

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 Standard 133, as amended ("SFAS 133"). Transaction fees, commissions and other amounts payable to brokers in connection with an interest rate hedge will not exceed those generally obtainable in competitive 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 under 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 ("Anticipatory Hedges"), subject to the limitations and restrictions expressed below.

Anticipatory Hedges would only be entered into with Approved Counterparties, and would be used 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 (a "Forward Sale"); (ii) the purchase of put options on Hedging Instruments (a "Put Options Purchase"); (iii) a Put Options Purchase in combination with the sale of call options Hedge Instruments (a "Zero Cost Collar"); (iv) some combination of a Forward Sale, Put Options Purchase, Zero Cost Collar 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 ("On-Exchange Trades") with brokers through the opening of futures and/or options positions traded on the Chicago Board

of Trade ("CBOT"), the opening of over-the-counter positions with one or more counterparties ("Off-Exchange Trades"), or a combination of On-Exchange Trades and Off-Exchange Trades.

CenterPoint or its applicable Subsidiary will determine the structure of each Anticipatory Hedge transaction at the time of execution. CenterPoint or a Subsidiary 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. CenterPoint and its Subsidiaries will comply with Statement of Financial Accounting Standards ("SFAS") 133 ("Accounting for Derivatives Instruments and Hedging Activities") and SFAS 138 ("Accounting for Certain Derivative Instruments and Certain Hedging Activities") or other standards relating to accounting for derivative transactions as are adopted and implemented by the Financial Accounting Standards Board.

B. Subsidiary Financing

To the extent not otherwise exempted,⁹ the Utility Subsidiaries and the Intermediate Holding Companies request authority to issue and sell securities, including common equity, preferred shares and preferred securities (including trust preferred securities) (either directly or through a subsidiary), long-term and short-term debt securities, including convertible debt and derivative instruments with respect to any of the foregoing on the same terms and conditions as discussed above for CenterPoint, except that Utility Subsidiary and Intermediate Holding Company debt may be secured or unsecured.¹⁰

Texas Genco Holdings, Inc. and Texas Genco, LP (together, the "Texas Genco Entities") request authority to issue or sell external debt in an aggregate amount of \$250 million at any one time outstanding during the Authorization Period.

CenterPoint Energy Houston Electric, LLC (the "T&D Utility") requests authority to issue and sell external debt securities in a net incremental amount of \$500 million such that the amount of T&D Utility external debt will not exceed \$3.603 billion at any one time outstanding during the Authorization Period. The T&D Utility requests authority to issue or sell preferred stock

and preferred securities (including trust preferred securities) in an amount not to exceed \$250 million at any one time outstanding during the Authorization Period.

CenterPoint Energy Resources Corp. ("GasCo") requests authority to issue or sell external debt in a net incremental amount of \$500 million such that the amount of external GasCo debt will not exceed \$3.187 billion at any one time outstanding during the Authorization Period. GasCo requests authority to issue or sell preferred stock and preferred securities (including trust preferred securities) in an amount not to exceed \$250 million during the Authorization Period such that the amount of preferred stock and preferred securities (including trust preferred securities) will not exceed \$250.4 million at any one time outstanding during the Authorization Period.

The Utility Subsidiaries and Intermediate Holding Companies also request authorization to enter into obligations with respect to new tax-exempt debt issued on behalf of a Utility Subsidiary or an Intermediate Holding Company 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, LLC became holding companies for the Utility Subsidiaries.

The Utility Subsidiaries also request authority to enter into hedging transactions to manage their risk in connection with the issuance of securities subject to the limitations and requirements applicable to CenterPoint, provided, that the Intermediate Holding Companies will not enter into such hedging transactions.

C. Guarantees and Intra-System Advances

1. Guarantees

CenterPoint requests authorization 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 its 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 in an aggregate amount not to

⁹ The Nonutility Subsidiaries will rely on rules 45 and 52 under the Act for financings described in this section.

¹⁰ To the extent that GasCo issues secured debt, such debt will be secured by a pledge of the stock of its nonutility subsidiary companies.