

purchase from CenterPoint at the same price of additional shares then being offered solely for the purpose of covering over-allotments.

1. Common Stock

CenterPoint requests authority to issue 200 million additional shares of common stock (including "Rights")⁷ and to issue warrants, options and other rights to acquire an equivalent number of shares of common stock. 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 Investor's Choice Plan.⁸ These transactions would comply with applicable law and Commission interpretations then in effect. 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 also be counted toward this limit.

2. Preferred Stock and Preferred and Equity-Linked Securities

CenterPoint requests Commission authority during the Authorization Period to issue preferred stock and to issue directly or indirectly through one or more financing subsidiaries ("Financing Subsidiaries") preferred

stock, preferred securities (including trust preferred securities), and equity-linked securities (including, specifically, preferred securities that are convertible, either mandatorily or at the option of the holder, into common stock or forward purchase contracts for common stock).

CenterPoint requests authority to issue preferred stock and preferred and equity-linked securities in a net incremental amount of \$250 million such that the total outstanding amount of CenterPoint preferred stock and preferred and equity-linked securities will not exceed \$975 million at any one time outstanding during the Authorization Period.

Preferred stock and equity-linked securities may be sold directly or indirectly to or through underwriters, initial purchasers or dealers or pursuant to a method of distribution similar to those described for common stock above.

3. Long-Term Debt

CenterPoint requests authority to issue or sell external debt securities in a net incremental amount of \$500 million (including long-term and short-term debt securities) (the "CenterPoint Additional Debt Limit") such that the total amount of CenterPoint debt securities will not exceed \$5.847 billion at any one time outstanding during the Authorization Period ("CenterPoint Aggregate Debt Limit"). Long-term debt securities may be comprised of bonds, notes, medium-term notes or debentures under one or more indentures or long-term indebtedness under agreements with banks or other institutional lenders directly or indirectly and convertible debt. Long-term debt issued under the requested authority will be unsecured. Specific terms of any borrowings will be determined by CenterPoint at the time of issuance and will comply in all regards with the parameters on financing authorization set forth above.

4. Short-Term Debt

CenterPoint seeks authority to issue short-term debt subject to the CenterPoint Additional Debt Limit to provide financing for general corporate purposes, working capital requirements and temporary financing of Subsidiary capital expenditures. Short-term debt issued by CenterPoint will be unsecured.

Types of short-term debt securities may include borrowings under one or more revolving credit facilities or 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 in all regards 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 generally accepted accounting principles ("GAAP").

CenterPoint may sell commercial paper or privately placed notes ("commercial paper") from time to time, in established domestic or European commercial paper markets. 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 financing set forth above, maintain back-up lines of 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.

5. Financing Risk Management Devices

CenterPoint requests authority to enter into hedging arrangements intended to reduce or manage the volatility of financial or other business 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 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 are generally accepted as prudent in the

⁷ 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").

⁸ These plans include the CenterPoint Energy, Inc. Investor's Choice Plan; existing stock-related employee plans: CenterPoint Energy, Inc. Savings Plan, CenterPoint Energy, Inc. Long-Term Incentive Compensation Plan, CenterPoint Energy, Inc. 1994 Long-Term Incentive Compensation Plan, Long-Term Incentive Plan of CenterPoint Energy, Inc., CenterPoint Energy, Inc. Business Unit Performance Share Plan, CenterPoint Energy, Inc. and Subsidiaries Common Stock Participation Plan for Designated New Employees and Non-Officer Employees, and the 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.