

applicable to the intercompany loan would be the lower of (a) the average of three quotes obtained from investment banks for an unsecured bond issued by E.ON with the applicable term of the loan and (b) the lowest of three quotes obtained by the borrowing company from investment banks for a first mortgage bond issued by a company with the applicable term of the loan. At this time, the debt of Fidelia is not rated. Therefore, the interest cost of any debt that would be issued by Fidelia to unaffiliated third parties would not be competitive with the rates available to E.ON and LG&E or KU. If in the future Fidelia is able to obtain funds in the capital markets on competitive terms, quotes will also be obtained in a similar manner for debt to be issued by Fidelia.

The collateral for the loans will consist of all of the borrower's now owned or later acquired "equipment," as that term is defined in Kentucky's Uniform Commercial Code (KRS Chapter 355), excluding, however, any equipment that is not subject to the lien under the borrower's first mortgage bond indenture. Only property subject to the lien of the first mortgage bond indenture will be subject to the subordinated security interest. As set out in the definition section of the loan and security agreement, "equipment" has the meaning set out in the Uniform Commercial Code ("goods other than inventory, farm products, or consumer goods") and includes all of the borrower's now owned or later acquired machinery, equipment, furniture, furnishings and all tangible personal property similar to any of the foregoing (other than inventory), together with all improvements, accessories and appurtenances of these and any proceeds of any of these, including insurance proceeds and condemnation awards and all books and records relating to the preceding. Motor vehicles and other property subject to a certificate of title law are not included as collateral. Also, assets such as cash and accounts receivable are not "equipment" and would not be subject to the lien.

As noted earlier, the security interest granted in the loan and security agreement is expressly subordinated to the lien of the borrower's first mortgage bond indenture. The subordination provisions provide that Fidelia cannot exercise any rights or remedies against the property of LG&E or KU unless all bonds under the company's first mortgage bond indenture have been paid in full. So long as LG&E and KU are not in default under their respective loan agreements, Fidelia will have no rights against LG&E and KU, except to

receive payment of principal and interest on the loans when due, according to the Applicants. Even if a default existed under a loan agreement, Fidelia would have no right to pursue any remedies against the property of LG&E or KU, as applicable, until all of the borrower's first mortgage bonds have been paid in full. Under the existing financing agreements of E.ON, the creditors of E.ON would have no rights against LG&E or KU as a result of the proposed transactions, Applicants state. In any event, the creditors of E.ON could have no greater rights against LG&E and KU than those of Fidelia through the loan agreement, according to the Applicant. Therefore, the Applicants state, so long as LG&E or KU, as the case may be, is not in default of its obligations under the proposed loan agreement, neither Fidelia nor any creditor of E.ON would have any rights against LG&E or KU, as applicable, or their respective property.

CenterPoint Energy, Inc., et al. (70-10148)

CenterPoint Energy, Inc. ("CenterPoint"), 1111 Louisiana, Houston, TX 77002, a registered public-utility holding company, and its direct wholly owned registered holding company subsidiary, Utility Holding, LLC, 200 West Ninth Street Plaza, Suite 411, Wilmington, DE 19801 (together, "Applicants"), have filed a declaration under sections 6(a) and 7 of the Act and rules 44 and 54 under the Act.

Applicants request authority to engage in certain refinancing transactions, as more fully described below, commencing on the effective date of an order issued under this filing and ending June 30, 2005 ("Authorization Period").

I. Background

A. The CenterPoint System

CenterPoint is a registered public-utility holding company, created on August 31, 2002 as part of a corporate restructuring of Reliant Energy, Inc. CenterPoint has three public-utility subsidiary companies that are wholly owned (except as indicated below), that own and operate electric generation plants, electric transmission and distribution facilities, natural gas distribution facilities and natural gas pipelines.

CenterPoint Energy Houston Electric LLC ("T&D Utility") engages in the electric transmission and distribution business in a 5,000-square mile area of the Texas Gulf Coast that includes Houston.

Texas Genco Holdings, Inc. ("Texas Genco") is a section 3(a)(1) exempt holding company that, through Texas Genco LP, an electric utility company, owns the Texas generating plants formerly owned by the integrated electric utility that was a part of Reliant Energy, Inc.⁷

CenterPoint Energy Resources Corp. ("GasCo") owns gas distribution systems that together form one of the United States' largest natural gas distribution operations in terms of customers served. Through unincorporated divisions, GasCo provides natural gas distribution services in Louisiana, Mississippi and Texas (Entex Division), Arkansas, Louisiana, Oklahoma and Texas (Arkla Division) and Minnesota (Minnegasco Division). Through wholly owned subsidiaries, GasCo owns two interstate natural gas pipelines and gas gathering systems and provides various ancillary services.

Utility Holding, LLC is a Delaware limited liability company and an intermediate holding company that is registered under the Act. Utility Holding, LLC directly holds approximately 81% of the outstanding common stock of Texas Genco. Utility Holding, LLC is otherwise a conduit entity formed solely to minimize tax liability.

B. Existing Financing Authority

By order dated May 28, 2003,⁸ the Commission authorized CenterPoint to pledge its interest in the common stock of Texas Genco (the "Texas Genco Stock"), in connection with the refinancing of approximately \$3.85 billion of CenterPoint debt ("CenterPoint Facility"). The interest rate on borrowings under the CenterPoint Facility, currently 450 basis points over London Interbank Offered Rate, is based on CenterPoint's credit rating. Such borrowings are secured by a pledge of the Texas Genco Stock. Since February 28, 2003, CenterPoint has reduced the principal amount of the CenterPoint Facility by approximately \$1 billion, from \$3.85 billion to \$2.846 billion.

By order dated June 30, 2003 (the "Omnibus Financing Order"),⁹ the Commission authorized CenterPoint and its subsidiaries to engage in certain financing and related transactions through June 30, 2005. Among other

⁷ On January 6, 2003, CenterPoint distributed to its shareholders approximately 19% of the common stock of Texas Genco. CenterPoint indirectly owns the remaining approximately 81% of the common stock of Texas Genco.

⁸ Holding Co. Act Release No. 27680.

⁹ Holding Co. Act Release No. 27692.