# Pursuing Opportunities

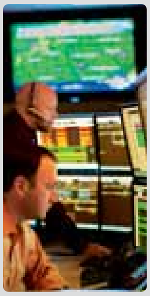
## By investing in our energy delivery infrastructure and technology, we are strongly positioned for success.

## We have the financial strength, the right assets, the right employees and the right capabilities to pursue strategic opportunities.

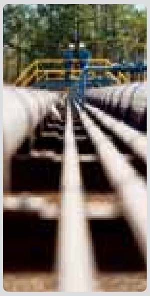
The pursuit of new opportunities is the result of building a strong foundation.

**Electric Transmission & Distribution**

**Natural Gas Distribution**



**Interstate Pipelines**



**Field Services**

**Competitive Natural Gas Sales & Services**

# Delivering Results

## Stock Performance

**FIVE-YEAR CUMULATIVE TOTAL RETURN COMPARISON FOR THE FISCAL YEARS ENDED DECEMBER 31[1][2]**


[1] Assumes that the value of the investment in the common stock and each index was $100 on December 31, 2006, and that all dividends were reinvested.
[2] Historical stock performance is not necessarily indicative of future stock performance.

## Financial Highlights

| YEAR ENDED DECEMBER 31<br>IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS | 2009 | 2010 | **2011** |
|---|---|---|---|
| **REVENUES** | $ 8,281 | $ 8,785 | **$ 8,450** |
| Operating Income | 1,124 | 1,249 | **1,298** |
| Income Before Extraordinary Item | 372 | 442 | **770** |
| Extraordinary Item, Net of Tax | – | – | **587** |
| Net Income | 372 | 442 | **1,357** |
| **PER SHARE OF COMMON STOCK** | | | |
| Income Before Extraordinary Item, Basic | 1.02 | 1.08 | **1.81** |
| Income Before Extraordinary Item, Diluted | 1.01 | 1.07 | **1.80** |
| Net Income, Basic | 1.02 | 1.08 | **3.19** |
| Net Income, Diluted | 1.01 | 1.07 | **3.17** |
| Book Value – Year End | 6.74 | 7.53 | **9.91** |
| Market Value – Year End | 14.51 | 15.72 | **20.09** |
| Common Dividend Declared | 0.76 | 0.78 | **0.79** |
| **CAPITALIZATION** | | | |
| Transition and System Restoration Bonds (includes current portion) | 3,046 | 2,805 | **2,522** |
| Other Long-term Debt (includes current portion) | 6,976 | 6,624 | **6,603** |
| Common Stock Equity | 2,639 | 3,198 | **4,222** |
| Total Capitalization (includes current portion) | 12,661 | 12,627 | **13,347** |
| Total Assets | 19,773 | 20,111 | **21,703** |
| Capital Expenditures | $ 1,148 | $ 1,462 | **$ 1,191** |
| Common Stock Outstanding (in thousands) | 391,747 | 424,746 | **426,030** |
| Number of Common Shareholders (in actual numbers) | 45,879 | 43,587 | **41,141** |
| Number of Employees (in actual numbers) | 8,810 | 8,843 | **8,827** |

# Dear Shareholder,

2011 was another excellent year for your company. Our businesses turned in solid operational and financial performances, and we finally resolved the true-up issues remaining from the 1999 law that restructured the Texas electric industry. As a result, we recovered nearly $1.7 billion in January 2012. The company is now in a stronger financial position than ever, and we are excited about the opportunities ahead.

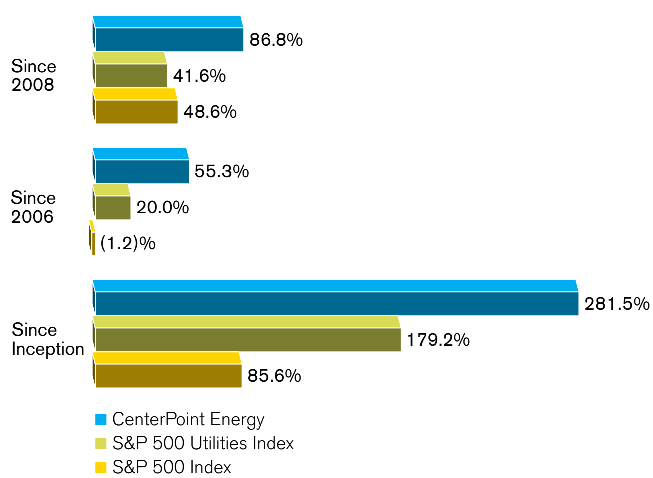
We reported record net income in 2011 of nearly $1.4 billion or $3.17 per diluted share. These results include net income of $811 million, or $1.89 per diluted share, from the true-up resolution. Excluding this impact, net income was $546 million or $1.27 per diluted share, compared to $442 million or $1.07 in 2010.

For our shareholders, 2011 was also a banner year. Our solid operating performance, the resolution of the true-up proceeding and renewed investor enthusiasm for the regulated utility sector combined to produce the best financial results since we became a stand-alone company. Total shareholder returns last year, which included stock price appreciation and annual dividends, was 33.5 percent. This significantly exceeded the S&P 500 Utilities Index return of 19.9 percent and the S&P 500 Index, where returns were 2.1 percent last year.

Shareholder returns over the long term have been equally impressive. In November, the Edison Electric Institute presented us with the EEI Index Award for achieving the highest total shareholder return among large-cap utilities over the past five years. As shown in the long-term investment performance chart, our total returns (assuming reinvestment of all dividends) for the past three years, five years and since our inception in October 2002 were 86.8, 55.3 and 281.5 percent respectively. This compares favorably to 41.6, 20.0 and 179.2 percent for the S&P 500 Utilities Index and the 48.6, -1.2 and 85.6 percent for the S&P 500 Index over the same time periods.

**Long-term Investment Performance**

Total return in percent*




*Assuming reinvestment of all dividends

# 2011 Results:

## Net Income
## $1.4 billion

## Operating Income
## $1.3 billion

## Earnings Per Share
## $3.17

## Total Shareholder Return
## 33.5 percent

We believe our success can be attributed, in large part, to three key elements:

- **Our outstanding workforce.** We have dedicated employees committed to serving our customers and taking our company to the next level. We continue to invest in employee and leadership development and intend to remain an employer of choice. This approach is yielding results. In a 2011 Towers Watson employee survey, CenterPoint Energy ranked higher than the utility benchmark in every category measured.
- **Our diversified businesses.** Our geographic, economic and regulatory diversity, along with our balanced portfolio of electric and natural gas businesses, provide us with a strong foundation for success under a variety of market conditions.
- **Our consistent strategy.** We have stayed true to our vision "to be recognized as America's leading energy delivery company... and more," and to our investment thesis of providing our shareholders with a secure, competitive dividend with growth.

### Delivering Results

Our **electric transmission and distribution business** had its best financial year ever. Core operating income for the year was $496 million, compared to $427 million in 2010. Weather was a major factor, with Texas' record-breaking drought and heat contributing to a summer in which electric usage was above historic norms each month. Customer growth contributed as well, as we added more than 45,000 new customers.

We have nearly completed our smart meter initiative, with more than 2 million meters having been installed in the greater Houston area. We are also deploying a system of new, remote-control sensors and automated switches that we call the "intelligent grid." Once completed in the middle of this decade, the intelligent grid will work with our smart meters to quickly identify outage locations, reroute power around trouble spots and notify repair crews.

Our **natural gas distribution** business had another outstanding year in 2011, achieving operating income of $226 million, which was shy of the record $231 million achieved in 2010. Our service areas continued to grow with more than 19,000 customer additions last year. We focused on improving operations, enhancing customer service and managing delinquent accounts. Rate designs providing for periodic rate adjustments, together with traditional rate recovery, helped bolster our revenues. After years of diligent effort, this business is now earning at or near its authorized rate of return.

System safety, reliability and automation remain significant business priorities. We invested nearly $300 million in capital improvements during 2011, well above our past levels. We plan to further increase capital spending to nearly $350 million this year, with a significant portion devoted to system upgrades.

Left to Right:

**David M. McClanahan**
President & CEO

**Milton Carroll**
Chairman

Our **interstate pipelines** business turned in a solid performance last year. Operating income for 2011 was $248 million, compared to $270 million in 2010. Our focus continues to be on pipeline safety and integrity, maintaining and acquiring customers and investing in state-of-the-art automation to more efficiently manage our assets. Over the next five years, system maintenance and pipeline integrity will require between $80 and $100 million in capital annually, and we anticipate additional spending to meet new environmental regulations.

In response to the growing needs of natural gas-fired power plants connected to our system, we have developed swing-load services. We have also implemented system control tools to provide better service to our customers and capture new business opportunities.

Thanks to our investment in new gathering systems in the Fayetteville and Haynesville shales, operating income for our **field services** business increased from $151 million in 2010 to $189 million in 2011. Total throughput increased nearly 30 percent with total gathered volumes rising to 2.6 Bcf per day by year end, compared to 2.0 Bcf in 2010.

Now that we have substantially completed our planned gathering systems in the Haynesville Shale, we are actively pursuing opportunities both within and outside our traditional gathering areas. With increased demand for natural gas expected in the future, gas infrastructure development will likely be needed in a number of existing and new producing regions.

Our **competitive natural gas sales and services** business struggled in 2011. Operating income for the year was $6 million, compared to $16 million in 2010. Very low seasonal and geographic natural gas price differentials caused some of our pipeline and storage contracts to be uneconomic. A number of these contracts have expired or will terminate over the next 12 to 18 months. Our principal focus remains on serving commercial and industrial customers across our 21-state footprint and improving the overall profitability of this business.

## Pursuing Opportunities

We remain confident about our future. Our electric utility serves one of the most attractive and vibrant service territories in the nation. As the first major metropolitan area to recover from the economic downturn, Houston should remain a leader in economic growth and job creation. We are building the electric infrastructure to meet these new demands while continuing to lead the nation in the deployment of smart meters and intelligent grid technologies. This will ultimately create a more reliable and efficient grid to better serve our customers.

Natural gas is one of the fastest growing fuels in the nation's energy mix. The abundance of this resource is undisputed given the recent technological breakthroughs in developing and producing natural gas from shale formations. Because it is inherently cleaner than any other fossil fuel, the use of natural gas in power generation as well as home and industrial use is expected to increase in the years to come. Our various natural gas segments are poised to be a part of this resurgence. The regulated gas distribution business, which spans six states, is ready to invest in new infrastructure. Not only are we building to serve growing demand, but we are also accelerating the replacement of aging pipelines.

Our midstream business, which includes interstate pipelines and the field services unit, will compete for the infrastructure projects that will be required to get the new sources of natural gas to end-use consumers. In the near term, our interstate pipelines will be focused on serving new power plant loads and industrial customers located near our core system. It is unlikely that any new, large interstate pipelines will be needed in our current footprint over the next few years. However, we expect new laterals and significant gathering and processing facilities will be required, and we will actively pursue these new opportunities, both within and outside the areas where we currently operate. Of course, our competitive energy services business will be there to serve the growing natural gas needs of commercial and industrial customers.

In short, we believe we have the financial strength, the right assets, the right employees and the right capabilities to pursue these strategic opportunities.

In January 2012, our Board of Directors raised our quarterly dividend from 19.75 cents per share to 20.25 cents per share. This marks the seventh consecutive year the CenterPoint Energy dividend has been increased, showing the confidence the Board has in our ability to deliver sustainable earnings and cash flow. We hope you share this confidence.

Thank you for your continued support and investment in CenterPoint Energy.

Milton Carroll

**Milton Carroll**
Chairman

David M. McClanahan

**David M. McClanahan**
President & CEO

Consumers will have even greater ability to manage their energy consumption with devices such as in-home energy monitors.

## Giving you intelligent solutions

*Investing to serve growth and increase reliability*

**With $623 million in operating income consisting of $496 million from the electric utility and $127 million related to transition and system restoration bonds, our electric transmission and distribution business had its strongest financial year. These results were driven by record heat, increased energy use and customer growth of more than 45,000.**

**During the second quarter of this year, we will complete our three-year project to deploy more than 2 million smart meters across our service territory. The meters have allowed us to automate meter reading and, to date, remotely complete nearly 2 million routine orders. By eliminating the need to send crews to execute these orders, we are completing transactions more quickly and reducing vehicle carbon emissions.**

**We continued deployment of our intelligent grid. Using advanced automation and sensor technologies, the grid will work with smart meters to identify outage locations and, where possible, reroute power around an outage. This will minimize the number of customers affected and enable us to restore power more efficiently.**

**Smart meters will also eliminate the need for customers to report outages. We are now working on a system that will allow customers to receive notifications by phone, text or email when their power goes out and when it is restored.**

**Looking ahead, supporting growth and system reliability continue to be top priorities. The Houston economy grew faster than that of any other major city in North America last year, adding more than 80,000 jobs. This pace is expected to continue in 2012, and we are investing in infrastructure to support this growth. For example, we are preparing to build a substation to serve a new, master-planned community that will include up to 5,000 homes along with nearly 10 million square feet of commercial office and retail space. We recently applied for approval from the Public Utility Commission of Texas to construct a high-voltage transmission line to serve this project and future growth in the area.**

**In addition to our intelligent grid initiative, we spent nearly $38 million on other grid hardening activities, including accelerated tree trimming and more frequent circuit and pole inspections. Further, we have initiated the design and construction of a secondary control and data center that will provide an essential level of redundancy and comply with new federal regulations.**

### Pursuing Opportunities

**Our intelligent grid investment will improve reliability and provide consumers more information.**

Customers enjoy the traditional
use of clean-burning natural gas.

## Producing good returns through innovative rate designs

*Using technology to enhance customer experiences and gain efficiencies*

**Our natural gas business had a solid year, delivering operating income of $226 million, compared to $231 million in 2010. We also added more than 19,000 customers across our six-state territory.**

**We continued our long-term strategy of implementing innovative rate designs, including decoupling, energy-efficiency incentives and infrastructure cost recovery mechanisms, and other periodic rate adjustments. Additionally, we settled a rate case in our South Texas division allowing us to raise base rates by $4.6 million. We extended asset management agreements and revenue-sharing mechanisms in Arkansas, Louisiana and Oklahoma. Through these agreements, third-party companies pay us for the opportunity to manage certain gas storage assets, minimizing our financial risk.**

**By focusing on our credit and collections practices, and with the benefit of low natural gas prices and Low Income Home Energy Assistance Program funding, we decreased our bad debt expense by $8 million. Our bad debt-to-revenue ratio is now less than 1 percent, which is better than the national average.**

**Last year, we invested $295 million in capital – in part for system safety and reliability, such as replacing cast iron and bare steel pipe and installing remote-control valves. In 2012, we plan to increase our capital spending to approximately $350 million, the majority being directed to ongoing replacement programs to improve system integrity and operations.**

**We made great strides in deploying drive-by metering technology in our Houston and South Texas service areas. When complete in 2013, the $98 million upgrade of these 1.3 million meters is expected to increase productivity by allowing us to read 10,000 meters per vehicle per day, up from 500 meters per person per day.**

**A number of initiatives have enhanced our customers' experience. Continued expansion of our conservation improvement programs in Arkansas, Minnesota and Oklahoma resulted in record-setting customer participation and energy savings. My Energy Analyzer, a free online tool, helps residential natural gas customers better understand the factors that drive their bill and helps them manage their consumption.**

**Additionally, we introduced new self-service tools that allow customers to make one-time and future payments, schedule routine service appointments with a technician, request a bill due date extension and more. These types of efforts helped earn a first-place ranking in the Midwest region of the J.D. Power and Associates annual gas utility residential customer satisfaction study.**

Pursuing Opportunities


Through collaboration with industry groups, local governments and state agencies, we are working to support the viability of natural gas as a transportation fuel.

At the 24-hour, state-of-the-art control center, employees monitor our 8,200-mile pipeline system.

## Optimizing system capacity with new offerings and technology

*Maximizing customer flexibility and system reliability*

**Our interstate pipelines business felt the effects of falling natural gas prices and an oversupply of pipeline capacity, delivering reduced margins and lower operating income than the prior year. In 2011, operating income was $248 million, compared to $270 million in 2010. In addition, we earned equity income of $21 million from our 50 percent interest in the Southeast Supply Header, compared to $19 million the previous year.**

**Earnings were adversely affected by the expiration of a three-year backhaul agreement that was entered into when gas demand and locational price spreads were much higher. However, we successfully renewed contracts with several key customers including BP and U. S. Steel, and extended contracts with several others to reduce the year-to-year price risk associated with contract renewals. We also entered into a new five-year agreement with EOG Resources and added 40 new industrial customers.**

**We began offering a new premium service to natural gas-fired power plants that provides swing-load service during high-demand periods. Given the number of plants already served by our system and the possibility of nearby coal-fired plants converting to natural gas, we are optimistic about the long-term potential growth of this service.**

**Upgrades, such as adding state-of-the-art system control technology, will allow us to optimize our real-time operations and capture new business opportunities.**

**In conjunction with the Interstate Natural Gas Association of America, we took a leadership role in the development of pipeline safety legislation, which was signed into law in early 2012. The new law updates and improves policy in several areas including integrity management and damage prevention. During 2012, we will complete our multi-year project to perform baseline integrity assessments of our pipelines located in high-consequence areas.**

**Looking ahead, we face a challenging short-term environment in which overcapacity, reduced demand and low natural gas prices will continue to pressure profit margins. However, we remain optimistic about the long term. Demand will improve as the economy recovers, and the continued growth of shale gas should lead to increased transportation opportunities. This may be especially true in the power generation sector, where clean-burning natural gas is increasingly displacing coal as a fuel source.**

Pursuing Opportunities

This American Electric Power natural gas-fired power plant is one of many we serve on our system. We expect this number to grow as more power plants convert to natural gas.

Our midstream operations come together at the Carthage to Perryville pipeline at the Westdale compressor station.

## Adding capacity to meet prolific growth while achieving record income

*Completing projects on time and on budget*

**Field services continued to see volume growth and return on investments made in the Fayetteville and Haynesville shales. For the year, operating income was $189 million, compared to $151 million in 2010. Equity income from our 50 percent interest in a gathering and processing joint venture was $9 million, compared to $10 million the previous year.**

**Our recent contracts that provide minimum throughput commitments and/or rate of return guarantees will stabilize revenues and mitigate the impact of production volume reductions due to declining natural gas prices. In 2011, our margins grew by nearly 30 percent, primarily as a result of our extensive projects in the Haynesville and Fayetteville shales.**

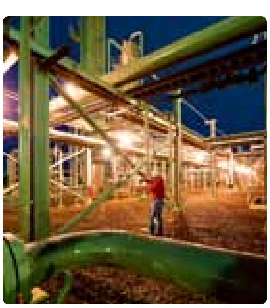
**By year's end, our total throughput was 2.6 billion cubic feet (Bcf) per day, an increase of nearly 30 percent over 2010. To accommodate that growth, we added nearly 100 miles of pipeline to our gas gathering systems, which now total nearly 3,900 miles. This provides our customers even greater reliability and operating flexibility.**

**We continued our ongoing capital investment in future growth opportunities, though at lower levels than in past years. At our Magnolia gathering system, which serves the Haynesville Shale, we placed into service an expansion project that added 200 million cubic feet per day (MMcfd). This brings our total Magnolia and Olympia contracted capacity to 1.5 Bcf per day.**

**Though a number of large projects are now substantially complete, we have smaller projects planned, such as expansions of our Elm Grove, Red Oak and Spiro facilities. We are also exploring additional opportunities in and around our footprint.**

**We see some new revenue potential as well as opportunities to increase profitability through enhanced automation and improved operating efficiencies. We are testing new processes at our amine facilities that allow the system to remain in service during plant maintenance, which reduces downtime for customers and the cost of operations. Other upgraded technology applications will give us more timely and actionable information, which will provide us with greater daily optimization opportunities.**

### Pursuing Opportunities



CenterPoint Energy employees work around the clock at our Clear Lake compressor station in the Haynesville Shale. We will continue to capitalize on our competitive position for shale opportunities.

## Expanding into new markets and adding services

*Accelerating execution of our business strategy*

**For the fifth consecutive year, we expanded our customer base; however, our financial performance was hampered by the cost of restructuring our pipeline capacity commitments and the absence of significant improvement in wholesale asset market fundamentals. Operating income for the year was $6 million, compared to $16 million in 2010.**

**2011 marked a year of change and repositioning. Given the significant changes in geographic and seasonal natural gas differentials, we re-evaluated the pipeline and storage assets under contract and accelerated the release of some uneconomic capacity. We also reorganized our workforce to better serve existing customers while pursuing future growth opportunities.**

**We added more than 1,400 diverse large-volume commercial and industrial customers and 13,000 residential accounts through state "choice" programs with our acquisition of a small marketing company. We have expanded into four new states, bringing our total number of states served to 21.**

**Mobile Energy Solutions, which provides temporary natural gas delivery solutions for industrial and utility customers, was transferred from the company's gas operations unit into this business to facilitate more service offerings and increase sales opportunities.**

**We also invested in our intrastate pipeline system to serve new industrial customers along the Gulf Coast. We introduced Green Balance, a carbon-neutral gas purchase program that gives customers the ability to offset carbon emissions related to their natural gas consumption. Additionally, online self-service options were added, and for the eighth year in a row we achieved a customer satisfaction rate of more than 90 percent. We also launched our Premier Partners program to provide enhanced services to our key national account customers.**

Pursuing Opportunities

**One of the many customers we serve, Ternium USA, Inc., produces galvanized metal for buildings. With innovative service offerings, we expect to continue to grow our number of commercial and industrial customers.**

# Board of Directors

Pictured, from left to right: Michael P. Johnson, O. Holcombe Crosswell, Susan O. Rheney, Donald R. Campbell, David M. McClanahan, Milton Carroll, R.A. Walker, Janiece M. Longoria, Peter S. Wareing and Sherman M. Wolff.

**Milton Carroll, 61**
Chairman of the Board, CenterPoint Energy; Chairman and Founder, Instrument Products, Inc., an oilfield equipment manufacturing company

**Donald R. Campbell, 71**
Former Chief Financial Officer, Sanders Morris Harris Group, Inc., a NASDAQ-listed regional investment banking firm

**O. Holcombe Crosswell, 71**
President, Griggs Corporation, a real estate and investment company

**Michael P. Johnson, 64**
President and Chief Executive Officer, J&A Group, LLC, a management and business consulting company

**Janiece M. Longoria, 59**
Partner, law firm of Ogden, Gibson, Broocks, Longoria & Hall, L.L.P.

**David M. McClanahan, 62**
President and Chief Executive Officer, CenterPoint Energy

**Susan O. Rheney, 52**
Private investor and former Principal with The Sterling Group, a private financial and investment organization

**R.A. Walker, 55**
President and Chief Operating Officer, Anadarko Petroleum Corporation

**Peter S. Wareing, 60**
Co-founder and Partner, Wareing, Athon & Company, a private equity firm

**Sherman M. Wolff, 71**
Former Executive Vice President and Chief Operating Officer, Health Care Service Corporation, a customer-owned health benefits company

# Officers

Pictured, from left to right: Tracy B. Bridge, Joseph B. McGoldrick, Scott E. Rozzell, David M. McClanahan, Gary L. Whitlock, Thomas R. Standish, Scott M. Prochazka, C. Gregory Harper.

## Executive Committee

**David M. McClanahan, 62**
President and Chief Executive Officer

**Scott E. Rozzell, 62**
Executive Vice President, General Counsel and Corporate Secretary

**Thomas R. Standish, 62**
Executive Vice President and Group President, Corporate and Energy Services

**Gary L. Whitlock, 62**
Executive Vice President and Chief Financial Officer

## Other Corporate Officers

**C.H. Albright, Jr., 62**
Senior Vice President, Policy and Government Affairs

**Christopher J. Arntzen, 41**
Vice President, Deputy General Counsel and Assistant Corporate Secretary

**Jeff W. Bonham, 49**
Vice President, Government Relations

**James M. Dumler, 51**
Senior Vice President, Strategic Planning and Business Development

**Walter L. Fitzgerald, 54**
Senior Vice President and Chief Accounting Officer

**Carol R. Helliker, 51**
Senior Vice President, Deputy General Counsel and Chief Ethics and Compliance Officer

**Kimberly A. Johnston, 44**
Vice President, Tax

**Marc Kilbride, 59**
Vice President and Treasurer

**Carla A. Kneipp, 40**
Vice President, Audit Services

**Floyd J. LeBlanc, 52**
Vice President, Corporate Communications

**Mark C. Schroeder, 55**
Senior Vice President and Deputy General Counsel

**C. Dean Woods, 60**
Vice President, Human Resources

## Company Leadership

**C. Gregory Harper, 47***
Senior Vice President and Group President, Pipelines and Field Services

**Walter L. Ferguson, 56**
Division Senior Vice President, Midstream Field Operations, Engineering and Construction

**David R. Jewell, 59**
Division Senior Vice President, Midstream Capacity Operations, Optimization and Gas Systems

**Peter M. Kirsch, 48**
Division Senior Vice President, Midstream Technical and Compliance Services

**William H. May, Jr., 54**
Division Senior Vice President and Chief Commercial Officer, Field Services

**R. Poe Reed, 56**
Division Senior Vice President and Chief Commercial Officer, Pipelines

**Joseph B. McGoldrick, 58***
Senior Vice President and Division President, CenterPoint Energy Services

**Eric W. Sullivan, 55**
Division Senior Vice President, CenterPoint Energy Services

**Tracy B. Bridge, 53***
Senior Vice President and Division President, Gas Distribution Operations

**Rick Zapalac, 58**
Division Senior Vice President, Gas Distribution Operations and Engineering

**Scott M. Prochazka, 46***
Senior Vice President and Division President, Electric Operations

**John C. Houston, 61**
Division Senior Vice President, Compliance and High Voltage Power Delivery

**Kenneth M. Mercado, 49**
Division Senior Vice President, Grid and Market Operations

*Corporate Officer