

things, the Omnibus Financing Order authorized CenterPoint to enter into 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. In the Omnibus Financing Order, CenterPoint committed that long-term debt issued by it pursuant to such authorization would be unsecured.

II. Proposed Restructuring of the CenterPoint Facility

Based on the current favorable market conditions, CenterPoint is considering the restructuring of the \$2.846 billion CenterPoint Facility to reduce the principal amount and the cost of borrowing under the facility. Depending on the response of the bank lenders, CenterPoint may renegotiate or replace the CenterPoint Facility.

Although the final structure has not yet been determined, Applicants currently contemplate that CenterPoint would repay the CenterPoint Facility with a combination of borrowings and repayments of intrasystem receivables as described below:

(a) CenterPoint would enter into a new, significantly smaller bank facility currently contemplated to be approximately \$1.25 billion (the "New Facility") that may be secured by a pledge of the Texas Genco Stock. Such secured interest would be subordinate to or *pari passu* with that of the B Loan below.

(b) CenterPoint would enter into a new three-year borrowing (the "B Loan") that is secured by a pledge of the Texas Genco Stock. Applicants contemplate that the amount of the B Loan would be at least \$500 million and possibly greater than \$1 billion, depending on the response of the capital markets.

(c) CenterPoint would issue unsecured debt under the authority in the Omnibus Financing Order; and

(d) The T&D Utility would issue up to \$500 million in unsecured debt. The proceeds will be used to repay existing intercompany debt from the T&D Utility to CenterPoint, to repay borrowings from the money pool, to displace financing that might otherwise be done at the T&D Utility and/or for other general corporate purposes.¹⁰

The proposed financing transactions are intended to reduce the effective cost

of money to the CenterPoint system, as well as to reduce dependence on the lenders under the CenterPoint Facility. Applicants state that the transactions would not increase the overall amount of debt or adversely affect the capital structure of any entity or of the CenterPoint system as a whole. Nor would the transactions involve the grant of any new or additional security. The Texas Genco Stock that is pledged as security for the CenterPoint Facility currently would be extended to a different group of lenders; there would be no increased burden on the subject asset.

III. Requested Authority

CenterPoint seeks authority to issue debt that is secured by a pledge of the Texas Genco Stock in an amount of up to \$2.85 billion¹¹ at any one time outstanding during the Authorization Period, where the proceeds of such financing transactions would be used to extend the terms of or replace, refund or refinance existing secured obligations, provided in each case that CenterPoint's total capitalization is not increased as a result of such financing transactions. Any financings under the requested authority would be subject to the following general terms, consistent with those established in the Omnibus Financing Order:

(a) Effective Cost of Money. The effective cost of money on any long-term debt financings occurring pursuant to the authorizations granted under this declaration would not exceed the greater of (i) 700 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, but in no event greater than the current rates under the CenterPoint Facility 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.

¹¹ Under the structure outlined above, CenterPoint would issue less than \$2.5 billion in secured debt (in the form of the New Facility and the B Loan). The remainder of the CenterPoint Facility would be replaced with a combination of unsecured debt and T&D Utility borrowings. Because, however, the types and amounts of the constituent financings have not yet been finally determined, CenterPoint needs to preserve the ability to replace the CenterPoint Facility in its entirety with lower cost secured debt at the CenterPoint level. CenterPoint will amend the filing to reflect the ultimate form of the transactions. In no event would the overall amount of CenterPoint's secured debt be increased as a result of the proposed transactions.

(b) Maturity. The maturity of long-term indebtedness would not exceed 5 years.

(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 declaration would not exceed 7% of the principal or total amount of the securities being issued.

(d) Use of Proceeds. The proceeds from the sale of securities in external financing transactions would be used to refinance or acquire, retire or redeem, pursuant to rule 42 under the Act, securities previously issued by CenterPoint or its subsidiaries.

(e) Common Equity Ratio. At all times during the Authorization Period, each of the T&D Utility, GasCo, and Texas Genco, LP (the utility subsidiaries) will maintain common equity of at least 30% of its consolidated capitalization (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 capitalization since the balance sheet date therein;¹²

(f) Investment Grade Ratings. No securities 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 CenterPoint are rated investment grade by at least one NRSRO. Applicants request that the Commission reserve jurisdiction over the issuance of securities subject to the investment grade ratings criteria where one or more of the investment grade ratings criteria are not met.

(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, 2005), provided, however, that securities issuable or deliverable upon exercise or conversion of, or in exchange for, securities issued on or before June 30, 2005 in accordance with the terms of such authorization may be issued or delivered after such date.

¹² Applicants state that net of securitization debt, CenterPoint's projected equity capitalization will be 30% or greater by the end of 2006.

¹⁰ CenterPoint will seek authority necessary to effectuate this part of the refinancing in a post-effective amendment in SEC File No. 10128.