2007 CenterPoint Energy
Annual Shareholders Meeting

Remarks by:

David M. McClanahan
CenterPoint Energy
President and Chief Executive Officer

May 24, 2007

Slide: David McClanahan, Pres & CEO

Thank you, Milton.

Good morning ladies and gentlemen.

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

Slide: CNP Officers

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

- **Scott Rozzell**, Executive Vice President, General Counsel and Corporate Secretary. Scott has been with the Company six years. He spent the previous 25 years with the law firm of Baker Botts. Scott is in Austin today dealing with the close of the Texas legislative session. His deputy, Rufus Scott, will be serving as our corporate secretary today.
- **Gary Whitlock**, Executive Vice President and Chief Financial Officer. Gary has also been with the Company six years, after spending over 30 years with Dow Chemical.
- **Tom Standish**, Senior Vice President and Group President, Regulated Operations. Tom has been with the Company 24 years.
- **Georgianna Nichols**, Division President, Houston Electric. Georgianna first joined the Company 29 years ago.
- **Wayne Stinnett**, Division President, CenterPoint Energy Services. Wayne has been with the Company for 24 years.
- **Joe McGoldrick,** Division President, Gas Operations. Joe has been with the company since 1979. Joe was promoted to this position in February of this year making him our newest senior officer. We are pleased to welcome Joe to the stage today.
- **Byron Kelley**, Senior Vice President and Group President of the Pipelines Group, is also out of town and couldn't be with us today. This year, Byron is chairman of INGAA, the interstate pipeline trade association and had to chair one of its meetings today.

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

Slide: 2007 Annual Shareholders Meeting

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

- Election of one Class I director for a two-year term and three Class II Directors for three-year terms,
- Ratification of the appointment of Deloitte & Touche as the company's independent auditors, and
- A shareholder proposal regarding the election of all of our Board of Directors annually instead of in classes.

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 26, 2007, there were 320,482,074 shares of common stock issued and outstanding. Approximately 85.82 percent of those shares are represented at this meeting 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 questions at the end of the meeting.

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

Mr. ROZZELL: The nominee for election as Class I director is Michael E. Shannon. The nominees for election as Class II directors are Donald R. Campbell, Milton Carroll and Peter S. Wareing.

Mr. MCCLANAHAN: Thank you.

Today's second item of business is ratification of the appointment of Deloitte & Touche as the Company's independent auditors for 2007. Mr. Chip D'Andrea is here today representing Deloitte & Touche. Chip, please stand so our shareholders know who you are. Chip will be available to answer your questions after the meeting.

Thank you, Chip.

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 statement, approval of any shareholder proposal presented at this meeting requires the favorable vote of a majority of the shares of 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.

Mr. MCCLANAHAN: The Board's position on this proposal is indicated in the proxy statement. The Board seriously considered the proposal and continues to believe that our existing system of electing directors to staggered, three-year terms is in the best interests of the shareholders and the Company.

However, as we indicated last year, 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 2008 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.

[DISCUSSION]

Is there any further discussion regarding this proposal?

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.

Slide: 2007 Annual Shareholders Meeting *Energy Every Day*

Those of you who have attended this meeting regularly will recall that since our very first shareholders meeting in 2003, I have been reporting on a number of significant, but transitional issues: selling our electric generation assets, recovering our true-up balance, reducing our debt and improving our balance sheet. With the exception of some lingering appeals involving our true-up case, however, these issues are behind us. Therefore 2006 was the first year we were able to turn our full attention toward executing our core business plan, and I believe we had a very good year. I hope you agree.

Slide: Bar chart 2005 v 2006 income

Our net income for 2006 was $432 million, or $1.33 per diluted share, compared to $252 million, or 75 cents per diluted share in 2005. Our 2006 results included the impacts of the resolution of a couple of non-recurring items: a dispute with the IRS over our ZENS securities and a remand of Houston Electric's 2001 energy delivery rate.

Slide: Bar chart 2005 v 2006 income adjusted

If you exclude these events we earned $361 million on a normalized basis, or $1.11 per share. As you may recall, our earnings guidance for the year was between $1.00 and $1.10 per diluted share. So by either measure, we had a very good year.

Slide: Bar chart 1Q 2007 v 1Q 2006 net income

This performance has continued into 2007. For the first quarter of 2007, we reported net income of $130 million, or $0.38 per diluted share compared to $88 million, or $0.28 per diluted share, for the same period in 2006.

Slide: Bar chart TSR comparison

2006 was also a very good year for you, our shareholders. Total shareholder return was 34.8 percent last year, an amount that exceeded both our utility peers and the market. As you can see from the chart behind me, the S&P Utility Index returned 21 percent, while the S&P 500 index returned about 16 percent. Our strong performance has continued so far this year with total shareholder return of almost 20 percent.

Slide: Bar chart, dividend increases

This year also marked the second consecutive year that we raised our dividend. Earlier this year we increased our dividend by 13 percent, bringing our current, annualized dividend to 68 cents per share. This followed a 50 percent increase in our dividend in January, 2006 when we increased our annualized dividend from 40 to 60 cents per share. These dividend increases reflect the confidence your Board of Directors has in our direction and prospects, and demonstrate CenterPoint Energy's philosophy of returning 50 to 75 percent of our sustainable earnings back to shareholders in the form of dividends.

While a number of factors contributed to our strong performance last year, I believe the strength, diversity and balance of our portfolio of businesses played a key role in our success.

Slide: Pie Chart – 2006 op income by segment

As you may recall, we operate in five business segments:

- Electric Transmission and Distribution
- Interstate Pipelines
- Natural Gas Distribution
- Field Services, which gathers and processes natural gas
- And Competitive Natural Gas Sales and Services

The chart behind me shows the relative size and contributions of each of these businesses to the CenterPoint Energy's total operating income. As you can see, we have a well-balanced and well-diversified portfolio of businesses - one that is unique within our industry. Today, about half of our earnings come from the electric segment and half from our gas segments.

Looking at our financial performance in 2006, I'm pleased to report that four out of our five businesses performed very well. As I look ahead, I'm optimistic that all five of our businesses are well-positioned for the future.

Slide: Bar chart: op income 2005 v 2006 and 1Q 07 v 1Q 06

Let me begin with our electric transmission and distribution business. Providing 49 percent of our operating income, this remains our largest business segment. We reported operating income of $576 million in 2006 compared to operating income of $487 million in 2005. These results include amounts related to our transition bonds. If we exclude those amounts, we had operating income of $450 million in 2006 compared to $448 million in 2005.

For the first quarter of 2007, we reported operating income of $104 million compared to $110 million for the first quarter of 2006. Again, these results include amounts related to our transition bonds. Excluding these amounts, our operating income was $73 million for the first quarter of this year, compared to $78 million for the first quarter of 2006.

Last year's results were negatively affected by milder than normal weather and high retail electric prices, which led to reduced average customer usage. In addition, the settlement of our rate case, which took effect in October, lowered our base rates by $58 million annually and requires us to increase spending on energy efficiency and low income assistance programs by a total of $20 million per year. It also resolved all issues regarding the remand of our 2001 rate proceeding, for which we recorded a $32 million charge in the second quarter of last year. Given all of these challenges, I am very pleased with the financial performance of this business.

I am optimistic about our future. Our settlement provides us rate certainty and stability through 2010. Customer growth in our service territory also remains strong, with 2006 marking the 10th consecutive year we experienced customer growth of 2 percent or better.

So far, this trend has continued into this year, with CenterPoint Energy serving 39,000 more electric customers in the first quarter of 2007 than we did in the first quarter of 2006. This level of growth is rare among electric utilities today.

We are making significant capital investments in this business to meet the demands of a growing customer base and to ensure service reliability. Last year, we invested over $380 million in new electric facilities, including almost $100 million in various electric transmission projects, including our Hillje Project, a new, high-voltage circuit designed to improve reliability and relieve electric grid congestion. Over the next five years, our plans call for over $2 billion in new investments by this business unit.

Slide: Photo montage: Intelligent Grid

In addition, we are assessing a significant investment in an exciting new technology called the Intelligent Grid. The Intelligent Grid is a distribution automation strategy that uses advanced metering systems and broadband over power lines technology to revolutionize the way electric grids are managed and provide real-time data about electricity demand and usage.

When fully implemented, the Intelligent Grid will improve our system planning, operations, and maintenance thereby enabling us to deliver power more efficiently. The advanced meters, which are a critical element of the Intelligent Grid, will allow the remote connection and disconnection of service and provide automated meter reading. They will also provide real-time meter data, allowing retail electric providers to offer new products and services, and customers to better manage their energy use.

We are also testing components of what we call the self-healing grid. This will provide highly detailed information that will allow us to improve outage detection and outage restoration times. For our customers, that would mean improved electric reliability as well as better and quicker responses to outages.

Work on this project has already begun. We have installed approximately 10,000 advanced meters in a limited deployment and have been encouraged by the results. We have been working closely with the Public Utility Commission of Texas to establish regulatory rules to provide for the timely recovery of our investments. The commission recently issued its rule and we are currently assessing its impact on our deployment of this technology.

Slide: Bar chart: op income 2005 v 2006 and 1Q 07 v 1Q 06

I'd like to turn now to our interstate pipelines business. This business grew 10 percent last year, reporting operating income of $181 million in 2006 versus $165 million in 2005. Operating income for the first quarter of this year was $44 million compared to $49 million for the same period in 2006.

Last year was a strong year for this business, and we've done a very good job capitalizing on favorable market dynamics. Growing demand for natural gas in the Northeast and Southeast, and regional and seasonal gas price differentials have created new requests for transportation and storage services, and we've been there to the meet our customers' needs.

As I reported to you last year, we have two, major capital projects underway: our 172-mile pipeline between Carthage, Texas and our Perryville hub in northeast Louisiana, and a joint venture with Spectra Energy (formerly Duke Energy) called the South East supply header or SESH. SESH will construct a 270-mile pipeline between our Perryville hub and Spectra's partially owned affiliate pipeline near Mobile County, Alabama.

I'm pleased to report that phase 1 of our Carthage to Perryville project went into commercial service on May 1 of this year. This first phase has about one billion cubic feet per day of capacity, and we expect a second phase of this project to be brought into service this summer, bringing total capacity to just over 1.2 bcf per day. We are planning to expand this project even further by adding additional compression and increasing the maximum allowed operating pressure. If approved by regulators, phase 3 will expand the capacity of this pipeline to a total of 1.5 bcf per day.

Slide: Photo of C2P pipe underwater

Our construction schedule for this project was very aggressive and Mother Nature wasn't very cooperative. During construction, we experienced rainfall in excess of the region's 10-year average over the entire length of the project. But to make matters worse, with only 40 miles to go, we experienced a deluge of nearly 40 inches of rain over a three-month period. As you can see from the photos, we received so much rain that, at times, our massive 42-inch pipes were completely submerged. Needless to say, these rains played havoc with our construction schedule.

I couldn't be more proud, however, of the incredible job our employees and contractors did to overcome these challenges. Today, almost a billion cubic feet of gas is flowing to meet the natural gas needs of our nation.

Slide: David McClanahan, Pres & CEO

Turning to our second major project, SESH, I'm happy to report that development and permitting activities are progressing well, and that several preliminary FERC draft reports have been positive. The pipeline is approximately 95 percent subscribed, and we expect FERC authorization to begin construction during the second half of this year. We remain on target to have this project in service by mid-2008.

Looking ahead, natural gas production near our existing pipelines remains very active, and we believe additional pipeline capacity will be needed to get these new reserves to market. We will continue to actively pursue additional project opportunities, and we expect our interstate pipelines business to play an important role in our company's growth going forward.

Slide: Bar chart: op income 2005 v 2006 and 1Q 07 v 1Q 06

(*note: 1Q comparisons will not appear until mentioned near the end of LDC discussion*)

I'd like to turn now to our natural gas distribution business, the one business segment that had a disappointing year last year. Operating income for 2006 was $124 million compared to $175 million in 2005. Very mild winter weather and reduced customer usage, driven primarily by high natural gas prices, were the key reasons for the decline. High gas prices also led to an increase in bad debt expense, especially in our Minnesota service territory. We also incurred some additional one-time expenses related to staff reductions and a purchased gas cost write-off in Minnesota.

While we are clearly disappointed in our 2006 financial performance, we are optimistic that we are turning around performance in this business. In particular, we are working to improve our rate structure, while reorganizing and streamlining our operations.

In January of this year, we filed a $51 million rate increase request in Arkansas. Consistent with our overall rate strategy, this request seeks to decouple the recovery of our costs from the volume of gas used by our customers, thereby aligning the company's and customers' interests in energy conservation and efficiency. A hearing on the rate request is scheduled for October, and we expect a decision from the Arkansas Commission by the end of the year.

We also made a number of organizational changes in late 2006 that we believe will improve our business performance. Key among these changes was the consolidation of all of our gas distribution businesses into regions under common management. We believe this approach will reduce structural costs, eliminate duplicate functions and ensure the implementation of best practices across all our service territories.

We believe we are already seeing the beginning of a turnaround, with this business off to a much stronger start this year. For the first quarter of 2007, we reported operating income of $129 million compared to $103 million for the first quarter of 2006, an increase of over 25 percent. Driving this improved performance were reduced operational expenses, the addition of 48,000 new customers and the return of more normal weather.

Slide: Bar chart: op income 2005 v 2006 and 1Q 07 v 1Q 06

Our natural gas field services segment had a good year in 2006, with operating income of $89 million, a 27 percent increase compared to 2005. For the first quarter of this year we reported operating income of $22 million compared to $24 million for the same period of 2006.

This is our second fastest-growing unit in the company, and it has grown about 30 percent each of the last three years. For those of you not familiar with this business, this is what I call good old-fashioned blocking and tackling. It's putting lots of small pipes in the ground to move gas from the well-heads to the interstate pipelines. We also help process and purify some of that gas. This business continues to benefit from strong drilling activity in the mid-continent area. We expect additional growth through on-system expansions and by using our skill sets and good customer relationships to capture off-system growth opportunities.

Slide: Bar chart: op income 2005 v 2006 and 1Q 07 v 1Q 06

Finally, I'd like to discuss our smallest but fastest-growing segment, our competitive natural gas sales and service business. This business had a very good year, with operating income of $77 million last year compared to $60 million in 2005. Like our interstate pipelines group, this business has also done a great job of capturing opportunities presented by locational and seasonal natural gas price differentials.

This unit is also off to a great start in 2007, reporting operating income of $56 million for the first quarter of 2007 compared to $25 million for the first quarter of 2006. While we are very pleased with these results, it is important to note that gas price differentials appear to be narrowing, so we remain cautious that market conditions may not be as favorable going forward.

Although it's unlikely we'll be able to sustain recent growth rates, we will continue to take advantage of market opportunities as they present themselves. Over the long-term, however, our goal is to build a larger base of repeatable business by targeting the kinds of commercial, industrial and utility customers who will stay with us year after year. We believe our strong market knowledge, large scale and proven capabilities position this business to succeed in a variety of pricing environments, and will give us the opportunity to profitably grow this business for years to come.

As I look at our businesses and look to the future, I believe every one of our businesses is well-positioned for solid performance and sustainable growth. We have good service territories, strong business plans and a great set of assets.

Slide: Photo montage of CNP employees

But more importantly, and I admit I might be a little biased here, we have some of the best employees in the business. Our employees already have a well-earned reputation of rising to the challenge: we saw it in 2005 in our response to hurricanes Rita and Katrina and, in the way we were able to replace nearly 32,000 natural gas service lines in just a few short months following a gas line explosion in Minnesota. We also saw it just a few months ago in the hard work and ingenuity our employees showed in bringing our Carthage to Perryville pipeline into service.

What may be less noticed, but in my mind is no less important, is the dedication and hard work of our employees when we're not responding to an emergency. We didn't face any major natural disasters in 2006, but in the energy delivery business, your customers expect the lights to be on and the gas to be flowing all day, year round, rain or shine. Our employees came in, ran our businesses well and delivered gas and electricity to our customers … every day. The results of their work speak for themselves, and I couldn't be more proud of their efforts or more optimistic about our future.

Slide: 2007 Annual Shareholders Meeting

Thank you for your continued confidence and 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 nominee for director in Class I was approved by at least 196,934,549 shares of common stock. The nominees for director in Class II were approved by at least 185,813,861 shares of common stock.

The ratification of the appointment of Deloitte & Touche as the Company's independent auditors was approved by 267,445,892 shares of common stock, representing approximately 97.23 percent of the shares of common stock voted.

I am pleased to announce that:

- Michael E. Shannon has been elected as a Class I director and Donald Campbell, Milton Carroll and Peter Wareing have been elected as Class II directors.
- The proposal to ratify the appointment of Deloitte & Touche as the Company's independent auditors has been approved.

The proposal requesting the Board take steps to provide that at future elections of directors, directors be elected annually was approved, having received a favorable vote of 154,930,145 shares of common stock, representing 56.33 percent of the shares of common stock represented here today in person or by proxy.

Mr. McCLANAHAN: Mr. Mathis, congratulations on receiving approval of your proposal. Our Board has expressed its belief that the current classified Board structure has served our company well. However, we also believe in the wisdom of our shareholders, and in light of the support given to this proposal, your Board will again review this issue, and, in keeping with our proxy statement, would expect to submit a binding proposal at next year's shareholder meeting to amend the Articles of Incorporation in order to eliminate the Board's classified structure. If shareholders adopt that amendment in 2008, beginning at the 2009 annual meeting, persons elected as directors to fill positions whose terms expire at or after the 2009 annual meeting would be elected for one-year terms.

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 and a chance to speak with our officers and directors.

Thanks again for attending.