CENTERPOINT ENERGY INC
Form 424B5
May 01, 2008

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-116246

SUBJECT TO COMPLETION, DATED MAY 1, 2008

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus Dated December 16, 2004)

$

CenterPoint Energy, Inc.
% Senior Notes due 2018

The notes will bear interest at a rate of % per year from the date of issuance to, but excluding, , 2018, when they will mature. We will pay interest on the notes on and of each year, beginning on , 2008. The notes are subject to optional redemption prior to maturity as described under the caption Description of the Notes Optional Redemption.

The notes will be unsecured and will rank on a parity with all of our other unsecured and unsubordinated indebtedness. The notes will be effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.

Investing in the notes involves risks. See Risk Factors beginning on page S-4 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public Offering Price(1)	%	$
Underwriting Discount	%	$
Proceeds, before expenses, to CenterPoint Energy, Inc.(1)	%	$

(1) Plus accrued interest from May , 2008, if settlement occurs after that date.

The underwriters expect to deliver the notes to purchasers in New York, New York on or about May , 2008 through the book-entry facilities of The Depository Trust Company.

Lehman Brothers **RBS Greenwich Capital** **Wachovia Securities**

Barclays Capital
HSBC
Lazard Capital Markets
RBC Capital Markets
SunTrust Robinson Humphrey
Wells Fargo Securities

Prospectus Supplement dated May , 2008.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any written communication from us or the underwriters specifying the final terms of the offering. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the notes and are not soliciting an offer to buy the notes in any state where the offer or sale is not permitted. You should assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate only as of the date of this prospectus supplement or the accompanying prospectus, as the case may be, and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference. If the information varies between this prospectus supplement and the accompanying prospectus, the information in this prospectus supplement supersedes the information in the accompanying prospectus.

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SUMMARY

This summary highlights information from this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you should consider before investing in the notes. We encourage you to read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in their entirety before making an investment decision, including the information set forth under the heading Risk Factors. References in this prospectus supplement to we, us, our, or other similar terms mean CenterPoint Energy, Inc. and its subsidiaries.

CENTERPOINT ENERGY, INC.

We are a public utility holding company. Our operating subsidiaries own and operate electric transmission and distribution facilities, natural gas distribution facilities, interstate pipelines and natural gas gathering, processing and treating facilities. As of the date of this prospectus supplement, our principal indirect wholly owned subsidiaries include:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which engages in the electric transmission and distribution business in a 5,000-square mile area of the Texas Gulf Coast that includes Houston; and

- CenterPoint Energy Resources Corp. (CERC Corp., and, together with its subsidiaries, CERC), which owns and operates natural gas distribution systems in six states. Subsidiaries of CERC Corp. own interstate natural gas pipelines and gas gathering systems and provide various ancillary services. A wholly owned subsidiary of CERC Corp. offers variable and fixed-price physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities.

Our principal executive offices are located at 1111 Louisiana, Houston, Texas 77002 (telephone number: (713) 207-1111).

Recent Developments

Redemption of 3.75% Convertible Senior Notes due 2023

In April 2008, we called our 3.75% Convertible Senior Notes due 2023 (3.75% Convertible Notes) for redemption on May 30, 2008 at 100% of their principal amount. Substantially all of such notes are expected to be converted by holders prior to the redemption date, and substantially all of such conversions are expected to be settled with a cash payment for the principal amount and delivery of shares of our common stock for the excess value due converting holders. If our closing stock price of $15.57 at April 25, 2008 were unchanged at the dates of the conversions, assuming the conversion of approximately $391 million aggregate principal amount of the notes at the current conversion rate, common stock reflecting a conversion premium of $153 million would be issued to the converting holders. The conversion rate will be increased as a result of our April 24, 2008 declaration of a regular quarterly cash dividend of $0.1825 per share. Under the terms of the indenture governing such notes, the new conversion rate will be determined on May 13, 2008.

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The Offering

Issuer	CenterPoint Energy, Inc.
Notes Offered	$ aggregate principal amount of % senior notes due 2018.
Maturity Date	, 2018.
Interest Payment Dates	and , commencing on , 2008.
Ranking	The notes will: be general unsecured obligations; rank equally in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness; and with respect to the assets and earnings of our subsidiaries, effectively rank below all of the liabilities of our subsidiaries. As of March 31, 2008, we, on an unconsolidated basis, had approximately $3.3 billion aggregate principal amount of indebtedness outstanding, including approximately $678 million of obligations relating to pollution control bonds issued on our behalf, which are secured by general mortgage bonds and first mortgage bonds of CenterPoint Houston. Such amount of outstanding indebtedness excludes $11 million of convertible debt which was submitted for conversion in the first quarter of 2008 but settled in April 2008. Excluding subsidiaries issuing transition bonds, as of March 31, 2008, our subsidiaries had approximately $4.4 billion aggregate principal amount of third-party indebtedness outstanding, of which approximately $1.6 billion was secured and $200 million represented advances for the purchase of receivables, as well as other liabilities.
Current Ratings (Outlook)	Moody s: Ba1 (Stable) Standard & Poor s: BBB (Stable) Fitch: BBB (Stable) These credit ratings may not remain in effect for any given period of time and one or more of these ratings may be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to buy, sell or hold our securities. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to access capital on acceptable terms.
Optional Redemption	We may redeem all or a part of the notes at any time and from time to time as specified under the heading Description of the Notes Optional Redemption beginning on page S-16 of this prospectus supplement.

Significant Covenant	We will issue the notes under an indenture containing a restrictive covenant for your benefit. This covenant, which is described under Description of the Notes Restrictive Covenant beginning on page S-17 of this prospectus supplement and is subject to termination as described, initially restricts our ability, with some exceptions, to incur certain debt secured by liens.

	In addition, the indenture restricts our ability to merge, consolidate or transfer substantially all of our assets. See Description of Our Senior Debt Securities Consolidation, Merger and Sale of Assets on page 5 of the accompanying prospectus.
Lack of Public Markets for the Notes	There is no existing market for the notes. We cannot provide any assurance about: the liquidity of any markets that may develop for the notes; your ability to sell the notes; or the prices at which you will be able to sell the notes. Future trading prices of the notes will depend on many factors, including: prevailing interest rates; our operating results; the ratings of the notes; and the market for similar securities. We do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes in any automated dealer quotation system.
Risk Factors	You should consider carefully all the information set forth and incorporated by reference in this prospectus supplement and the accompanying prospectus and, in particular, you should evaluate the specific factors set forth under Risk Factors beginning on page S-4 of this prospectus supplement before deciding whether to invest in the notes.
Governing Law	The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York.
Use of Proceeds	The net proceeds from this offering will be approximately $, after deducting underwriters discounts and estimated expenses of the offering. We intend to use the net proceeds from this offering for general corporate purposes, including the satisfaction of cash payment obligations in connection with future conversions of our 3.75% Convertible Notes or in connection with the May 30, 2008 redemption of our 3.75% Convertible Notes. See Use of Proceeds on page S-14 of this prospectus supplement.
Further Issues	The notes are initially limited to $ in aggregate principal amount. However, we may issue additional notes of the same series from time to time without the consent of the holders. See Description of the Notes

	Principal, Maturity and Interest on page S-16 of this prospectus supplement.
Trustee and Paying Agent	The Bank of New York Trust Company, National Association (as successor to JPMorgan Chase Bank, National Association).

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RISK FACTORS

You should consider carefully the following information about risks, as well as risks arising from any legal proceedings identified in Part II, Item 1 Legal Proceedings of our Quarterly Report on Form 10-Q for the period ended March 31, 2008 (1st Quarter 2008 Form 10-Q), together with the other information contained in this prospectus supplement and the accompanying prospectus, before making an investment in the notes.

We are a holding company that conducts all of our business operations through subsidiaries, primarily CenterPoint Houston and CERC. The following summarizes the principal risk factors associated with the businesses conducted by each of these subsidiaries:

Risk Factors Affecting Our Electric Transmission & Distribution Business

CenterPoint Houston may not be successful in ultimately recovering the full value of its true-up components, which could result in the elimination of certain tax benefits and could have an adverse impact on CenterPoint Houston s results of operations, financial condition and cash flows.

In March 2004, CenterPoint Houston filed its true-up application with the Public Utility Commission of Texas (Texas Utility Commission), requesting recovery of $3.7 billion, excluding interest, as allowed under the Texas electric restructuring law. In December 2004, the Texas Utility Commission issued the True-Up Order allowing CenterPoint Houston to recover a true-up balance of approximately $2.3 billion, which included interest through August 31, 2004, and provided for adjustment of the amount to be recovered to include interest on the balance until recovery, along with the principal portion of additional excess mitigation credits (EMCs) returned to customers after August 31, 2004 and in certain other respects.

CenterPoint Houston and other parties filed appeals of the True-Up Order to a district court in Travis County, Texas. In August 2005, that court issued its judgment on the various appeals. In its judgment, the district court:

- reversed the Texas Utility Commission s ruling that had denied recovery of a portion of capacity auction true-up amounts;
- reversed the Texas Utility Commission s ruling that precluded CenterPoint Houston from recovering the interest component of the EMCs paid to retail electric providers; and
- affirmed the True-Up Order in all other respects.

The district court s decision would have had the effect of restoring approximately $650 million, plus interest, of the $1.7 billion the Texas Utility Commission had disallowed from CenterPoint Houston s initial request.

CenterPoint Houston and other parties appealed the district court s judgment to the Texas Third Court of Appeals, which issued its decision in December 2007. In its decision, the court of appeals:

- reversed the district court s judgment to the extent it restored the capacity auction true-up amounts;
- reversed the district court judgment to the extent it upheld the Texas Utility Commission s decision to allow CenterPoint Houston to recover EMCs paid to Reliant Energy, Inc. (RRI);

ordered that the tax normalization issue described below be remanded to the Texas Utility Commission; and

affirmed the district court judgment in all other respects.

CenterPoint Houston and two other parties filed motions for rehearing with the court of appeals. On April 17, 2008, the court of appeals denied those motions and reissued substantially the same opinion as it had rendered in December 2007. CenterPoint Houston now plans to seek further review by the Texas Supreme Court. Although we and CenterPoint Houston believe that CenterPoint Houston s true-up request is consistent with applicable statutes and regulations and, accordingly, that it is reasonably possible that it will be successful in its further appeal, we can provide no assurance as to the ultimate court rulings on the issues to be considered in the appeal or with respect to the ultimate decision by the Texas Utility Commission on the tax normalization issue described below.

To reflect the impact of the True-Up Order, in 2004 and 2005 we recorded a net after-tax extraordinary loss of $947 million. No amounts related to the district court s judgment or the decision of the court of appeals have been recorded in our consolidated financial statements. However, if the court of appeals decision is not reversed or modified as a result of further review by the Texas Supreme Court, we anticipate that we would be required to record an additional loss to reflect the court of appeals decision. The amount of that loss would depend on several factors, including ultimate resolution of the tax normalization issue described below and the calculation of interest on any amounts CenterPoint Houston ultimately is authorized to recover or is required to refund beyond the amounts recorded based on the True-Up Order, but could range from $130 million to $350 million plus interest subsequent to December 31, 2007.

In the True-Up Order the Texas Utility Commission reduced CenterPoint Houston s stranded cost recovery by approximately $146 million, which was included in the extraordinary loss discussed above, for the present value of certain deferred tax benefits associated with its former electric generation assets. We believe that the Texas Utility Commission based its order on proposed regulations issued by the IRS in March 2003 which would have allowed utilities owning assets that were deregulated before March 4, 2003 to make a retroactive election to pass the benefits of Accumulated Deferred Investment Tax Credits (ADITCs) and Excess Deferred Federal Income Taxes (EDFIT) back to customers. However, the IRS subsequently withdrew those proposed normalization regulations and in March 2008 adopted final regulations that would not permit CenterPoint Houston to pass the tax benefits back to customers without creating normalization violations. In addition, the Company received a Private Letter Ruling from the IRS in August 2007, prior to adoption of the final regulations that confirmed that the Texas Utility Commission s order reducing CenterPoint Houston s stranded cost recovery by $146 million for ADITC and EDFIT would cause normalization violations with respect to the ADITC and EDFIT.

If the Texas Utility Commission s order relating to the ADITC reduction is not reversed or otherwise modified on remand so as to eliminate the normalization violation, the IRS could require us to pay an amount equal to CenterPoint Houston s unamortized ADITC balance as of the date that the normalization violation is deemed to have occurred. In addition, the IRS could deny CenterPoint Houston the ability to elect accelerated tax depreciation benefits beginning in the taxable year that the normalization violation is deemed to have occurred. Such treatment, if required by the IRS, could have a material adverse impact on our results of operations, financial condition and cash flows in addition to any potential loss resulting from final resolution of the True-Up Order. However, we and CenterPoint Houston will continue to pursue a favorable resolution of this issue through the appellate or administrative process. Although the Texas Utility Commission has not previously required a company subject to its jurisdiction to take action that would result in a normalization violation, no prediction can be made as to the ultimate action the Texas Utility Commission may take on this issue on remand.

CenterPoint Houston s receivables are concentrated in a small number of retail electric providers, and any delay or default in payment could adversely affect CenterPoint Houston s cash flows, financial condition and results of operations.

CenterPoint Houston s receivables from the distribution of electricity are collected from retail electric providers that supply the electricity CenterPoint Houston distributes to their customers. As of March 31, 2008, CenterPoint Houston did business with 80 retail electric providers. Adverse economic conditions, structural problems in the market served by the Electric Reliability Council of Texas, Inc. or financial difficulties of one or more retail electric providers could impair the ability of these retail providers to pay for CenterPoint Houston s services or could cause them to delay such payments. CenterPoint Houston depends on these retail electric providers to remit payments on a timely basis.

Applicable regulatory provisions require that customers be shifted to a provider of last resort if a retail electric provider cannot make timely payments. Applicable Texas Utility Commission regulations limit the extent to which CenterPoint Houston can demand credit protection from retail electric providers for payments not made prior to the shift to the provider of last resort.

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RRI, through its subsidiaries, is CenterPoint Houston s largest customer. Approximately 48% of CenterPoint Houston s $133 million in billed receivables from retail electric providers at March 31, 2008 was owed by subsidiaries of RRI. Any delay or default in payment could adversely affect CenterPoint Houston s cash flows, financial condition and results of operations.

Rate regulation of CenterPoint Houston s business may delay or deny CenterPoint Houston s ability to earn a reasonable return and fully recover its costs.

CenterPoint Houston s rates are regulated by certain municipalities and the Texas Utility Commission based on an analysis of its invested capital and its expenses in a test year. Thus, the rates that CenterPoint Houston is allowed to charge may not match its expenses at any given time. The regulatory process by which rates are determined may not always result in rates that will produce full recovery of CenterPoint Houston s costs and enable CenterPoint Houston to earn a reasonable return on its invested capital.

In this regard, pursuant to the Stipulation and Settlement Agreement approved by the Texas Utility Commission in September 2006, until June 30, 2010 CenterPoint Houston is limited in its ability to request rate relief. For more information on the Stipulation and Settlement Agreement, please read Business Regulation State and Local Regulation Electric Transmission & Distribution CenterPoint Houston Rate Agreement in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2007 (2007 Form 10-K).

Disruptions at power generation facilities owned by third parties could interrupt CenterPoint Houston s sales of transmission and distribution services.

CenterPoint Houston transmits and distributes to customers of retail electric providers electric power that the retail electric providers obtain from power generation facilities owned by third parties. CenterPoint Houston does not own or operate any power generation facilities. If power generation is disrupted or if power generation capacity is inadequate, CenterPoint Houston s sales of transmission and distribution services may be diminished or interrupted, and its results of operations, financial condition and cash flows may be adversely affected.

CenterPoint Houston s revenues and results of operations are seasonal.

A significant portion of CenterPoint Houston s revenues is derived from rates that it collects from each retail electric provider based on the amount of electricity it distributes on behalf of such retail electric provider. Thus, CenterPoint Houston s revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity usage, with revenues being higher during the warmer months.

Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Businesses

Rate regulation of CERC s business may delay or deny CERC s ability to earn a reasonable return and fully recover its costs.

CERC s rates for its natural gas distribution business (Gas Operations) are regulated by certain municipalities and state commissions, and for its interstate pipelines by the Federal Energy Regulatory Commission (FERC), based on an analysis of its invested capital and its expenses in a test year. Thus, the rates that CERC is allowed to charge may not match its expenses at any given time. The regulatory process in which rates are determined may not always result in rates that will produce full recovery of CERC s costs and enable CERC to earn a reasonable return on its invested capital.

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CERC s businesses must compete with alternative energy sources, which could result in CERC marketing less natural gas, and its interstate pipelines and field services businesses must compete directly with others in the transportation, storage, gathering, treating and processing of natural gas, which could lead to lower prices, either of which could have an adverse impact on CERC s results of operations, financial condition and cash flows.

CERC competes primarily with alternate energy sources such as electricity and other fuel sources. In some areas, intrastate pipelines, other natural gas distributors and marketers also compete directly with CERC for natural gas sales to end-users. In addition, as a result of federal regulatory changes affecting interstate pipelines, natural gas marketers operating on these pipelines may be able to bypass CERC s facilities and market, sell and/or transport natural gas directly to commercial and industrial customers. Any reduction in the amount of natural gas marketed, sold or transported by CERC as a result of competition may have an adverse impact on CERC s results of operations, financial condition and cash flows.

CERC s two interstate pipelines and its gathering systems compete with other interstate and intrastate pipelines and gathering systems in the transportation and storage of natural gas. The principal elements of competition are rates, terms of service, and flexibility and reliability of service. They also compete indirectly with other forms of energy, including electricity, coal and fuel oils. The primary competitive factor is price. The actions of CERC s competitors could lead to lower prices, which may have an adverse impact on CERC s results of operations, financial condition and cash flows.

CERC s natural gas distribution and competitive natural gas sales and services businesses are subject to fluctuations in natural gas pricing levels, which could affect the ability of CERC s suppliers and customers to meet their obligations or otherwise adversely affect CERC s liquidity.

CERC is subject to risk associated with increases in the price of natural gas. Increases in natural gas prices might affect CERC s ability to collect balances due from its customers and, for Gas Operations, could create the potential for uncollectible accounts expense to exceed the recoverable levels built into CERC s tariff rates. In addition, a sustained period of high natural gas prices could apply downward demand pressure on natural gas consumption in the areas in which CERC operates and increase the risk that CERC s suppliers or customers fail or are unable to meet their obligations. Additionally, increasing natural gas prices could create the need for CERC to provide collateral in order to purchase natural gas.

A decline in CERC s credit rating could result in CERC s having to provide collateral in order to purchase gas.

If CERC s credit rating were to decline, it might be required to post cash collateral in order to purchase natural gas. If a credit rating downgrade and the resultant cash collateral requirement were to occur at a time when CERC was experiencing significant working capital requirements or otherwise lacked liquidity, CERC might be unable to obtain the necessary natural gas to meet its obligations to customers, and its results of operations, financial condition and cash flows would be adversely affected.

The revenues and results of operations of CERC s interstate pipelines and field services businesses are subject to fluctuations in the supply of natural gas.

CERC s interstate pipelines and field services businesses largely rely on natural gas sourced in the various supply basins located in the Mid-continent region of the United States. To the extent the availability of this supply is substantially reduced, it could have an adverse effect on CERC s results of operations, financial condition and cash flows.

CERC s revenues and results of operations are seasonal.

A substantial portion of CERC s revenues is derived from natural gas sales and transportation. Thus, CERC s revenues and results of operations are subject to seasonality, weather conditions and other changes in natural gas usage, with revenues being higher during the winter months.

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The actual cost of pipelines under construction and related compression facilities may be significantly higher than CERC s current estimates.

Subsidiaries of CERC Corp. are involved in significant pipeline construction projects. The construction of new pipelines and related compression facilities requires the expenditure of significant amounts of capital, which may exceed CERC s estimates. These projects may not be completed at the budgeted cost, on schedule or at all. The construction of new pipeline or compression facilities is subject to construction cost overruns due to labor costs, costs of equipment and materials such as steel and nickel, labor shortages or delays, weather delays, inflation or other factors, which could be material. In addition, the construction of these facilities is typically subject to the receipt of approvals and permits from various regulatory agencies. Those agencies may not approve the projects in a timely manner or may impose restrictions or conditions on the projects that could potentially prevent a project from proceeding, lengthen its expected completion schedule and/or increase its anticipated cost. As a result, there is the risk that the new facilities may not be able to achieve CERC s expected investment return, which could adversely affect CERC s financial condition, results of operations or cash flows.

The states in which CERC provides regulated local gas distribution may, either through legislation or rules, adopt restrictions similar to or broader than those under the Public Utility Holding Company Act of 1935 regarding organization, financing and affiliate transactions that could have significant adverse impacts on CERC s ability to operate.

The Public Utility Holding Company Act of 1935, to which we were subject prior to its repeal in the Energy Policy Act of 2005, provided a comprehensive regulatory structure governing the organization, capital structure, intracompany relationships and lines of business that could be pursued by registered holding companies and their member companies. Following repeal of that Act, some states in which CERC does business have sought to expand their own regulatory frameworks to give their regulatory authorities increased jurisdiction and scrutiny over similar aspects of the utilities that operate in their states. Some of these frameworks attempt to regulate financing activities, acquisitions and divestitures, and arrangements between the utilities and their affiliates, and to restrict the level of non-utility businesses that can be conducted within the holding company structure. Additionally they may impose record keeping, record access, employee training and reporting requirements related to affiliate transactions and reporting in the event of certain downgrading of the utility s bond rating.

These regulatory frameworks could have adverse effects on CERC s ability to operate its utility operations, to finance its business and to provide cost-effective utility service. In addition, if more than one state adopts restrictions over similar activities, it may be difficult for CERC and us to comply with competing regulatory requirements.

Risk Factors Associated with Our Consolidated Financial Condition

If we are unable to arrange future financings on acceptable terms, our ability to refinance existing indebtedness could be limited.

As of March 31, 2008, we had $9.7 billion of outstanding indebtedness on a consolidated basis, which includes $2.7 billion of non-recourse transition bonds. As of March 31, 2008, approximately $613 million principal amount of this debt, excluding our 3.75% Convertible Notes discussed below, is required to be paid through 2010. This amount excludes principal repayments of approximately $511 million on transition bonds, for which a dedicated revenue stream exists. As of March 31, 2008, we had $401.6 million of outstanding 3.75% Convertible Notes, which we have called for redemption on May 30, 2008, and on which holders could exercise their conversion rights prior to such redemption. Our future financing activities may depend, at least in part, on:

the resolution of the true-up components, including, in particular, the results of appeals to the courts regarding rulings obtained to date;

general economic and capital market conditions;

credit availability from financial institutions and other lenders;

investor confidence in us and the markets in which we operate;

maintenance of acceptable credit ratings;

market expectations regarding our future earnings and cash flows;

market perceptions of our ability to access capital markets on reasonable terms;

our exposure to RRI in connection with its indemnification obligations arising in connection with its separation from us; and

provisions of relevant tax and securities laws.

As of March 31, 2008, CenterPoint Houston had outstanding $2.0 billion aggregate principal amount of general mortgage bonds, including approximately $527 million held in trust to secure pollution control bonds for which we are obligated and approximately $229 million held in trust to secure pollution control bonds for which CenterPoint Houston is obligated. Additionally, CenterPoint Houston had outstanding approximately $253 million aggregate principal amount of first mortgage bonds, including approximately $151 million held in trust to secure certain pollution control bonds for which we are obligated. CenterPoint Houston may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee. Approximately $2.3 billion of additional first mortgage bonds and general mortgage bonds in the aggregate could be issued on the basis of retired bonds and 70% of property additions as of March 31, 2008. However, CenterPoint Houston has contractually agreed that it will not issue additional first mortgage bonds, subject to certain exceptions.

Our current credit ratings are discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations of CenterPoint Energy, Inc. and Subsidiaries Liquidity and Capital Resources Future Sources and Uses of Cash Impact on Liquidity of a Downgrade in Credit Ratings in Item 2 of our 1st Quarter 2008 Form 10-Q. These credit ratings may not remain in effect for any given period of time and one or more of these ratings may be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to buy, sell or hold our securities. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to access capital on acceptable terms.

As a holding company with no operations of our own, we will depend on distributions from our subsidiaries to meet our payment obligations, and provisions of applicable law or contractual restrictions could limit the amount of those distributions.

We derive all our operating income from, and hold all our assets through, our subsidiaries. As a result, we will depend on distributions from our subsidiaries in order to meet our payment obligations. In general, these subsidiaries are separate and distinct legal entities and have no obligation to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable law, such as those limiting the legal sources of dividends, limit our subsidiaries ability to make payments or other distributions to us, and our subsidiaries could agree to contractual restrictions on their ability to make distributions.

Our right to receive any assets of any subsidiary, and therefore the right of our creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary s creditors, including trade creditors. In addition, even if we were a creditor of any subsidiary, our rights as a creditor would be subordinated to any security interest in the assets of that subsidiary and any indebtedness of the subsidiary senior to that held by us.

The use of derivative contracts by us and our subsidiaries in the normal course of business could result in financial losses that could negatively impact our results of operations and those of our subsidiaries.

We and our subsidiaries use derivative instruments, such as swaps, options, futures and forwards, to manage our commodity, weather and financial market risks. We and our subsidiaries could recognize financial losses as a result of volatility in the market values of these contracts, or should a counterparty fail to perform. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these financial instruments can involve management s judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

Risks Common to Our Businesses and Other Risks

We are subject to operational and financial risks and liabilities arising from environmental laws and regulations.

Our operations are subject to stringent and complex laws and regulations pertaining to health, safety and the environment. As an owner or operator of natural gas pipelines and distribution systems, gas gathering and processing systems, and electric transmission and distribution systems we must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact our business activities in many ways, such as:

- restricting the way we can handle or dispose of wastes;
- limiting or prohibiting construction activities in sensitive areas such as wetlands, coastal regions, or areas inhabited by endangered species;
- requiring remedial action to mitigate pollution conditions caused by our operations, or attributable to former operations; and
- enjoining the operations of facilities deemed in non-compliance with permits issued pursuant to such environmental laws and regulations.

In order to comply with these requirements, we may need to spend substantial amounts and devote other resources from time to time to:

- construct or acquire new equipment;
- acquire permits for facility operations;
- modify or replace existing and proposed equipment; and
- clean up or decommission waste disposal areas, fuel storage and management facilities and other locations and facilities.

Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial actions and the issuance of orders enjoining future operations. Certain environmental statutes impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances have been disposed or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other waste products into the environment.

Our insurance coverage may not be sufficient. Insufficient insurance coverage and increased insurance costs could adversely impact our results of operations, financial condition and cash flows.

We currently have general liability and property insurance in place to cover certain of our facilities in amounts that we consider appropriate. Such policies are subject to certain limits and deductibles and do not include business interruption coverage. Insurance coverage may not be available in the future at current costs or on commercially reasonable terms, and the insurance proceeds received for any loss of, or any damage to,

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any of our facilities may not be sufficient to restore the loss or damage without negative impact on our results of operations, financial condition and cash flows.

In common with other companies in its line of business that serve coastal regions, CenterPoint Houston does not have insurance covering its transmission and distribution system because CenterPoint Houston believes it to be cost prohibitive. If CenterPoint Houston were to sustain any loss of, or damage to, its transmission and distribution properties, it may not be able to recover such loss or damage through a change in its regulated rates, and any such recovery may not be timely granted. Therefore, CenterPoint Houston may not be able to restore any loss of, or damage to, any of its transmission and distribution properties without negative impact on its results of operations, financial condition and cash flows.

We, CenterPoint Houston and CERC could incur liabilities associated with businesses and assets that we have transferred to others.

Under some circumstances, we, CenterPoint Houston and CERC could incur liabilities associated with assets and businesses we, CenterPoint Houston and CERC no longer own. These assets and businesses were previously owned by Reliant Energy, a predecessor of CenterPoint Houston, directly or through subsidiaries and include:

- those transferred to RRI or its subsidiaries in connection with the organization and capitalization of RRI prior to its initial public offering in 2001; and

- those transferred to Texas Genco Holdings, Inc. (Texas Genco) in connection with its organization and capitalization.

In connection with the organization and capitalization of RRI, RRI and its subsidiaries assumed liabilities associated with various assets and businesses Reliant Energy transferred to them. RRI also agreed to indemnify, and cause the applicable transferee subsidiaries to indemnify, us and our subsidiaries, including CenterPoint Houston and CERC, with respect to liabilities associated with the transferred assets and businesses. These indemnity provisions were intended to place sole financial responsibility on RRI and its subsidiaries for all liabilities associated with the current and historical businesses and operations of RRI, regardless of the time those liabilities arose. If RRI were unable to satisfy a liability that has been so assumed in circumstances in which Reliant Energy and its subsidiaries were not released from the liability in connection with the transfer, we, CenterPoint Houston or CERC could be responsible for satisfying the liability.

Prior to the distribution of our ownership in RRI to our shareholders, CERC had guaranteed certain contractual obligations of what became RRI s trading subsidiary. Under the terms of the separation agreement between the companies, RRI agreed to extinguish all such guaranty obligations prior to separation, but at the time of separation in September 2002, RRI had been unable to extinguish all obligations. To secure CERC against obligations under the remaining guaranties, RRI agreed to provide cash or letters of credit for the benefit of CERC, and undertook to use commercially reasonable efforts to extinguish the remaining guaranties. In December 2007, we, CERC and RRI amended the agreement and CERC released the letters of credit it held as security. Under the revised agreement, RRI agreed to provide cash or new letters of credit to secure CERC against exposure under the remaining guaranties as calculated under the new agreement if and to the extent changes in market conditions exposed CERC to a risk of loss on those guaranties.

The remaining exposure to CERC under the guaranties relates to payment of demand charges related to transportation contracts. The present value of the demand charges under these transportation contracts, which will be effective until 2018, was approximately $135 million as of March 31, 2008. RRI continues to meet its obligations under the contracts, and on the basis of current market conditions, we and CERC believe that additional security is not needed at this time. However, if RRI should fail to perform its obligations under the contracts or if RRI should fail to provide adequate security in the event market conditions change adversely, we would retain our exposure to the counterparty under the guaranty.

RRI s unsecured debt ratings are currently below investment grade. If RRI were unable to meet its obligations, it would need to consider, among various options, restructuring under the bankruptcy laws, in which event RRI might not honor its indemnification obligations and claims by RRI s creditors might be made against us as its former owner.

Reliant Energy and RRI are named as defendants in a number of lawsuits arising out of energy sales in California and other markets and financial reporting matters. Although these matters relate to the business and operations of RRI, claims against Reliant Energy have been made on grounds that include the effect of RRI s financial results on Reliant Energy s historical financial statements and liability of Reliant Energy as a controlling shareholder of RRI. We or CenterPoint Houston could incur liability if claims in one or more of these lawsuits were successfully asserted against us or CenterPoint Houston and indemnification from RRI were determined to be unavailable or if RRI were unable to satisfy indemnification obligations owed with respect to those claims.

In connection with the organization and capitalization of Texas Genco, Texas Genco assumed liabilities associated with the electric generation assets Reliant Energy transferred to it. Texas Genco also agreed to indemnify, and cause the applicable transferee subsidiaries to indemnify, us and our subsidiaries, including CenterPoint Houston, with respect to liabilities associated with the transferred assets and businesses. In many cases the liabilities assumed were obligations of CenterPoint Houston and CenterPoint Houston was not released by third parties from these liabilities. The indemnity provisions were intended generally to place sole financial responsibility on Texas Genco and its subsidiaries for all liabilities associated with the current and historical businesses and operations of Texas Genco, regardless of the time those liabilities arose. In connection with the sale of Texas Genco s fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC, the separation agreement we entered into with Texas Genco in connection with the organization and capitalization of Texas Genco was amended to provide that all of Texas Genco s rights and obligations under the separation agreement relating to its fossil generation assets, including Texas Genco s obligation to indemnify us with respect to liabilities associated with the fossil generation assets and related business, were assigned to and assumed by Texas Genco LLC. In addition, under the amended separation agreement, Texas Genco is no longer liable for, and we have assumed and agreed to indemnify Texas Genco LLC against, liabilities that Texas Genco originally assumed in connection with its organization to the extent, and only to the extent, that such liabilities are covered by certain insurance policies or other similar agreements held by us. If Texas Genco or Texas Genco LLC were unable to satisfy a liability that had been so assumed or indemnified against, and provided Reliant Energy had not been released from the liability in connection with the transfer, CenterPoint Houston could be responsible for satisfying the liability.

We or our subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a large number of individuals who claim injury due to exposure to asbestos. Most claimants in such litigation have been workers who participated in construction of various industrial facilities, including power plants. Some of the claimants have worked at locations we own, but most existing claims relate to facilities previously owned by our subsidiaries but currently owned by Texas Genco LLC, which is now known as NRG Texas LP. We anticipate that additional claims like those received may be asserted in the future. Under the terms of the arrangements regarding separation of the generating business from us and its sale to Texas Genco LLC, ultimate financial responsibility for uninsured losses from claims relating to the generating business has been assumed by Texas Genco LLC and its successor, but we have agreed to continue to defend such claims to the extent they are covered by insurance maintained by us, subject to reimbursement of the costs of such defense by Texas Genco LLC.

Risk Factors Related to the Notes

An active trading market for the notes may not develop.

The notes will be a new issue of securities for which there is currently no established trading market. We do not intend to apply for the listing of the notes on any securities exchange or for quotation of the notes on any dealer quotation system. Even if a market for the notes does develop, we cannot assure you that there will be liquidity in that market, or that the notes might not trade for less than their original value or face amount. The liquidity of any market for the notes will depend on the number of holders of those notes, the interest of securities dealers in making a market in the notes and other factors. If a liquid market for the notes does not

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develop, you may be unable to resell the notes for a long period of time, if at all. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the notes or as to your ability to sell your notes.

Even if a market for the notes develops, trading prices could be higher or lower than the initial offering price. The prices of the notes will depend on many factors, including prevailing interest rates, our operating results and financial conditions and the market for similar securities. Declines in the market prices for debt securities generally may also materially and adversely affect the liquidity of the notes, independent of our financial performance.

The notes will be effectively subordinated to existing and future indebtedness and other liabilities of our subsidiaries.

We derive all our operating income from, and hold all our assets through, our subsidiaries. As a result, we will depend on distributions from our subsidiaries in order to meet our payment obligations under any debt securities, including the notes and our other obligations. In general, these subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on our debt securities or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable law, such as those limiting the legal sources of dividends, limit our subsidiaries ability to make payments or other distributions to us, and they could agree to contractual restrictions on their ability to make distributions.

Our right to receive any assets of any subsidiary, and therefore the right of our creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary s creditors, including trade creditors. In addition, even if we were a creditor of any subsidiary, our rights as a creditor would be subordinated to any security interest in the assets of that subsidiary and any indebtedness of the subsidiary senior to that held by us. Excluding subsidiaries issuing transition bonds, as of March 31, 2008, our subsidiaries had approximately $4.4 billion aggregate principal amount of third-party indebtedness outstanding, of which approximately $1.6 billion was secured and $200 million represented advances for the purchase of receivables.

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USE OF PROCEEDS

The net proceeds from this offering will be approximately $, after deducting underwriters discounts and estimated expenses of the offering. We intend to use the net proceeds from this offering for general corporate purposes, including the satisfaction of cash payment obligations in connection with future conversions of the $401.6 million aggregate principal amount of our 3.75% Convertible Notes outstanding at March 31, 2008 or in connection with the May 30, 2008 redemption of any such 3.75% Convertible Notes not converted on or prior to that date.

CAPITALIZATION

The following table sets forth our short-term debt and capitalization as of March 31, 2008. No adjustments have been made for:

- the issuance of notes in this offering or the use of proceeds therefrom, as discussed in Use of Proceeds above;
- conversions of approximately $11 million of our 3.75% Convertible Notes since March 31, 2008 and the resulting issuance of shares of our common stock and cash payments, or future conversions of such notes or the redemption of any such notes not converted on or prior to May 30, 2008; or
- any changes in short-term debt after March 31, 2008.

This table should be read in conjunction with our consolidated financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our 2007 Form 10-K, and our 1st Quarter 2008 Form 10-Q.

	March 31, 2008 (In millions)
Short-Term Debt	