

from CenterPoint, directly or indirectly through one or more Intermediate Holding Companies. Any financings by Utility Subsidiaries pursuant to this request would be counted toward the Money Pool limits above.

Each of the Intermediate Holding Companies requests authority to issue and sell securities to its respective parent companies and to acquire securities from its subsidiary companies on the same terms and conditions as specified above.

D. Changes in Capital Stock of Majority Owned Nonutility Subsidiaries

Applicants request authority to change the terms of any 50% or more owned Nonutility Subsidiary's authorized capital stock capitalization or other equity interests by an amount deemed appropriate by CenterPoint or other intermediate parent company, provided that no such action would be taken without the consents necessary under applicable law.

E. Payment of Dividends Out of Capital or Unearned Surplus

Each of the Nonutility Subsidiaries requests authority to declare and pay dividends out of capital or unearned surplus to the extent permitted by state law.

CenterPoint also requests authority to declare and pay dividends out of capital or unearned surplus in an amount up to \$500 million through the Authorization Period. Such authority is required because of the accounting consequences of the Distribution. Accordingly, CenterPoint requests the Commission to reserve jurisdiction over this request. As of December 31, 2002, CenterPoint had negative retained earnings of approximately \$1.1 billion. It is CenterPoint's intention to declare and pay dividends out of current earnings.

F. Financing Subsidiaries

CenterPoint and its Subsidiaries proposes to organize and acquire, directly or indirectly, the common stock or other equity interests of one or more financing subsidiaries (collectively, the "Financing Subsidiary") for the purpose of effecting various financing transactions from time to time through the Authorization Period.¹² Financing Subsidiaries may be corporations, trusts, partnerships or other entities created specifically for the purposes described in this Application. The amount of securities issued by the Financing

Subsidiaries to third parties will count toward the respective financing limits of its immediate parent. Authorization is 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 under rule 52, the Subsidiaries also request authorization to issue their subordinated unsecured notes ("Subordinated Notes") to any Financing Subsidiary 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.

Any security issued to third parties under the requested authority will be appropriately disclosed in the system's financial statements. Applicants anticipate that the Financing Subsidiaries will be wholly-owned indirect subsidiaries of CenterPoint. 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 any necessary approval.

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 these transactions, CenterPoint or the Subsidiaries may enter into one or more guarantees or other credit support agreements in favor of the Financing Subsidiary.

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

Each of CenterPoint and the Subsidiaries also requests authorization to enter into an expense agreement with its respective Financing Subsidiary, under which it would agree to pay all expenses of the entity. Any amounts issued by the Financing Subsidiaries to third parties will be included in the additional external financing limitation

for the immediate parent of the financing entity. However, the underlying intra-system mirror debt and parent guarantee will not be included. Applicants also seek authority for the Financing Subsidiaries to transfer the proceeds of any financing to their respective parent companies.

IV. Retention and Reorganization of Nonutility Interests

A. Retention of Nonutility Interests

In the July Order, the Commission reserved jurisdiction over the retention of CenterPoint Energy Investment Management, Inc., MRT Services Company and CenterPoint Energy Trading and Transportation Group, Inc. Applicants request that the Commission authorize the retention of these nonutility interests except with respect to the canal currently owned by MRT Services Company.

CenterPoint Energy Investment Management, Inc., a Delaware corporation that is a wholly-owned subsidiary of CenterPoint, holds shares of stock of AOL Time Warner that were received in connection with the 1995 sale of certain cable television businesses.

MRT Services Company provides marketing services in connection with CenterPoint's gas pipeline subsidiaries. It also is the lessor of real estate associated with telecommunications towers that are used to provide services to CenterPoint system. CenterPoint asks the Commission to grant it three years to divest the canal. CenterPoint further requests that any order of the Commission that requires CenterPoint to divest the canal pursuant to section 11(b)(1) of the Act make the necessary findings to enable CenterPoint to obtain the tax treatment provided by Section 1081 of the Internal Revenue Code, as amended, in connection with the ordered disposition.

CenterPoint Energy Trading and Transportation Group, Inc. provides administrative payroll services to associated pipeline companies at cost determined in accordance with rules 90 and 91. Applicants state that the subsidiary is not engaged in other businesses.

B. Authority to Restructure Nonutility Interests

CenterPoint proposes to restructure its nonutility interests from time to time as may be necessary or appropriate. CenterPoint will engage, directly or indirectly, only in businesses that are duly authorized, whether by order, rule or statute.

¹² This request is in addition to the request for authority in connection with the securitization of stranded costs *infra*. Applicants are requesting the Commission to reserve jurisdiction over that request, pending completion of the record.