during the quarter;

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- (x) The information required by a Certificate of Notification on Form U-6B-2; (35)
- (xi) The amount and terms of any other securities issued under the authority sought herein during the quarter;
- (xii) Consolidated balance sheets for CenterPoint and/or a Utility Subsidiary as of the end of the quarter and separate balance sheets as of the end of the quarter for each company that has engaged in jurisdictional financing transactions during the quarter;
- (xiii) A table showing, as of the end of the quarter, the dollar and percentage components of the capital structure of CenterPoint on a consolidated basis and of each Utility Subsidiary;
- (xiv) A retained earnings analysis of CenterPoint on a consolidated basis and of each Utility Subsidiary detailing gross earnings, dividends paid out of each capital account and the resulting capital account balances at the end of the quarter;
- (xv) A table showing, as of the end of the quarter, the Money Pool participants and amount of outstanding borrowings for each;
- (xvi) As to each financing subsidiary, (a) the name of the subsidiary; (b) the value of CenterPoint's investment account in such subsidiary; (c) the balance sheet account where the investment and the cost of the investment are booked; (d) the amount invested in the subsidiary by CenterPoint; (e) the type of corporate entity; (f) the percentage owned by CenterPoint; (g) the identification of other owners if not 100% owned by CenterPoint; (h) the purpose of the investment in the subsidiary; and (i) the amounts and types of securities to be issued by the subsidiary;
- (xvii) A confidential exhibit updating CenterPoint's financial projections and assumptions through 2008; and

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

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- (xviii) With respect to any internal reorganization of any Subsidiaries during the quarter, a description of the nature of such reorganization.

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

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

### ITEM 2. FEES, COMMISSIONS AND EXPENSES.

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

### ITEM 3. APPLICABLE STATUTORY PROVISIONS.

#### A. APPLICABLE PROVISIONS

Sections 6(a), 7, 9, 10 and 12 of the Act and Rules 42, 43, 44, 45, 46, 52, 53, 54, 58 and 62 thereunder are considered applicable to the proposed transactions. To the extent that the proposed transactions are considered by the Commission to require authorizations, exemption or approval under any section of the Act or the rules and regulations thereunder other than those set forth above, request for such authorization, exemption or approval is hereby made.

#### B. RULE 54 ANALYSIS.

The proposed transactions are subject to Rule 54 under the Act, which refers to Rule 53. Rule 54 under the Act provides that in determining whether to approve certain transactions other than those involving exempt wholesale generators ("EWGs") or foreign utility companies ("FUCOs"), as defined in the Act, the Commission will not consider the effect of the capitalization or earnings of any subsidiary company which is an EWG or FUCO if Rule 53(a), (b) and (c) under the Act are satisfied. Texas Genco, LP has been qualified as an EWG, but CenterPoint does not intend to seek any long-term financing authority in connection therewith.

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CenterPoint has no investments in FUCOs. It holds its EWG investment in Texas Genco, LP through its indirect subsidiary company, Texas Genco. The investment in Texas Genco, LP is CenterPoint's only EWG investment. In December 2004, Texas Genco and Texas Genco, LP completed the sale of all of Texas Genco, LP's fossil generation assets to a third party for \$2.813 billion in cash. In the second step of the transaction, which is expected to close during the week of April 11, the third party will acquire Texas Genco and the remaining nuclear generation assets for approximately \$700 million cash. After that closing, CenterPoint will no longer have an investment in an EWG or a FUCO.

CenterPoint had negative retained earnings as of December 31, 2004, and so is not in compliance with Rule 53(a)(1). CenterPoint complies with, and will continue to comply with, the record-keeping requirements of Rule 53(a)(2) under the Act, the limitation under Rule 53(a)(3) under the Act on the use of domestic public-utility company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) under the Act concerning the submission of copies of certain filings under the Act to retail regulatory commissions. Further, none of the circumstances described in Rule 53(b) under the Act has

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occurred or is continuing. Rule 53(c) under the Act is by its terms inapplicable to the transactions proposed herein that do not involve the issue and sale of securities (including guarantees) to finance an acquisition of an EWG or FUCO.

### ITEM 4. REGULATORY APPROVAL.

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

### ITEM 5. PROCEDURE.

The Commission is respectfully requested to publish the requisite notice under Rule 23 under the Act with respect to this Application-Declaration as soon as possible, such notice to specify a date by which comments must be entered and such date being the date when an order of the Commission granting and permitting this Application to become effective may be entered by the Commission. The Applicants request that the Commission's order be issued as soon as the rules allow, and that there should not be a 30-day waiting period between issuance of the Commission's order and the date on which the order is to become effective. The Applicants hereby waive a recommended decision by a hearing officer or any other responsible officer of the Commission and consent that the Division of Investment Management may assist in the preparation of the Commission's decision and/or order, unless the Division opposes the matters proposed herein.

### ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

#### A. EXHIBITS.

A-1 Amended and Restated Articles of Incorporation of CenterPoint as adopted on November 2, 2001 (filed with the Commission on November 5, 2001 as Exhibit 3.1 to Registration Statement on Form S-4 (File No. 333-69502) and incorporated by reference herein).

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A-2 Articles of Amendment to Amended and Restated Articles of Incorporation of CenterPoint, dated March 27, 2002 (filed with the Commission as Exhibit 3.1.1 to the Annual Report of CenterPoint on Form 10-K for the year ended December 31, 2001 (File No. 333-69502) and incorporated by reference herein).

A-3 Amended and Restated By-Laws of CenterPoint as adopted on March 26, 2002 (filed with the Commission as Exhibit 3.2 to the Annual Report of CenterPoint on Form 10-K for the year ended December 31, 2001 (File No. 333-69502) and incorporated by reference herein).

B-1 Not applicable.

C-1 Not applicable.

D-1 Not applicable.

E-1 Not applicable.

F-1 Opinion of counsel (to be filed by amendment).

G-1 Table setting forth by issuer: (i) the type of securities and amount of each that is outstanding or, in the case of credit facilities that are not fully drawn, could be outstanding as of March 7, 2005; (ii) the amount of incremental investment authority that is being requested; and (iii) the total amount of

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securities that could be outstanding pursuant to the requested authority.

G-2 Annual Report of CenterPoint on Form 10-K for the year ended December 31, 2004 (File No. 1-31447) (filed with the Commission on March 16, 2005 and incorporated by reference herein).

G-3 Annual Report of CenterPoint Energy Houston Electric, LLC on Form 10-K for the year ended December 31, 2004 (File No. 1-03187) (filed with the Commission on March 24, 2005 and incorporated by reference herein).

G-4 Annual Report of CenterPoint Energy Resources Corp. on Form 10-K for the year ended December 31, 2004 (File No. 1-13265) (filed with the Commission on March 24, 2005 and incorporated by reference herein).

G-5 Annual Report of CenterPoint Energy Transition Bond Co., LLC on Form 10-K for the year ended December 31, 2004 (File No. 333-91093) (filed with the Commission on March 31, 2005 and incorporated by reference herein).

H-1 Proposed Form of Notice.

J-1 Amended and Restated Form of Money Pool Agreement (to be filed by amendment).

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### B. FINANCIAL STATEMENTS.

FS-1 Consolidated Balance Sheets of CenterPoint as of December 31, 2004 and Statements of Consolidated Operations, Statements of Consolidated Comprehensive Income and Statements of Consolidated Cash Flows for the year ended December 31, 2004 (incorporated by reference to CenterPoint's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-31447)).

FS-2 Consolidated Balance Sheets of CenterPoint Energy Houston Electric, LLC as of December 31, 2004 and Statements of Consolidated Income, Statements of Consolidated Comprehensive Income and Statements of Consolidated Cash Flows for the year ended December 31, 2004 (incorporated by reference to CenterPoint Energy Houston Electric, LLC's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-03187)).

FS-3 Consolidated Balance Sheets of CenterPoint Energy Resources Corp. as of December 31, 2004 and Statements of Consolidated Income, Statements of Consolidated Comprehensive Income and Statements of Consolidated Cash Flows of CenterPoint Energy Resources Corp. for the year ended December 31, 2004 (incorporated by reference to CenterPoint Energy Resources Corp.'s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-13265)).

FS-4 Balance Sheets of CenterPoint Energy Transition Bond Co., LLC as of March 31, 2005 (unaudited) and Statements of Income and Changes in Member's Equity and Statements of Cash Flows for the three months ended March 31, 2005 (unaudited) (incorporated by reference to CenterPoint Energy Transition Bond Co., LLC's Quarterly Report on Form 10-Q for the three months ended March 31, 2005 (File No. 333-91093)).

FS-5 CenterPoint consolidated financials (forecasts through 2009) (filed in connection herewith with a request for confidential treatment).

FS-6 CenterPoint Energy Houston Electric, LLC financials (forecasts through 2009) (filed in connection herewith with a request for confidential treatment).

FS-7 CenterPoint Energy Resources Corp. financials (forecasts through 2009)



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(filed in connection herewith with a request for confidential treatment).

FS-8 CenterPoint equity percentages as of December 31, 2004 (forecasts through 2009) (filed in connection herewith with a request for confidential treatment).

FS-9 CenterPoint Energy Houston Electric, LLC equity percentages (forecasts through 2009) (filed in connection herewith with a request for confidential treatment).

FS-10 CenterPoint Energy Resources Corp. equity percentages (forecasts through 2009) (filed in connection herewith with a request for confidential treatment).

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ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS

The proposed transaction involves neither a "major federal action" nor "significantly affects the quality of the human environment" as those terms are used in Section 102(2)(C) of the National Environmental Policy Act, 42 U.S.C. Sec. 4321 et seq. No federal agency is preparing an environmental impact statement with respect to this matter.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, as amended, the Applicants have duly caused this Application/Declaration to be signed on their behalf by the undersigned thereunto duly authorized.

Date: April 8, 2005

CENTERPOINT ENERGY, INC.  
and its Subsidiaries

By: /s/ Rufus S. Scott

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

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