

**2006 CNP Shareholder's Meeting**

**Remarks by:**

**David M. McClanahan**

**CenterPoint Energy**

**President and Chief Executive Officer**

**May 25, 2006**

Thank you, Milton.

Good morning ladies and gentlemen.

Slide: David  
McClanahan,  
Pres & CEO

I would also like to welcome you to our Annual Shareholders Meeting. Thank you for putting your trust and resources in CenterPoint Energy. You are an owner of what I believe is a very special company. I'll spend most of my time this morning describing its recent performance and its future prospects.

But first, please let me introduce our senior leadership team, which has joined me on the stage this morning:

Slide: CNP  
Officers

- First, **Scott Rozzell**. Scott's our Executive Vice President, General Counsel and Corporate Secretary. Scott's been with the Company five years, after spending over 25 years with the law firm of Baker Botts.
- **Gary Whitlock**. Gary is Executive Vice President and Chief Financial Officer. Gary has also been with the Company five years, after spending more than 30 years with the Dow Chemical Corporation.
- **Tom Standish**, Senior Vice President and Group President, Regulated Operations. That was a recent promotion. Tom has been with the Company 23 years after starting his career at TRW.
- **Byron Kelley**. Byron is Senior Vice President and Group President, Pipelines and Field Services. Byron has been with the Company only three years, but he spent 34 years at Tenneco and El Paso Corporation. Thank you, Byron.
- **Georgianna Nichols**. Georgianna is our Division President, Houston Electric. Georgianna first joined the Company 28 years ago. She took a short break somewhere along the way, learned the error of her ways and came back. [Laughter]
- **Dean Liollo**, Division President, Southern Gas Operations. Dean has been with the Company for 23 years. He started his career here.
- **Gary Cerny**, Division President, Minnesota Gas. Gary has been with the Company for 26 years. He's also made his career here.

- **Wayne Stinnett**, Division President, Services. Wayne has been with the Company for 23 years. He started his career with Arthur Andersen in the financial accounting field. Thank you, Wayne.

A number of other officers and members of our management team are also here today. Don't hesitate to ask them any questions you might have after our meeting. They are a talented and dedicated group, and I know they know our business well.

Slide: 2006  
Annual  
Shareholders  
Meeting

Before I give you a report on the company, we need to conduct some official business. We are here to consider the following matters:

- Election of three Class 1 Directors for three-year terms,
- Ratification of the appointment of Deloitte & Touche as the company's independent auditors,
- Re-approval of the material terms of performance goals under the company's Short-Term and Long-Term Incentive Plans, and
- Finally, to consider a shareholder proposal regarding our classified Board of Directors.

Mr. Secretary, please report on the mailing of the meeting notice and the number of shares represented by proxy.

**Mr. ROZZELL:** As of the record date of March 27, 2006, there were 311,340,937 shares of common stock issued and outstanding. Approximately 87.65 percent of those shares are represented at this meeting either in person or by proxy, which means we have a quorum.

**Mr. MCCLANAHAN:** Thank you. Our procedure is to present for discussion all items of business and then open the polls for voting. There will be time for you to ask general questions at the end of the meeting.

The first order of business is to consider the election of three Class 1 directors. Will the Secretary please read the names of the nominees?

**Mr. ROZZELL:** The nominees for election as Class 1 directors are Derrill Cody, David M. McClanahan and Robert T. O'Connell.

**Mr. MCCLANAHAN:** Thank you.

Today's second item of business is ratification of the appointment of Deloitte & Touche as independent auditors for the company for 2006. Mr. Chip D'Andrea is here today representing Deloitte & Touche. Chip, would you please stand so our shareholders know who you are? Chip will be available to answer any of your questions after the meeting.

Thank you, Chip.

The third item of business is re-approval of the material terms of the performance goals under the Company's Short-Term Incentive Plan. This plan was implemented to encourage a high level of corporate performance by establishing predetermined corporate, subsidiary and business unit goals.

You are being asked to re-approve the material terms of the performance goals under the Short-Term Incentive plan so that awards made to certain of our officers will continue to qualify as performance-based compensation under the Internal Revenue Code. We are not proposing any amendment to the terms of our current Short-Term plan.

The fourth item of business is the re-approval of the material terms of performance goals under the Long-Term Incentive Plan. The Company established and maintains the Long-Term Incentive Plan to recognize and reward outstanding performance and individual contributions and to give key executives and employees an interest in the Company parallel to that of our shareholders. The Plan helps us attract and retain key personnel by providing incentives in the form of stock awards, cash awards, and stock appreciation rights.

You are being asked to re-approve the material terms of the performance goals under the Long-Term Incentive Plan so that the awards to certain of our officers will continue to qualify as performance-based, deductible under the Internal Revenue Code. We are not proposing any amendment to the terms of the current plan.

As the next item of business, Mr. Harold Mathis, a Company shareholder, has submitted a proposal for consideration by shareholders at this meeting. As stated in the proxy, approval of any shareholder proposal presented at this meeting requires the favorable vote of a majority of shares of common stock represented at the meeting. Under our bylaws, abstentions and broker non-votes have the same effect as a vote against any shareholder proposal submitted. Mr. Mathis, you may now identify yourself and present your motion. If you wish, you may also make a brief statement in support of your proposal.

[SHAREHOLDER STATEMENT]

Thank you, Mr. Mathis.

The Board's position on this proposal is indicated in the proxy statement. The Board has again very thoroughly considered this proposal but continues to believe that its existing system of electing directors to three-year terms is in the best interests of the shareholders and the Company. Your Board believes that three-year terms help the Company achieve the following:

- Retain experienced directors with an understanding of the history of the company and its operations and who take a long term perspective,
- Attract and retain qualified individuals who are willing to make the commitment and take on the responsibilities that service as a director entails, and

- Protect shareholder interests and preserve or enhance shareholder value. In case of a potential change of control transaction, a classified board can increase the Board's negotiating leverage and provide a deterrent to coercive takeover proposals that could result in the unequal treatment of the Company's shareholders.

Mr. Mathis has previously presented this same proposal, and a number of shareholders have indicated a preference that all directors be elected annually. He so indicated in his remarks. If the current proposal receives the support of a majority of the shares represented at this meeting, your Board intends, subject to the proper exercise of its fiduciary duties, to introduce a binding proposal at the Company's 2007 annual shareholders meeting to amend the Company's Restated Articles of Incorporation to eliminate the Board's classified structure.

We will limit discussion of this proposal to ten minutes. Individuals should limit their remarks to three minutes. Again, you will have the opportunity to pose general questions at the end of the meeting.

Is there any further discussion regarding this proposal?

Okay. Under our Bylaw provisions, no further business has been proposed. The polls are now open for voting on all matters.

If you would like to vote but have not given your ballot or proxy to the Secretary, please raise your hand.

If you have already sent your proxy or delivered it to the Secretary, you do not need to sign a ballot unless you would like to revoke your proxy.

Does anyone else need a ballot? Has everyone voted who wishes to?

While we wait for the votes to be tabulated, let me update you on the state of your company.

Slide:  
Cautionary  
Statement

When speaking of our future, I've been asked by our attorneys to remind you that any forward-looking statements made today represent our beliefs and assumptions based on information available to the company's management at this time. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may vary materially from actual results and often do.

Okay. We got that out of the way now.

Slide: 2006  
Annual  
Shareholders  
Meeting

Since I began reporting to you at CenterPoint Energy's first shareholders meeting in 2003, we said we would reduce our debt, strengthen our balance sheet, increase your dividend and position the company for the future. I'm pleased to say that we have been successful in each of these key commitments.

When CenterPoint Energy was formed in 2002, we were faced with a three-year transition due to the timing of certain provisions in the Texas electricity deregulation law.

Reducing debt and strengthening our balance sheet were the most significant challenges facing the company. As you may recall, our debt reduction hinged on two events: the sale of our generation business and the recovery of our stranded costs. I'm pleased to report that we have executed our plan.

In April of last year, we finalized the sale of Texas Genco for 2.9 billion dollars, completing our exit from the generation business.

Then in December of last year, we issued 1.85 billion dollars in transition bonds, recovering a significant portion of the 2.3 billion dollars in stranded costs approved by the Texas Public Utility Commission. The remainder of our approved stranded cost true-up balance – about 600 million dollars – is being recovered over 14 years through a Competition Transition Charge.

Disappointed that the PUC did not approve our full 3.7 billion dollar true-up request, we appealed the disallowance to the Texas state courts. At the first appeal, a Travis County District Judge's decision had the effect of restoring about 650 million dollars, plus interest –

or almost half of the disallowance. While we were encouraged by this ruling, the Texas Court of Appeals and the Supreme Court must still weigh in before a final answer is known. And this will probably take another 18 to 24 months.

With the recovery of stranded costs to date and the proceeds from the Texas Genco sale, we paid down debt from a high of almost 11 billion dollars to 6.4 billion dollars at the end of 2005. This is a level of debt that is more in line with a company of our size, but we still intend to work on it some more.

As our financial health improved, we have been able to renegotiate improved credit facilities with better terms, reduced interest rates and extended maturity dates. Today, our borrowing costs are lower, and our liquidity and financial flexibility are better than they've ever been.

Our improved financial position has also led to an improvement in stock performance. When CenterPoint Energy became a stand-alone company, our stock price was depressed because of the challenges and uncertainties we faced. As we began to resolve issues, our stock price improved. Since our inception in October 2002, our total return to shareholders has approached 70 percent. Last year alone, our stock price rose almost 14 percent. That stock appreciation, combined with our dividend, yielded a total shareholder return of over 17 percent.

Slide: 2005  
Total  
Shareholder  
Return

We continue to make progress in meeting the long-term earnings goal we set in 2002. At the launch of CenterPoint Energy, we projected earnings of 85 cents to a dollar per share when we completed our transition. The projection of 90 cents to a dollar per share for 2006 which we discussed in our first quarter earnings call earlier this month, closely aligns with that initial forecast.

With sustainable earnings more evident, we have begun restoring our common stock dividend. In January, the Board declared a 50 percent increase in quarterly dividends, from 10 cents to 15 cents per share. This signals the confidence they have in the ability of our businesses to deliver steady operating income and cash flow. Our



goal is to pay out 50 to 75 percent of our sustainable earnings in dividends and to grow our dividend as we grow our company.

Slide: Net income and operating income.

And 2005 showed solid growth as our core businesses turned in strong performances. CenterPoint Energy's net income from continuing operations rose from 205 million in 2004 to 225 million dollars last year, a solid increase of 10 percent. Operating income rose from 864 million to 939 million dollars.

Slide: 1Q05 vs. 1Q06

We're off to another good start this year, even though mild weather and high gas prices adversely impacted the results of our regulated utilities. Net income for the first quarter rose from 67 million dollars, or 20 cents per diluted share last year, to 88 million dollars, or 28 cents per diluted share this year, an increase of over 30 percent. Operating income was also up over the previous year.

Slide: Four Business Segments

Our earnings come from a diverse set of complementary energy businesses that we report in four segments: electric transmission and distribution, interstate pipelines and field services, natural gas distribution, and competitive natural gas sales and services. I believe the diversity of our businesses offers significant advantages, some of which were evident in the first quarter of this year.

Slide: Combined operating income

I want to discuss each of those business segments with you. Let me begin with our Pipelines and Field Services segment. It had an outstanding year in 2005, growing operating income by 31 percent, to 235 million dollars from 180 million dollars in 2004. This segment represents about 24 percent of the company's total operating income.

Slide: Pipelines & Field Services

Our 82 hundred miles of pipelines are poised to take advantage of changing gas markets in the mid-continent region of the U.S. Suppliers in the West need to move natural gas to markets in the East, and we are well positioned to help. Today, we move about one trillion cubic feet of gas per year to local distribution companies, power plants and industrial users.

We expect to consider expansion of our pipeline operations in the coming year with three major new pipeline projects currently in various stages of evaluation and development. Let me describe them for you.

Slide:  
PipelineProjects:

In October 2005, we announced a 172-mile pipeline from Carthage, Texas to our Perryville Hub in Louisiana, with a capacity of around 1 billion cubic feet per day. This pipeline will give producers more access to serve the Midwest and Northeast markets. Interest ran so high that we have now expanded capacity to 1.2 billion cubic feet per day and we're now gauging market interest for yet another potential expansion. We expect the first two phases of this pipeline to be in service next year.

In November, we announced a memorandum of understanding with Duke Energy to evaluate, market and develop a possible 250-mile pipeline with a capacity of up to 1 billion cubic feet per day. This pipeline would connect our Perryville Hub to the Gulfstream Pipeline in southwest Alabama. This new pipeline would give producers access to new markets, supplying gas for winter heating in the Northeast and summer electric generation markets in the rapidly-growing Southeast U.S.

It would also provide gas users in Florida such as utilities and the Northeast an alternative to offshore supply, which can be vulnerable to weather-related service interruptions – which is code for hurricanes. This pipeline could be in service by mid 2008.

We are also evaluating a third proposed pipeline that would stretch about 800 miles from the Texas panhandle to northwest Alabama. This pipeline would facilitate transportation of growing supplies of natural gas in west Texas, Oklahoma, Arkansas and the Rockies to markets in the Midwest and along the East Coast. While still early in the development and evaluation phase, this pipeline could move up to 1.5 billion cubic feet per day and potentially be in service by the end of 2008.

Slide:  
Field Services:  
map and service  
stats

These pipeline projects reflect growing production in natural gas basins in the mid-continent region where our Field Services business operates about 4,000 miles of gathering pipelines and transports around 1 billion cubic feet of natural gas per day. For the second year in a row, we added almost 400 new wells to our gathering system, up from an historic average of a little over 200 wells per year. In 2005, we also added over 25 hundred new monitoring points and 40 new customers for ServiceStar, our remote well monitoring and measurement service.

As I mentioned earlier, Pipelines and Field Services are producing strong operating income growth, and I'm excited about their future. Operating income for this segment was 73 million dollars in the first quarter, up a solid 14 percent from 2005.

With the new pipelines under development and the significant drilling occurring in the mid-continent area, I believe we have the potential to take this segment's operating income contribution to a significant new level for the company.

Slide:  
CES Map and  
service stats

CenterPoint Energy Services, our competitive natural gas sales and services unit, is another growing business. CES sells gas to nearly 7,000 customers across the central and eastern U.S., from small commercial customers to large industrial customers and utilities.

Operating income rose 36 percent last year, from 44 million dollars in 2004 to 60 million dollars. This represents about six percent of CenterPoint Energy's total operating income. This segment also achieved exceptional results in the first quarter of this year with operating income of 25 million dollars compared to 16 million dollars in the same quarter last year.

Now much of this growth has been driven by natural gas price volatility and increased wholesale activity. CES owns and contracts for pipeline and storage capacity to serve a very diverse group of customers. By understanding customers' gas usage and demand patterns, we are able to optimize these assets, serve customers' needs and create incremental value for our shareholders.

Both our competitive gas and pipelines segments have benefited from today's gas pricing environment. While it is impossible to know how long these pricing dynamics will last, I'm pleased that we have responded to our customers' needs, created value for our shareholders and positioned these segments for the future.

Slide:  
Gas Distribution  
Map & Key Stats

Higher gas prices, however, have had a negative impact on our third segment -- natural gas distribution. The wholesale cost of natural gas has risen four-fold in the last five years. This has led to decreased customer usage and significant increases in bad debt expense as more of our customers have been unable to pay their bills.

Despite 44,000 new customers in the high growth areas of Minneapolis and Houston, operating income for this segment, which represents about 25 percent of our total, fell slightly in 2005 to 175 million dollars from 178 million in 2004. Increased bad debt and depreciation expenses together with higher litigation reserves were the main reasons operating income did not meet our expectations.

Record warm weather and expenses associated with staff reductions caused operating income in the first quarter of 2006 to fall to 103 million dollars compared to 123 million dollars the previous year.

We are working hard to overcome the impacts of high gas prices and strengthen the financial performance of this segment. Our focus is on improving our operating model to increase productivity and efficiency and, where necessary, to seek rate increases.

In 2005, we completed a number of projects to improve efficiency and customer service, including our mobile data rollout, using laptops in service trucks for more efficient dispatching and better response times. Earlier this year, we completed the implementation of a new customer care information system designed to improve customer service and ultimately result in significant cost savings.

Over the last several years, we've been very active in seeking rate changes. We recently settled all of our remaining cases in Texas. However, we still have a significant rate request pending in Minnesota and expect to file for a rate change in Arkansas later this year.

This business has long been recognized for its high level of service, and 2005 was no exception. For example, in Minneapolis, the North Metro Mayors Association gave us its 2005 Outstanding Business of the Year award for replacing - in just seven months - over 30,000 service lines improperly installed by a previous owner. The annual J.D. Power survey of natural gas utilities ranked us second overall in the Midwest and first in “price and value” and “customer service.”

Slide:  
Houston Electric  
Map and stats

Our fourth and largest segment – the regulated electric transmission and distribution business - delivers electricity to nearly two million customers in a 5,000 square-mile area in and around Houston. It provides the company with about half of its operating income.

Operating income for 2005 was 448 million dollars, down slightly from 456 million dollars in 2004, due mostly to increased expenses and mild weather. Despite continued mild weather and reduced usage, we achieved operating income of 78 million dollars in the first quarter of this year compared to 71 million dollars in 2005.

This income growth has been fueled by the implementation of the competition transition charges and the addition of 67,000 new customers since last year. To illustrate the pace of Houston’s growth, it took us nearly a century from chartering our electric company in 1882 until 1980 to reach one million metered customers. Less than 26 years later, we are poised to reach two million metered customers.

We’ll be ready to serve the next million customers as well. Last summer we agreed to a 30-year extension of our franchise agreement with the city of Houston, ensuring that we’ll have access to the city’s rights-of-way to install our facilities to meet our area’s growing energy needs.

CenterPoint Energy is also leading the way in creating the electric utility of the future. Last year we teamed with IBM to conduct a pilot to explore Broadband over Power Lines – or BPL – technology. These results led to a limited deployment of an “Intelligent Grid” system designed to enhance the efficiency and reliability of our electric operations.

Intelligent Grid technology provides real-time data and automation to remotely read electric and gas meters (or any other kind of meter), turn service on and off, detect power outages, and in many cases, restore power.

We completed the first phase in March, and plan to have about 23,000 gas meters and 40,000 electric meters fully automated before year end. Our ultimate goal is to have fewer and shorter power outages, better customer service and improved operating costs. We expect to have enough information to make a decision on full deployment later this year.

Now, no discussion of 2005 can be complete without discussing the impact of last year's devastating hurricane season, when two of the largest storms on record hit our service territories.

Hurricane Katrina hit our natural gas business hard, impacting 80 percent of our Mississippi operating region and large portions of our eastern Louisiana service area, devastating the homes and businesses of nearly 10,000 of our customers. More than 350 of our natural gas employees from our other service areas went to Mississippi and Louisiana to help make the system safe and to secure the homes of their fellow employees that sustained hurricane damage.

As 200,000 Louisiana evacuees fled Hurricane Katrina for Houston, CenterPoint Energy was there with over 230 volunteers supporting the company's leadership role at the George R. Brown Convention Center shelter. In fact, one of our employees, Rick Noriega, was in charge of that shelter. Just like in Houston, East Texas and Arkansas, our employees gave their time and resources to assist and comfort evacuees.

Then came Rita. She left more than 700,000 of our electric customers without power. We were able to restore service to virtually all of them in less than five days. Our gas businesses in East Texas and Louisiana were also severely impacted as those areas took the brunt of the storm. Once again, our gas employees responded admirably to ensure our system was safe.

Slide:  
2005: A  
Hurricane  
Season to  
Remember

Slide:  
Mississippi  
Destruction

Slide:  
CNP Employee  
with President  
Bush

Slide:  
GRB Shelter

Slide:  
Outage tracker

Slide:  
Pumping Station

As we were restoring power to our customers, Houston Mayor Bill White asked us to help our neighboring utility, Entergy, restore service to a pumping station supplying water to the city of Houston. Thanks to quick and creative field engineering, we were able to transfer electricity from our power system to the Entergy grid and help maintain a safe water supply for the city of Houston.

Slide:  
Convoy

We were also called upon by numerous other utilities along the Gulf Coast to assist in storm repair. Over 400 of our electric employees went to assist in storm restoration following Hurricanes Dennis, Katrina, Rita and Wilma. At one point, we had crews working simultaneously in three different states.

Slide:  
Hurricanes:  
Dennis, Katrina,  
Rita, Wilma

Slide:  
Thanks CNP

For our response to these devastating hurricanes, the Edison Electric Institute awarded CenterPoint Energy their Emergency Assistance Award and their Emergency Response Award. You can take pride in what our employees accomplished during last year's hurricane season. They were simply exceptional.

Slide: 2006  
Annual  
Shareholders  
Meeting

Our success in 2005 and during our three-year transition period increases my confidence that we can meet the challenges ahead. We have several challenges facing us on the regulatory front. Of course, I can't recall a time when we didn't have some issues to address from a regulatory perspective. It just goes with being regulated. However, the issues we face today are more typical of the issues we routinely face and not the "bet the company" issues we've faced the past several years.

While we face these challenges, the continued good performance of all our businesses has positioned us to invest in future growth opportunities.

This year, we will invest over a billion dollars in new physical assets, such as the pipelines I described earlier. We will also invest heavily in new electrical facilities, as well as natural gas assets. When you are an asset-based company like CenterPoint Energy, one of the primary ways you grow is by investing in assets. We are very fortunate to have a number of very good opportunities.

In addition to growing the top line, we believe we can increase the bottom line by improving the efficiency of our operations.

Late last year, we consolidated our regulated electric and natural gas operations into one organization under Tom Standish. We formed leadership teams and solicited hundreds of ideas from frontline employees to improve how we run our businesses. We're now beginning to implement many of these ideas and expect the changes to improve our business model, moving us toward our best-in-class goals.

In short, we're doing what we said we would do when we launched this company. We are an energy delivery company. We deliver electricity, we deliver natural gas – whether it's in big pipes or in small pipes.

We understand that you expect us to operate for the long term. You expect us to yield a dividend you can count on. You expect reasonable growth, with no surprises. I believe that with the foundation provided by our regulated operations and the growth potential of our businesses, we can continue to deliver a solid return on your investment.

When I look to the future, I am very excited about our company. We have a good, solid set of assets. We've got good service territories and strong performing businesses. We also have talented and dedicated employees who know how to run them. And even more exciting – we believe that we can do it even better.

We will continue to work hard to improve our operations and grow our business to satisfy your expectations and reward your investment in CenterPoint Energy.

I look forward to your questions, but first let's conclude our business. Mr. Secretary, please report on the results of the vote.



**Mr. ROZZELL:** The nominees for director in Class 1 directors were approved by at least 261,474,445 shares of common stock.

The ratification of the appointment of Deloitte & Touche as the Company's independent auditors was approved by 255,050,291 shares of common stock, representing approximately 93.46 percent of the shares of common stock voted.

The material terms of the performance-based goals under the Short-Term Incentive Plan were re-approved by 254,598,317 shares of common stock, representing approximately 93.29 percent of the shares of common stock voted.

The material terms of the performance-based goals under the Long-Term Incentive Plan were re-approved by 252,407,921 shares of common stock, representing approximately 92.49 percent of the shares of common stock voted.

Therefore, I am pleased to announce that Derrill Cody, David M. McClanahan and Robert T. O'Connell have been elected as Class 1 directors, and the proposals to:

- Ratify the appointment of Deloitte & Touche as the Company's independent auditors,
- Re-approve the material terms of the Short-Term Incentive Plan performance goals, and
- Re-approve the material terms of the Long-Term Incentive Plan performance goals

have all been approved.

The proposal requesting the Board take steps to provide that at future election of directors, new directors be elected annually was not approved, having received a favorable vote of 127,569,119 shares of common stock, representing 46.75 percent of the shares of common stock represented here today in person or by proxy. The vote on this proposal includes 73,718,809 votes against, 3,824,715 abstentions and 67,783,059 broker non-votes, which are counted as a vote against the proposal according to our bylaws.

The total votes against are therefore 145,326,583.

**Mr. McClANAHAN:**

As I stated earlier, although the Board believes its classified structure continues to serve the company well, we recognize the support expressed by many of our shareholders for the Company to move away from a classified Board, and the Board will continue to carefully consider this very important issue.

Now, I'll be happy to take your questions. In fairness to other shareholders who may have questions, please limit your comments to three minutes. Please raise your hand, and when you are acknowledged, we will pass you a microphone. When recognized, please state your name and affiliation, if any, and then ask your question.

[QUESTIONS & ANSWERS]

This concludes our meeting for today. On behalf of the officers, directors, and employees of CenterPoint Energy, thank you for coming. I hereby declare the annual meeting to be adjourned.

Now please join us in the lobby for refreshments.