



ANNUAL ENERGY INDUSTRY REVIEW

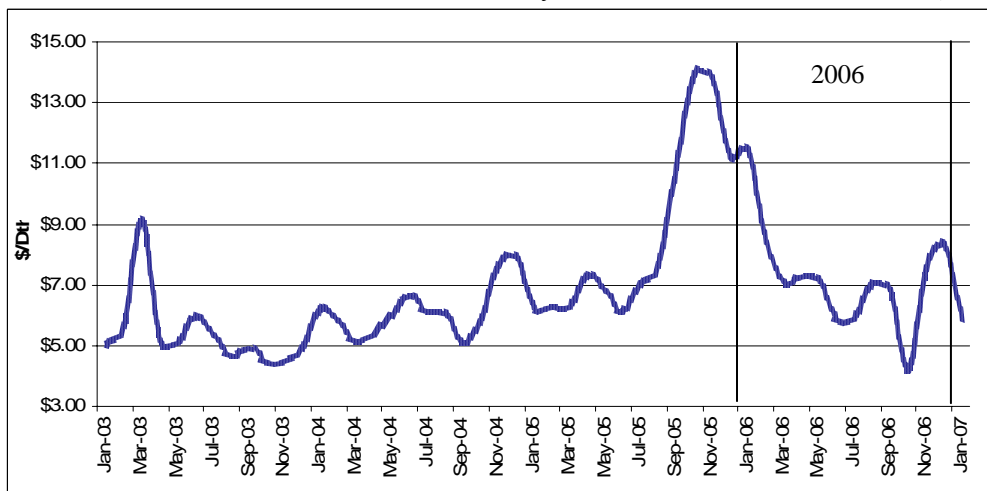
January 18, 2007

We hope you find this market information helpful and we look forward to assisting you with continued business success in 2007 and beyond.

THE YEAR IN REVIEW

2006 was a year of recovery from the record high natural gas prices we experienced in the second half of 2005. In the Fall of 2005, winter commodity prices traded in excess of \$15/Dth on the New York Mercantile Exchange (NYMEX) and were attributed primarily to the aftermath of hurricanes Katrina and Rita and the resulting Gulf of Mexico supply interruptions. For the 12 months of 2006, the **average** NYMEX settlement price fell almost 16% to \$7.26/Dth, after reaching an all time calendar average high of \$8.62/Dth in 2005. That said, the 2006 calendar average price was still 18% higher than 2004 and almost 35% higher than 2003.

Historical NYMEX Natural Gas Monthly Settlement Prices 2003 – 2007 (\$/Dth)

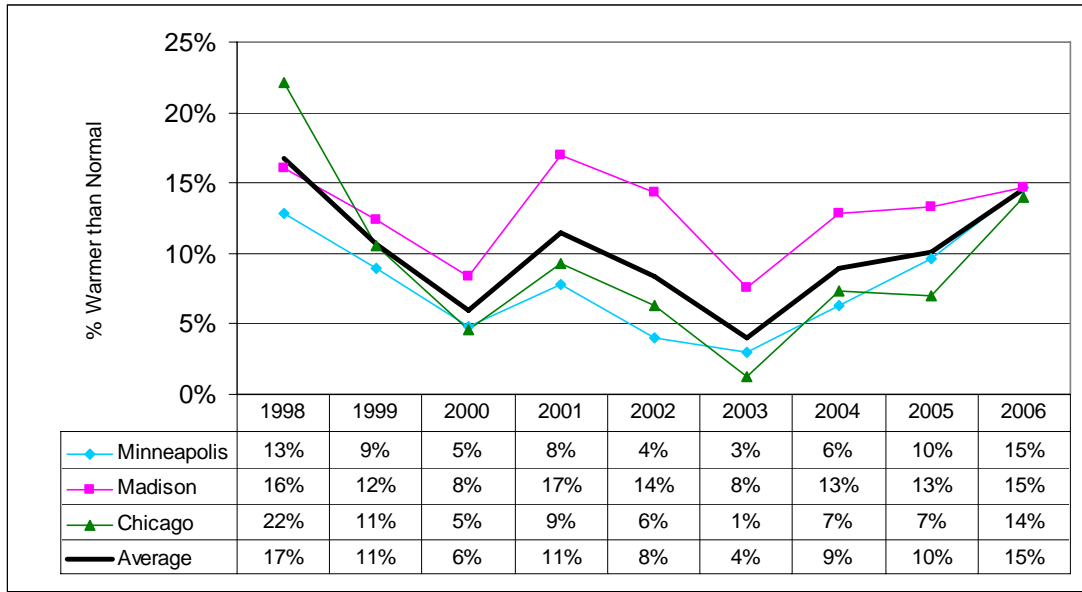


The Weather: Again in 2006, the weather, or lack of weather, was the most important factor affecting energy costs. 2006 ended up as the warmest year on record for the United States and was the ninth consecutive year of a warmer than normal weather trend across the Midwest (see graph on following page). Warmer weather decreases demand for space heating which often causes prices to fall. Prices were kept in check primarily due to warmer than normal winter weather, plus the lack of a repeat of the 2005 hurricane activity. This helped the natural gas supply situation and kept natural gas storage above normal levels. As we reported in last year's Annual Energy Industry Review, Hurricane Katrina temporarily reduced natural gas supplies by an estimated 8.8 billion cubic feet per day or about 15% of total daily U.S. natural gas production. Hurricane Rita hit the western Gulf of Mexico, shutting down even more natural gas production. In all, nearly 12% of the natural gas normally produced from the Gulf of Mexico in a full year was lost as a result of Hurricanes Katrina, Rita and Wilma, according to the U.S. Minerals Management Service.

2006 began with a mild January setting the stage for a year of higher natural gas storage inventory levels, which in turn consistently pressured gas prices lower throughout the year. As the price graph illustrates, NYMEX commodity prices fell from a high of \$13.91/Dth in October 2005 to a low of \$4.20/Dth in October 2006. Prices then rebounded through December and settled at \$5.84/Dth for January 2007. As this letter goes out, the February NYMEX contract is trading in the neighborhood of \$6.35/Dth.

(over)

Annual Heating Degree Days – Percent Warmer Than Normal – Selected Midwest Locations



Moving Forward: At CenterPoint Energy, our business is helping our customers effectively manage their energy purchases in terms of cost, reliability and predictability. It’s our hope that all our customers take advantage of the experience and expertise of their CenterPoint Energy Account Executive to develop and implement an energy management strategy that works no matter what the price/supply/demand/weather situation brings for 2007 and beyond. Below are a couple of the exciting things happening at CenterPoint Energy:

- Credit card and EFT electronic payments can now be made through our website – CES Online. Our website provides customers access to a wide variety of billing, payment and operational data.
- We added a new sales office in Hershey Pennsylvania, allowing us to serve customers in the Mid-Atlantic region of the country.
- We began serving a very large group of ethanol plants in this fast growing industry.

We’re excited about the New Year and we look forward to continuing to serve your energy needs throughout 2007 and beyond. Please feel free to call your account representative if you have questions or need additional information.

Happy New Year!

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Always There