

“HIGH GOALS IN SIGHT; HIGH STANDARDS INTACT”

**2007 CENTERPOINT ENERGY
MINORITY & WOMEN BUSINESS ENTERPRISE
EMPLOYEE AND SUPPLIER
RECOGNITION BREAKFAST**

Remarks by

**DAVID McCLANAHAN
PRESIDENT & CHIEF EXECUTIVE OFFICER**

April 11, 2007

Thank you, Dan.

Good morning, ladies and gentlemen, and thank you all for joining us today. I'm very pleased to join in this celebration with such a distinguished group of professionals and friends.

Today we honor CenterPoint Energy's diverse suppliers of business solutions as well as our employees who engage minority- and women-owned business enterprises and promote a CenterPoint Energy culture that embraces the power of diversity.

We are also joined by some of our majority suppliers, who, following this awards ceremony, will participate in a forum with MWBEs and leaders of CenterPoint Energy, Continental Airlines and Waste Management to explore business opportunities.

Before we turn the spotlight on our employees and business partners, I'd like to share with you CenterPoint Energy's supplier diversity vision, goals and objectives as well as recount some successes of the past year and speak candidly about the challenges we face.

THREE PILLARS OF DIVERSITY

Supplier diversity is one of three pillars of CenterPoint Energy's comprehensive diversity strategy, along with workforce diversity and support for our diverse community. We continue to emphasize diversity in our workforce, and we continue to recognize the importance to the success of our company of supporting our diverse communities.

This morning, however, we celebrate supplier diversity and its contribution to our company. We value our MWBE partners and the competitive solutions you deliver.

We depend on you for quality office products and staffing; computer hardware and software; construction and security; advertising, printing, financial and legal services; tree trimming, meter services; right-of-way services; vehicle fuel, transmission and distribution equipment and much more. We rely on your innovative spirit, your flexibility and your quick response to help us meet our customers' needs. Our relationships have grown beyond those of mere buyers and suppliers to true partnerships with a free exchange of ideas.

You know that our commitment to supplier diversity is not philanthropic. We don't pay a premium or lower our standards simply for the sake of diversity. Our supplier diversity vision is summed up in the motto: "High goals in sight, high standards intact."

Business drives our decisions, and you add value to our business. We know that supplier diversity is simply smart business.

SUPPLIER DIVERSITY OBJECTIVES

Let me remind you of our supplier diversity objectives:

- **First:** to actively and routinely seek out qualified MWBEs that provide competitive, high-quality commodities and services,
- **Second:** to seek out opportunities to assist in the development and competitiveness of MWBEs through instruction, mentoring, and other outreach activities,
- **Third:** to encourage participation and support of supplier diversity by major suppliers to CenterPoint Energy who are not minority-owned or women-owned businesses.

Let's talk about each of these objectives.

MWBEs PROVIDE COMPETITIVE, HIGH-QUALITY SERVICES

Last year was an excellent year for MWBE suppliers to do business with CenterPoint Energy. As the road signs that greeted you on your way in attest, we have many reasons to celebrate. Here's just a few:

- Our total goods and services spend with MWBEs increased 44 million dollars versus 2005,
- Our MWBE spend as a percentage of our total spend also rose to 13 percent,
- Our minority spend rose by almost 21 million dollars -- and
- Our spend with women-owned businesses also grew by almost one-third.

In 2006, CenterPoint Energy spent over 163 million dollars with MWBEs, not counting the purchase of fuel for our natural gas delivery business. That is a 37 percent increase over our 119 million dollar spend in 2005. It's almost double the 85 million we spent in 2004. And it's over 100 million dollars more than the 61 million we spent with MWBEs in 2003.

MWBE spending as a percentage of non-fuel expenditures has also grown in each of these years, from eight percent in 2003 to thirteen percent last year. That puts us above the eight percent average MWBE spend among companies surveyed in a Best Practices Benchmarking Survey, an achievement in which we can all take pride.

Our electric operations in Houston continue to lead the way with 22 percent of their eligible spending going to MWBEs. This put CenterPoint Energy at the top of the member utilities of the Association of Electric Companies of Texas filing a report with the Texas PUC. While TXU did not report their results, our percentage spend was more than the second and third ranked companies combined.

The other parts of our business also fared well in 2006. Our corporate functions, such as Finance, IT and HR, nearly doubled their MWBE spend percentage. Our southern gas operations continued to surpass the MWBE spend percentage of the company as a whole, while our gas operations spend in Minnesota also grew. Our Pipelines and Field Services segments, which had banner years, increased their MWBE spending by more than two-thirds.

All this success didn't just happen. It resulted from the commitment of our employees to proactively seek out and maintain mutually beneficial relationships with MWBE suppliers. It is the dedication of an active, experienced full-time Supplier Diversity staff. It's procurement professionals incorporating MWBE guidelines into company-wide purchasing policies and procedures. It's a CenterPoint Energy culture that promotes and recognizes supplier diversity through regular, visible communications and events – such as this breakfast.

Our employees and business partners know they have the support of senior management, our MWBE Advisory Council and our business unit teams. We have achieved these successes through your combined efforts, and I applaud your accomplishments.

The local and national supplier diversity community has taken notice of your achievements. Last year, the Women's Business Enterprise National Council honored CenterPoint Energy as one of "America's Top Corporations for Women's Business Owners." We shared this award with elite national corporations such as AT&T, Coca Cola, Eastman Kodak, IBM and Shell.

We also received the "2006 Cutting Edge Award" from the Women's Business Enterprise Alliance for our fast-growing WBE spend.

While we did not win, CenterPoint Energy was nominated by Houston-area minority business owners for the Houston Minority Business Council's "2006 Corporation of the Year." We won this award in 2005, and it's very hard to repeat.

HMBC did name CenterPoint Energy's Supplier Diversity Manager, Jewel Smith, "2006 Advocate of the Year," and our Sourcing Specialist Terry Munder was named WBEA's "2006 Buyer of the Year."

Such awards recognize our success in meeting our first objective to seek out and engage qualified MWBE suppliers.

HELPING MWBEs COMPETE

Our second objective is to help MWBEs develop their competitiveness through training, mentoring and other outreach activities.

To that end, we participated in numerous local, state and national tradeshows, conferences and forums in 2006 that support MWBE development, outreach and inclusion. CenterPoint Energy also hosted or co-hosted ten MWBE workshops and educational forums last year.

For example, we worked with members of the Association of Electric Companies of Texas, the El Paso Hispanic Chamber of Commerce and the Texas Association of Mexican-American Chambers of Commerce to organize an AECT seminar on "Doing Business with the Electric Industry."

The purpose of the workshop was to introduce historically underutilized businesses to opportunities in the Texas electric market, give them access to AECT companies, and help them identify potential growth and partnership opportunities.

We also funded four scholarships for MWBEs through the Houston Minority Business Council, Women's Business Enterprise Alliance and Edison Electric Institute to attend conferences or executive management training at Dartmouth and Northwestern Universities.

Richard Thomas, president of Turkco Inc., which performs underground line locating and electric and gas meter services, received a scholarship to attend the Edison Electric Institute's 2006 Supplier Diversity Conference and Tradeshow in Indianapolis. There Richard learned more about the electric utility industry and networked with national utilities.

We continue a mentoring relationship with Turkco. As a result of its hard work and our relationship, the company tripled its number of employees, increased capital resources and diversified its utility business capabilities. We nominated Turkco, along with Wise Men Consultants, to compete for the Small Business Administration's "Small Business Subcontractor of the Year" award.

In addition to Turkco, we have a mentor relationship with Tejas Office Supply, and I'm happy to announce that Georgianna Nichols, Division President and COO of CenterPoint Energy's electric operations, has begun a mentoring relationship with Connie Rankin, President and CEO of Customized Real Estate Services. As Dan mentioned, Connie is here today representing the board of directors of the Women's Business Enterprise Alliance.

Through such mentoring, training and scholarships, we continue to pursue our second supplier diversity objective of supporting and mentoring MWBEs to help them compete and grow.

BRING MINORITY AND MAJORITY SUPPLIERS TOGETHER

Our third and final supplier diversity objective is to bring MWBE and majority suppliers together to explore mutually beneficial business opportunities.

We encourage our majority vendors to build strategic alliances with MWBEs. Many of our large contracts include goals and incentives for vendors to sub-contract work to MWBEs.

Some majority vendors are now coming to bid with MWBE alliances already in place.

Today's professional services forum is an opportunity to build such alliances. These workshops are a staple of our recognition breakfasts, and last year we co-hosted three professional services forums with other leading corporations. Bid opportunities were extended to several firms who participated.

If you've attended this event in recent years, you've heard me talk about the Greater Houston Partnership Minority Professional Services Initiative. CenterPoint Energy is one of about two dozen local companies that pledged to double our minority professional services spend between 2004 and 2009. Our baseline spend in 2004 was 2.7 million dollars, so our goal for 2009 was 5.4 million. With Information Technology, engineering and staffing providing the biggest boost, we reached our goal three years early, having spent 7.3 million dollars with minority professional services firms in 2006. Quite an achievement to be proud of.

We look forward to another successful workshop today, and we'll continue to explore opportunities to build strategic alliances with MWBEs and encourage our other business partners to do the same. I salute one of our prime suppliers, Baker Botts, for establishing aggressive supplier diversity initiatives at their firm.

ALONG WITH SUCCESS, CHALLENGES

Despite these successes, we are faced with serious challenges. There are "Caution" signs ahead. While we compare favorably with the national average and with our industry, our goal is to be a top quartile MWBE supporter.

Even with our 44 million dollar increase last year, we actually fell one percent short of our goal of 14 percent. Of course, businesses don't spend percents; they spend dollars, and we did spend 163 million of them last year with MWBEs.

One challenge is that a great deal of our new spending last year and this year is for pipeline projects, such as our Carthage to Perryville project, which added 140 million dollars to our eligible spend but for which there are no diverse suppliers of large pipe.

Another pipeline project, the Southeast Supply Header, should break ground this year with millions more dollars outside the realm of MWBE spends.

We also stand to lose over 30 million dollars of last year's spend due to a dissolved relationship between an MWBE supplier and one of our prime suppliers, the completion of the Interstate 10 road expansion project and the sale of CW Utilities -- our top WBE electrical supplier -- to a non-MWBE owner.

We do know our MWBE spend in 2007 is unlikely to match that of 2006. In the face of these challenges, we have set a goal for 2007 of 12 percent. Even this goal will be a stretch, and we'll have to work hard.

So when we leave here today, we'll have to get to work. We will work to ensure that MWBE-eligible suppliers are certified. We will continue to pursue segmentation and second-tiering of contracts. We will seek out new strategic alliances. We will drive a culture of supplier diversity into pockets of the company where it has yet to flourish. We will maintain the executive oversight, broad employee participation and accountability that have fostered our success. I am confident we can reach our 2007 goals if we do these things.

Thank you for your commitment and dedication to this initiative and to making CenterPoint Energy an even better company.

Now it's time to turn to our awards program.