

**Utility Economic Development Association
2006 Winter Forum**

“A Winning Team: Utilities and Their Communities”

Keynote Address

by

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Thank you, John.

And thanks to the UEDA for including me in your program. I'm honored to be here.

As president of the host utility for this event, I want to acknowledge and thank our fellow Texas utilities and forum co-sponsors: AEP, Entergy, and TXU.

Finally, special thanks to you members of the UEDA for the essential work you do every day to position our communities for growth and to help build their global competitiveness.

As the theme of this forum – “A Winning Team: Utilities and Their Communities” – suggests, partnering with our communities is exactly what Economic Development is all about at CenterPoint Energy and across the land.

I'd like to start by giving you some historical perspective on our city and our company.

CITY OF ENTREPRENEURS

Houston has always been and remains today a city of entrepreneurs. It was founded in 1836 by two brothers from New York – Augustus and John Kirby Allen.

They bought 2,000 acres of swampland at the fork of Buffalo and White Oak bayous – 50 miles from the Gulf of Mexico, where they envisioned a “great interior commercial emporium of Texas,”¹ which was a newborn Republic just then gaining independence from Mexico.

Allen's Landing, just five blocks from this Hotel, received its first ship in 1837. And the ships are still coming. In 1914, completion of the deepwater Houston Ship Channel made Houston a true ocean port. Today our city is the fourth largest city in the U.S. and the nation's second largest seaport. **I don't think that even the Allens envisioned that!**

The Allen brothers were masters of economic development. They were marketing geniuses. First they named their city after the hero of Texas independence and the republic's first president: Sam Houston.

Then they secured the votes of a majority of the Texas Congress to name Houston the first capital of Texas after promising to build the capitol building with \$10,000 of their own money in what has been called "one of this nation's earliest economic development incentive packages."²

Yet it wasn't until the turn of the century, after the capital had moved to Austin, after the Galveston hurricane and after the discovery of oil at nearby Spindletop that Houston vaulted above Galveston as "the great commercial emporium of Texas."

GROWING CITY; GROWING ENERGY NEEDS

As Houston grew, so did its energy needs. In 1866, Houston Gas Light Company was organized to supply gas for street lights in the "Bayou City."

In June, 1882, Houston Electric Light & Power was granted a franchise by the Houston City Council, and on December 13th of that year, patrons of the New Capitol Hotel bar – later the Rice Hotel, now the Rice Lofts, just a block down Texas Avenue – basked beneath a pair of electric arc lights in the belief they had therapeutic qualities. What a vision that must have been!

These two companies – one gas, one electric – operated separately for the next 115 years until they merged in 1997 to become what is now CenterPoint Energy.

Today CenterPoint Energy is:

- One of the nation's largest combined natural gas and electric delivery companies, with almost 5 million metered customers.
- We're the third largest publicly traded natural gas delivery company in the U.S. with nearly 3 million natural gas customers in six states.
- We're an electric Transmission and Distribution utility delivering 20 percent of the electricity consumed in Texas to customers in a 5,000 square-mile service territory in and around Houston.

- We're a pipeline company that owns and operates two interstate pipelines, gathers natural gas, and provides pipeline services.
- We're the third largest energy company employer in Houston with over 5,000 local employees.
- And we're number 209 in Fortune's 500 with about \$16 billion in assets, \$8 billion in annual revenue, and 9,000 employees in 11 states.

The growing petrochemical cluster was the target of our first Economic Development group, formed after the Second World War. Back then we called it Area Development.

Over the next decade and a half, this cluster and others, such as the oil field services cluster, grew dramatically with our help.

By the mid-1960s, Houston had become one of the fastest growing cities in America, and the city's growth began to exceed the capacity of our electric infrastructure. Our economic development effort became dormant for the next 20 years.

During those 20 years, the oil and gas industry continued to form Houston's economic base, accounting for more than three out of four³ jobs producing goods or services for export outside the region. That was fine while business was booming.

POP GOES THE OIL BUBBLE

But the oil boom turned to bust. The oil rig count, after making a historic climb, fell more than 75 percent. Oil prices fell from \$35 a barrel to less than \$10.⁴ The number of business bankruptcies in the city quadrupled.

Houston needed economic development and economic diversity in the worst way. City leaders created the Houston Economic Development Council to foster diversification, and CenterPoint Energy began to rebuild an economic development effort whose core mission was to help diversify the Houston economy.

YOU CAN'T KEEP A GOOD TOWN DOWN

Today we are working in a much more sophisticated and diverse business environment where more than half⁵ of economic base jobs are independent of the energy sector.

But Houston remains America's leading oil refining center and the so-called "Energy Capital of the World," headquarters to 44 of the country's 200 largest publicly traded oil and gas exploration and production firms. More than 5,000 energy firms do business in the area.

Yet the diversification of Houston's economy over the last quarter century has reduced our dependence on the energy sector.

We're home to NASA's Johnson Space Center, which employs 17,000⁶ engineers, scientists and administrative personnel. With 20 aerospace firms, Houston ranks first in the nation in dollars spent on aerospace research and development.⁷

Each day 65,000 Houstonians go to work in the Texas Medical Center – the world's largest – with over 40 member institutions serving 5 million patients⁸ per year from across the globe. Houston hospitals consistently rank among the nation's top institutions for treatment of cancer, heart disease, neurological disorders, pediatric ailments and more.

Houston's expertise in energy, aerospace and medicine provides fertile ground for research and application of new technologies such as superconductivity and nanotechnology: the creation of structures at the atomic level. And our very own Rice University's Dr. Richard Smalley was awarded a Nobel Prize in chemistry for his work in such fields.

Houston has the nation's third fastest-growing high-tech workforce, with 225 companies engaged in software publishing and 1,500 providing programming and system design services.

Our high-tech workforce pursues its higher education at 60 area colleges, community colleges, universities and institutes, with a total enrollment of nearly 300,000 students from around the world. In a given year, 10 thousand or more bachelor's and master's degrees in business are conferred on Houston area graduates.

These graduates enter a local business market with more than 20 Fortune 500 companies, third most in the nation.⁹ Houston also ranked third among the top 10 most populous metro areas in employment growth rate for the 12 months ending last November, during which we gained over 42,000 jobs.¹⁰

Houston is not only a great place to do business, but also a great place to live. The cost of housing is 27 percent below the national average and 48 percent below average for large metro areas. In fact, we have the lowest home prices of the 22 largest U.S. cities. Our cost of living is 12 percent below the national average.

ECONOMIC DEVELOPMENT TODAY

That's a good environment for economic development. Yet we – and our fellow Texas utilities – have undergone changes in our own industry.

Deregulation of the Texas electric industry and the subsequent spin-offs of our former electric generation and retail businesses caused us to take a hard look at our economic development program. As an unbundled electric delivery company, we can only grow customers by growing communities. That's why we must continue to proactively generate growth in an effective, efficient, and responsive way while enhancing our company's visibility and respect among the business leaders of the communities we serve.

With over 20 fully staffed, community-based economic development organizations in our service area today, we partner with our communities, professional and industry organizations, and state and local government to help grow Houston's employment base and our customer base through business recruitment and expansion.

Our economic development partnerships span our entire service area where we have taken on more than 70 leadership roles on the boards and committees of more than 30 organizations to help shape the future of our communities.

Our partners come to us for our experience, for professional support and for industry intelligence available through our Business Resource Center. We provide expertise not only on gas and electric requirements, but also on marketing, real estate, and research.

We work closely with the Greater Houston Partnership on virtually every major expansion or relocation project in our area. We work with the Partnership to put on trade shows and special events for the economic development community, such as a presentation on economic trends by renowned economist Ray Perryman.

We're members of the governor's Texas One initiative, through which the economic development community and corporate supporters put together a market fund for the state.

Texas One members host events to promote the region to companies considering expansion or relocation. We sponsored just such a reception this past Sunday for executives from around the country in town for the NBA all-star game.

We participate on Team Texas, formed by the Texas Economic Development Council, to promote the state to the real estate community and site consultants.

We supported Phil Wilson and the Governor's Office of Economic Development in the creation of the Texas Enterprise Fund, which is the largest such fund in the nation.

We have teamed with the Governor's Office, the Greater Houston Partnership, the Texas Economic Development Council and our communities on projects that have received nearly \$90 million in Texas Enterprise funds -- **about 30 percent of the state-wide total.**

In 2004, we helped secure a \$30 million low-interest loan to land the largest energy corporate headquarters relocation in the nation that year when Citgo chose Houston as their home.

Last year, we partnered with the Houston Partnership, the Governor's Office and the city of Baytown on the largest distribution project in the nation, Wal-Mart's 4 million square-foot import distribution center. This project included a \$100 million investment from the State of Texas Permanent School Fund, the largest investment in the fund's history.

All these partnerships strengthen our communities. As I said, **partnering with our communities is exactly what Economic Development at CenterPoint Energy is all about.**

This doesn't make us unique: we all promote the economic development of our communities.

HOPES, VISIONS, DREAMS

And when we help our communities grow, we don't just help businesses or our own bottom lines. By creating jobs, we bring hope to the people who live and work in our communities.

As you can tell, I'm very proud of Texas, Houston and CenterPoint Energy. But most importantly, I'm proud to be associated with a group like this that helps make visions and dreams come true for these communities.

While you're in town, stop and talk with the locals: you won't find friendlier folks. You can talk with them in any of 90 languages spoken in Texas' most diverse city – where no racial or ethnic group has a majority, where 83 nations have consular offices, and where 17 cultural organizations support our international community.

Ours is one of the few American cities where you can enjoy world-class, year-round performing and visual arts – opera, ballet, symphony, musical theater and drama – all within walking distance of this hotel.

Our professional teams compete in every major sport, and in just the past two years, we've hosted the Super Bowl, World Series and baseball and basketball all-star games.

I encourage you to take the downtown walking tour. You'll find yourself on Houston's oldest streets in the middle of the Allens' 2,000 acres. Look up and you can trace the flight of 20th century skyscrapers pointing toward the heavens NASA has brought within our reach.

You will see together the past, present and future brought to life by the work you do every day.

Thank you and have a great conference.

Sources

- ¹ The Telegraph and Texas Register, Aug. 8, 1836.
- ² Taylor, Gary. Houston: Gateway to the Future. Windsor Publications, 1991.
- ³ Institute for Regional Forecasting, University of Houston, June 2005.
- ⁴ Taylor, Gary. Houston: Gateway to the Future. Windsor Publications, 1991.
- ⁵ Institute for Regional Forecasting, University of Houston, June 2005.
- ⁶ Greater Houston Partnership.
- ⁷ Business Houston.
- ⁸ <http://www.texasmedicalcenter.org>
- ⁹ Greater Houston Partnership.
- ¹⁰ U.S. Bureau of Labor Statistics press release, Dec. 28, 2005.