

"IMAGE OF OPPORTUNITY;  
PORTRAIT OF SUCCESS"

2008 CENTERPOINT ENERGY  
SUPPLIER DIVERSITY  
RECOGNITION BREAKFAST

Remarks by

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Thank you, Penny.

Good morning and thank you for being a part of our celebration. It's always a pleasure to visit with so many colleagues and friends.

Today we honor CenterPoint Energy's diverse suppliers of quality business solutions and recognize our employees who support, sponsor and champion supplier diversity.

As usual, we will follow the awards ceremony with a workshop in which CenterPoint Energy, our MWBE partners, and a variety of majority suppliers will explore business opportunities.

First, let me share with you some images of such opportunity and "paint" for you a portrait of success.

At CenterPoint Energy, we believe supplier diversity is simply smart business. As I hope to show, we continue to reap the benefits of the quality and competitive solutions our diverse suppliers deliver, and we are dedicated to growing relationships that make us all stronger.

Our supplier diversity objectives, you may recall, are threefold:

1. To continually and proactively discover and network with qualified diverse partners who can provide value-adding goods and services in a competitive market

2. To actively engage in the development and enhancement of opportunities for diverse and small business concerns
3. To educate and demonstrate to our prime suppliers the value of supplier diversity inclusion while encouraging their support and involvement.

In 2007, CenterPoint Energy did business with 350 certified minority- and women-owned business enterprises. They supply us with natural gas. They sell us electric transformers. They service gas and electric meters. They trim trees and preserve our rights of way. They construct, maintain and secure our facilities. They staff those facilities with employees and contractors. They provide employees with office products and computers. They feed our employees and fuel our vehicles. They feed our success.

Last year we spent nearly 150 million dollars with MWBEs -- not counting fuel for our natural gas delivery units. That's more than 10 percent of our non-fuel expenses. Our electric unit leads the way with an MWBE spend of 16.5 percent, above the national average for our industry. We did spend over 50 million dollars with MWBE suppliers on fuel, so all together our total MWBE spend exceeded 200 million dollars. That's a lot of money -- any way you count it.

But today, I don't want to talk just about dollars or numbers. I want to talk about people.

Let me tell you about Jean Johnson. Jean is the founder, president and CEO of LegalWATCH, a risk mitigation training company.

She began her relationship with CenterPoint Energy at the fifty-thousand foot level when she met Georgianna Nichols, our former president of electric operations, on an airplane. She then took the initiative to call our deputy general counsel Carol Helliker, who was impressed by her tenacity, not to mention her training curriculum and skills.

Last fall, Jean began conducting Risk Mitigation 101 classes for CenterPoint Energy managers. She teaches them the legal risks of what they say, do, and document, to avoid costly settlements, litigation, regulatory penalties or worse. Carol describes her teaching style:

"Jean is very dynamic. She makes a dry topic entertaining by cross-examining trainees and looking at recent events to give real-life examples."

Thank you, Carol Helliker and Karen Jones-Potter, for discovering Jean Johnson.

Kerry Briggs is not a new discovery. Briggs Field Services has provided CenterPoint Energy with quality right-of-way services for years. They supply us with contract agents for land acquisition, title research and other services such as verifying, locating and recording easements, managing lease agreements and even dealing with trespassers.

The key to Briggs success, says Aisha Currie, CenterPoint Energy right-of-way supervisor is finding the right people for CenterPoint Energy:

"In today's tough market, he scours new places to find people with the necessary experience, training and knowledge to fit our needs. He picks good people, and he manages them well."

Right-of-way agents fill a high-customer-contact role. These contacts can be confrontational, Currie says, but "their agents are fearless." They work diligently to defend our land rights. They embrace CenterPoint Energy's core values of accountability, initiative, integrity, and respect. As Aisha says, "If you live up to these values, you'll enjoy success with our company and others as well."

And you'll gain recognition. Successes like these earned CenterPoint Energy accolades in 2007. We were awarded "Corporation of the Year" honors by the Houston Minority Business Council, which also honored three of our employees individually: Jewel Smith, Steve Dukes and Terry Munder.

In addition, the Women's Business Enterprise Alliance presented CenterPoint Energy with the "2007 Cutting Edge Award."

These awards attest to our continued success in meeting our first supplier diversity objective to discover qualified diverse partners.

Our second supplier diversity objective, again, is to develop and enhance opportunities for MWBEs through training, mentoring, and outreach.

In 2007, CenterPoint Energy funded four EEI, HMBC and WBEA scholarships for MWBEs to attend training across the country.

One mentored company, Turkco Inc., owned by Richard Thomas, performs underground line locating and meter services. Last year, we doubled our spend with Turkco to nearly 2 million dollars. We nominated Turkco for HMBC's Minority Business Enterprise of the Year, and I'm happy to announce that as the winner in his category, Turkco will compete for the National Minority Supplier Development Council's national award. Congratulations, Richard!

In other outreach last year, we hosted, co-hosted and participated in supplier diversity events, forums, workshops, networking conferences, expos, and diverse and women business supplier match-making across our footprint.

In Shreveport, Louisiana, CenterPoint Energy Business Analyst Sharon Henderson not only engages MWBEs through her Office Support Services job, but she also serves as treasurer of the Minority Business Council, an affiliate of the Greater Shreveport Chamber of Commerce.

The mission of the council is to increase the number and quality of minority businesses, enhance their visibility in the community, and provide forums for minority and majority businesses to explore business opportunities.

Sharon helps the MBC fulfill this mission through monthly luncheons, mixers, panel discussions and an annual expo, which she will chair this year.

In 2007, CenterPoint Energy was a gold sponsor of the MBC Expo, which is attended by banks, construction companies, janitorial service companies, retail sales companies et cetera as well as big businesses such as Enterprise Rent-a-Car and Shreveport's casinos. Procurement managers from top companies in the area attend the expo to find new suppliers.

CenterPoint Energy has no trouble finding qualified MWBE partners in Louisiana. As Sharon says, "most of the time, they find us."

Thanks, Sharon, for nurturing minority-owned businesses in northwest Louisiana.

Last fall, Blanca Velasquez and Krystal Castro attended a forum co-sponsored by CenterPoint Energy and the Houston Minority Business Council to find a new Spanish translator for our Corporate Communications. Blanca was impressed by the efficiency of the interview process and the quality of the suppliers:

“The candidates were excellent! There were a variety of companies from large and international firms to small ‘mom and ‘pop’ operations. They were very professional, with strong work samples and proposals, and were grateful for the opportunity. And without our Supplier Diversity team, we wouldn’t have known these vendors were out there.”

Just last week, we awarded a contract to one of these vendors – Donatti Translation & Interpreting. We will also leverage an existing relationship with our advertising partner, Love Advertising, (a WBE) to include translation services.

Blanca advises suppliers to understand our business, to combine quality with competitiveness, and to continue to grow and innovate. “We need *today’s* expertise,” she says.

While we continue to succeed in our second objective to enhance MWBE opportunities, we know that sometimes the opportunity is to be purchased by a non-diverse firm. Such was the case with McJunkin Red Man pipe and supply, a former CenterPoint Energy MBE of the Year. Today they join us along with several other prime suppliers in this morning’s workshop to pursue our third supplier diversity objective to bring together majority and diverse suppliers.

The other prime suppliers are:

- ABB transformers
- General Electric



- Itron
- Kinder Morgan
- Quanta Services
- Solar Turbines, and
- Spectra Energy.

Last year, we hosted three similar forums for minority professional services firms. Four years ago, we committed to doubling our spend with such firms by next year. Our starting point was 2.7 million dollars, so our goal was 5.4 million dollars. Well, our 2007 minority professional services spend was 14 million dollars, so we've increased it not by two times but by *five* times!

The goal of these workshops is to create win-win-win opportunities for CenterPoint Energy and our MWBE and majority suppliers, and I've got a pair of great examples.

Last fall, CenterPoint Energy Resources Corporation, our natural gas distribution, competitive natural gas sales and services, and natural gas pipeline and gas gathering subsidiary, sold 500 million dollars of securities.

As our treasurer, Marc Kilbride, relates, the transaction included a minority firm, Williams Capital, in the underwriting syndicate:

“Williams Capital is not one of the banks in our credit facilities, so, before, it would have been hard to include them. However, Williams has formed an alliance with Northern Trust, a bank in our credit facility that does not typically underwrite corporate securities. So their alliance gave us a chance to do business with both of them.”

Williams received a majority of the underwriting fee paid to Williams and Northern, amounting to nearly two-hundred-thousand dollars.

This is a great example of a successful alliance between an MBE and prime supplier. The diverse firms who approach Marc express gratitude for his accessibility, sincerity and respect even when there is no business fit.

Let me show you one more portrait of success.

Earlier, I told you that we don't include fuel for our natural gas delivery units in our official MWBE spend reports. Nonetheless, these are real dollars – over 50 million of them in 2007 – that make a real difference to minority- and women-owned gas suppliers.

As a commodity, wholesale natural gas sales are driven by supply and demand. Margins can be as low as one-fourth to one-half a cent per million BTUs, but competitive minority- or women-owned firms can reap big rewards.

“It’s not a lot of deals,” says Kent Armstrong, who manages gas supply and transportation for our local gas distribution companies in the South, “But it’s a lot of dollars.”

In some cases, these suppliers are themselves supplied by larger companies like Chevron, Conoco Phillips or Sempra, who also supply CenterPoint Energy. If the MWBE can’t beat the big supplier’s price, we can still sometimes make win-win-win deals.

For example, we may reach our credit limit with a big supplier but still need more gas. The MWBE may lack sufficient credit worthiness for a large contract. The parties can then engage in a Funds Transfer Agreement (or FTA) in which a bank holds the payment in escrow to pay the small and large supplier their profits directly. We get our gas, the MWBE and prime supplier both get our business, and credit risks are mitigated.

One of our gas suppliers, Walden Energy of Oklahoma, a WBE owned by Tamara Walden, enjoys such an alliance with Conoco Phillips and Sempra. We signed our latest deal with Walden earlier this month.

These are just a few portraits of our supplier diversity success. Shortly, we will present awards to many more CenterPoint Energy employees and business partners for nurturing a culture of supplier diversity at CenterPoint Energy.

Our success rests on this culture and on broad employee participation, the commitment and oversight of our executive officers, including our MWBE Advisory Council, goal setting and accountability, and spreading the gospel of supplier diversity inside and outside our company.

We will continue to pursue our supplier diversity objectives.

We will include MWBE firms in strategic sourcing and e-procurement initiatives. We will improve our MWBE spend through leadership across our business.

We will continue to communicate needs to MWBE bidders and offer advice to increase their competitiveness. We will continue to use MWBE councils and organizations to share business opportunities.

And we will continue to bring majority and diverse suppliers together – beginning with today’s workshop right after the awards ceremony.

Thank you for letting me share our story with you, and thank you for being a part of our success.