

proposed amendment would issue a written policy that clarifies how the requirements of the OPRA Plan pertaining to vendors apply to persons who redistribute OPRA data over the Internet. Notice of the proposal was published in the **Federal Register** on April 15, 2005.⁴ The Commission received no comment letters on the proposed OPRA Plan amendment. This order approves the proposal.

The OPRA Plan generally defines a "vendor" as a person who redistributes OPRA data (*i.e.*, options last sale and quotation reports and related information) to persons outside of its own organization. Persons who act as vendors are required to enter into vendor agreements with OPRA and pay applicable access and redistribution fees. The purpose of the proposed Plan amendment is to adopt a written policy codifying prior interpretations concerning how provisions of the Plan applicable to "vendors" apply to persons who redistribute OPRA data by means of the Internet.

After careful review, the Commission finds that the proposed OPRA Plan amendment is consistent with the requirements of the Act and the rules and regulations thereunder.⁵ The Commission believes that the proposed OPRA Plan amendment is consistent with Section 11A of the Act⁶ and Rule 11Aa3-2 thereunder⁷ in that it is appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanisms of, a national market system. Specifically, given the increasing use of the Internet as a means of providing OPRA data to subscribers and others, the Commission finds that it is appropriate to clarify exactly who among the various types of service providers involved in Internet transmission of OPRA data are considered to be performing the function of a vendor under the OPRA Plan, and therefore subject to those provisions of the OPRA Plan applicable to vendors.

exchanges. The six participants to the OPRA Plan are the American Stock Exchange LLC, the Boston Stock Exchange, Inc., the Chicago Board Options Exchange, Inc., the International Securities Exchange, Inc., the Pacific Exchange, Inc., and the Philadelphia Stock Exchange, Inc.

⁴ See Securities Exchange Act Release No. 51514 (April 8, 2005), 70 FR 19976.

⁵ In approving this proposed OPRA Plan amendment, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁶ 15 U.S.C. 78k-1.

⁷ 17 CFR 240.11Aa3-2.

It is therefore ordered, pursuant to Section 11A of the Act,⁸ and Rule 11Aa3-2 thereunder,⁹ that the proposed OPRA Plan amendment (SR-OPRA-2005-01) be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27972]

Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

May 20, 2005.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by June 14, 2005, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After June 14, 2005, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

CenterPoint Energy, Inc., et al. (70-10299)

CenterPoint Energy, Inc. ("CNP"), a registered holding company, of 1111 Louisiana, Houston, TX 77002; Utility

Holding, LLC ("Utility Holding"), a direct subsidiary of CNP and also a registered holding company, of 1011 Centre Road, Suite 324, Wilmington, DE 19805; their public utility subsidiaries, CenterPoint Energy Houston Electric ("CEHE") and CenterPoint Energy Resources Corp. ("CERC") (together, "Utility Subsidiaries"), both of 1111 Louisiana, Houston, TX 77002; and certain of the non-utility subsidiaries ("Non-Utility Subsidiaries"),¹ all of 1111 Louisiana, Houston, TX 77002 (collectively, the "Applicants" or "CNP System") have filed an application-declaration ("Application") under Sections 6(a), 7, 9(a), 10 and 12(b), (c) and (f) of the Act and Rules 42, 43, 44, 45, 46, 53 and 54 under the Act.

Background

CNP is a registered holding company that was formed in 2002.² CNP indirectly owns all of its subsidiaries through its direct, wholly-owned subsidiary, Utility Holding. Utility Holding is an intermediate registered holding company formed to minimize tax inefficiencies, and it serves merely as a conduit. Utility Holding holds, directly and indirectly, all of the CNP subsidiaries, including the Utility Subsidiaries.³

The electric Utility Subsidiary, CEHE, is engaged in the transmission and distribution of electric energy in a 5,000-square-mile area of the Texas Gulf Coast that includes Houston. The natural gas Utility Subsidiary, CERC, owns gas distribution systems. Through

¹ CenterPoint Energy Service Company, LLC; CenterPoint Energy Funding Company; CenterPoint Energy Transition Bond Company, LLC; CenterPoint Energy Transition Bond Company II, LLC; Houston Industries FinanceCo GP, LLC; CenterPoint Energy Investment Management, Inc.; CenterPoint Energy Properties, Inc.; Arkansas Louisiana Finance Corporation; Arkla Industries Inc.; CenterPoint Energy Alternative Fuels, Inc.; CenterPoint Energy Field Services, Inc.; CenterPoint Energy Gas Receivables, LLC; CenterPoint Energy Gas Transmission Company; CenterPoint Energy—Illinois Gas Transmission Company; CenterPoint Energy Intrastate Holdings, LLC; Pine Pipeline Acquisition Company, LLC; CenterPoint Energy Gas Services, Inc.; CenterPoint Energy—Mississippi River Transmission Corporation; CenterPoint Energy MRT Services Company; CenterPoint Energy Pipeline Services, Inc.; CenterPoint Energy OQ, LLC; CenterPoint Energy Intrastate Pipelines, Inc.; Minnesota Intrastate Pipeline Company; NorAm Financing I; HL&P Capital Trust II; CenterPoint Energy Funds Management, Inc.; CenterPoint Energy International, Inc.; CenterPoint Energy Avco Holdings, LLC; and CenterPoint Energy Offshore Management Services, LLC.

² See *Reliant Energy, Inc.*, HCAR No. 27548 (July 5, 2002) (CNP was referred to there as "New REI").

³ As used herein, the defined-term "Subsidiaries" refers to the Applicants (other than CNP and Utility Holding), as well as any direct or indirect subsidiary companies that CNP may form with the approval of the Commission or in reliance on rules or statutory exemptions.

⁸ 15 U.S.C. 78k-1.

⁹ 17 CFR 240.11Aa3-2.

¹⁰ 17 CFR 200.30-3(29).

unincorporated divisions, CERC provides retail natural gas distribution services in Louisiana, Mississippi, Texas, Arkansas, Oklahoma and Minnesota. Through wholly owned subsidiaries, CERC owns two interstate natural gas pipelines and gas gathering systems, provides various ancillary services and offers natural gas supplies to commercial and industrial customers and natural gas distributors.

In addition to the gas pipeline and gathering subsidiaries discussed above, CNP has Non-Utility Subsidiaries engaged in, among other things, financing activities, real estate and energy and gas-related activities.⁴

Requested Authorization

A. Summary of Transactions

Applicants request authority to engage in the transactions set forth below during the period from the effective date of the order to be issued in this filing through the period ending June 30, 2008 ("Authorization Period").⁵ Applicants request authority to engage in these transactions through September 30, 2006, and ask the Commission to reserve jurisdiction over transactions during the remainder of the Authorization Period, pending completion of the record. Applicants state that, based on their business plans and the current conditions in the financial markets, they anticipate that the "Current Authority" requested in their Application will be used during the Authorization Period primarily to refinance currently outstanding debt obligations and to meet ongoing operational needs of their respective businesses.⁶ In summary, Applicants request:

(i) CNP requests authorization for: (a) Securities issuances, (b) guarantees and other forms of credit support, as well as performance guarantees ("Guarantees"), and (c) hedging transactions;

(ii) With respect to its Subsidiaries, CNP requests such authorization as may be required for issuances of securities, Guarantees, and hedging transactions;

(iii) CNP requests that the Commission approve the continuation of a CNP Group Money Pool (the "Money Pool");

(iv) CNP and its Subsidiaries request that the Commission approve the continuation of existing financing arrangements, Guarantees and hedging arrangements, as well as any transactions undertaken to extend the terms of or replace, refund or refinance existing obligations and the issuance of new obligations in exchange for existing obligations, provided in each case that the issuing entity's "Consolidated Capitalization"⁷ is not increased as a result of such financing transaction;

(v) CNP further requests authority to issue or sell external debt securities, preferred stock, preferred securities (including trust preferred securities) and equity-linked securities in an aggregate amount (including the outstanding securities referenced in (iv) above) not to exceed \$4.334 billion at any one time outstanding during the Authorization Period, with a request that the Commission reserve jurisdiction over \$500 million of the requested authority;⁸

(vi) CNP requests authority to issue or sell an additional 200 million shares of common stock or options, warrants or other rights to purchase an equivalent number of shares of common stock (and to issue or deliver common stock upon the exercise of such options, warrants or other rights) and to issue one Right (as defined below) in connection with each share of common stock and to issue securities in connection with such Right, in the event such Right is exercised;

(vii) CEHE requests authority to issue or sell external debt securities, preferred stock and preferred securities (including trust preferred securities) in an aggregate amount (including the outstanding securities referenced in (iv) above) not to exceed \$4.280 billion at any one time outstanding during the Authorization Period, with a request that the Commission reserve jurisdiction over \$500 million of the requested authority;

(viii) CERC requests authority to issue or sell external debt securities, preferred stock and preferred securities (including trust preferred securities) in an aggregate amount (including the outstanding securities referenced in (iv) above) not to exceed \$3.256 billion at any one time during the Authorization Period, with a request that the Commission reserve jurisdiction over \$500 million of the requested authority;

(ix) The Subsidiaries may also finance their capital needs through borrowings from CNP, directly or indirectly through Utility Holding, and Utility Holding requests authority to issue and sell securities to its parent company, CNP, and to acquire securities from its subsidiary companies;

(x) CNP requests that the Commission approve the issuance by CNP and its Subsidiaries of nonexempt Guarantees in an amount such that the total amount of nonexempt Guarantees issued by CNP and its Subsidiaries, in the aggregate, does not exceed \$4 billion outstanding at any time during the Authorization Period (the "CNP System Guarantee Limit");

(xi) CNP and the Non-Utility Subsidiaries request authority for the declaration and payment of dividends out of capital or unearned surplus;

(xii) CNP requests authority to form and capitalize financing entities (including special purpose subsidiaries) (each a "Financing Subsidiary") in connection with the issuance of securities as requested in the Application as well as authority for the financing entities to issue such securities and to transfer the proceeds of any financing to their respective parent companies;

(xiii) CNP also requests continued authority for the Non-Utility Subsidiaries to restructure their duly authorized businesses from time to time; and

(xiv) CNP and its Subsidiaries request authority during the Authorization period in an aggregate amount of up to \$5 million for "Inactive Subsidiaries."⁹

B. Parameters for Financing Authority

Applicants request authorization to engage in certain financing transactions during the Authorization Period for which the specific terms and conditions are not at this time known, and which may not be covered by Rule 52 under the Act, without further prior approval by the Commission. The following general terms will be applicable where appropriate to the financing transactions requested to be authorized in the Application:

(1) *Effective Cost of Money.* The effective cost of capital for long-term

⁴ CNP's Utility and Non-Utility Subsidiaries in existence as of March 31, 2005 (except Utility Holding and including non-applicant subsidiaries) are further described in Ex. K-1 to the Application.

⁵ CNP's current financing authority expires June 30, 2005. See CNP, HCAR No. 27692 (June 30, 2003) (the "2003 Omnibus Financing Order").

⁶ "Current Authority" is the total amount of securities that are outstanding or could be outstanding (in the case of credit facilities that are not fully drawn) under the 2003 Omnibus Financing Order. The amounts, as set forth in the first column of Ex. G-1 to the Application, are as follows: CNP: \$3.834 billion; CEHE: \$3.780 billion; CERC: \$2.756.

⁷ "Consolidated Capitalization" is defined to include, where applicable, all common-stock equity (comprised of common stock, additional paid-in-capital, retained earnings, treasury stock and/or other comprehensive income or loss), preferred stock, preferred securities, equity-linked securities, long-term debt, short-term debt, current maturities and/or minority interests.

⁸ For purposes of the Application, the term "external" financing refers to a transaction in which securities are issued and sold to an entity that is not a member of the CNP System. Each of CNP, CEHE and CERC is requesting authority on a corporate, rather than a consolidated, basis. Utility Holding is not seeking authority to issue and sell external debt or equity securities.

⁹ CNP's "Inactive Subsidiaries," as listed on Ex. L-1 to the Application, are: CenterPoint Energy Retail Interests, Inc.; Entex Gas Marketing Company; Entex, NGV, Inc.; Entex Oil & Gas Company; Allied Materials Corporation; National Furnace Company; CenterPoint Energy Consumer Group, Inc.; NorAm Utility Services, Inc.; Arkla Products Company; ALG Gas Supply Company; Intex, Inc.; United Gas, Inc.; CenterPoint Energy Trading and Transportation Group, Inc.; CenterPoint Energy MRT Holdings, Inc.; CenterPoint Energy Field Services Holdings, Inc.; CenterPoint Energy Gas Processing, Inc.; CenterPoint Energy Hub Services, Inc.; HL&P Capital Trust I; REI Trust I; CenterPoint Energy Tegco, Inc.; Block 368 GP, LLC; Block 368, LP; CenterPoint Energy Power Systems, Inc.; CenterPoint Energy Products, Inc.; NorAm Energy, Corp.; Utility Rail Services, Inc.; CenterPoint Energy, Inc. (a Delaware company); CenterPoint Energy Light, Inc.; Reliant Energy Brasil, Ltda.; Reliant Energy Brazil Tiete Ltd.; Reliant Energy Brazil Ltda.; Reliant Energy International Brasil Ltda.; HIE Brasil Rio Sul Ltda.; CenterPoint Energy International Services, Inc.; Reliant Energy Columbia Ltda.; Reliant Energy El Salvador S.A. de C.V.; Reliant Energy Outsource Ltd.; Venus Generation El Salvador; CenterPoint Energy International Holdings, LLC; Worldwide Electric Holdings B.V.; CenterPoint Energy International II, Inc.; HIE Ford Heights, Inc.; and HIE Fulton, Inc.

debt, short-term debt, preferred securities and equity-linked securities will not exceed competitive market rates available at the time of issuance for securities having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality; provided that in no event will the effective cost of capital on (i) any long-term debt securities exceed 500 basis points over comparable term U.S. Treasury securities; or (ii) any short-term debt securities exceed 300 basis points over the comparable-term London Interbank Offered Rate ("LIBOR"). The dividend rate on any series of preferred stock or preferred or equity-linked securities will not exceed (at the time of issuance) 700 basis points over comparable term U.S. Treasury securities.

(2) *Maturity.* The final maturity of long-term indebtedness will not exceed 50 years. All series of preferred stock, preferred securities and equity-linked securities will be required to be redeemed no later than 50 years after issuance, except for preferred stock or preferred securities that are perpetual in duration.

(3) *Issuance Expenses.* The underwriting fees, commissions or other similar remuneration paid in connection with the issue, sale or distribution of securities pursuant to the Application will not exceed the competitive market rates that are consistent with similar securities of comparable credit quality and maturities issued by other companies; provided that in no event will such fees and commissions exceed seven percent (7%) of the principal or face amount of the securities being issued or gross proceeds of the financing.¹⁰

(4) *Use of Proceeds.* The proceeds from the sale of securities in external financing transactions approved herein will be used for general corporate purposes including (i) the financing, in part, of the capital expenditures of the CNP System, (ii) the financing of working capital requirements of the CNP System, (iii) the repayment and/or refinancing of debt; (iv) the acquisition, retirement, or redemption of securities previously issued by the issuing party, (v) direct or indirect investment in companies authorized under the Act, as discussed herein, and (vi) other lawful purposes. The Applicants represent that no such financing proceeds will be used to acquire a new Rule 58 Subsidiary unless such transaction is consummated in accordance with an order of the

Commission or an available exemption under the Act.

The Applicants submit to a reservation of jurisdiction over use of such financing proceeds to invest in one or more new lines of business, that is, any line of business other than those utility and non-utility businesses in which CNP and its Subsidiaries are currently engaged, as described on Exhibit K-1 to the Application.

CNP requests a reservation of jurisdiction over any investment by CNP or any of its Subsidiaries in any new energy- or gas-related companies within the meaning of Rule 58 ("Rule 58 Companies") at any time CNP's ratio of common equity to total capitalization (net of securitization obligations) is less than 30%; provided, however, that CNP may increase its investment in an existing Rule 58 Company to the extent necessary to complete any project or desirable to preserve or enhance the value of CNP's investment in the company.

(5) *Common Equity Ratio.* Net of securitization debt, CNP's projected equity capitalization will be 30% or more of its Consolidated Capitalization (defined above) by the end of the Authorization Period. In connection with the requested authority, CNP is undertaking to provide the Commission on a quarterly basis confidential exhibits updating CNP's financial projections and assumptions through 2008.

Applicants represent that, from the date of their formation until the date hereof, each of CERC and CEHE has maintained common equity of at least 30% of its Consolidated Capitalization.

At all times during the Authorization Period, CERC will maintain common equity of at least 30% of its Consolidated Capitalization.

In carrying out the Texas Commission's Financing Order, CEHE's consolidated member's equity ratio is projected to decrease below the Commission's target of 30% of Consolidated Capitalization during part of the period that the Transition Bonds are outstanding, if the securitization debt is included. The decrease in CEHE's consolidated member's equity ratio below 30% is due to the Transition Bonds being shown as debt in the consolidated financial statements of CEHE. The Transition Bonds will be non-recourse to CEHE and will be serviced by the cash flows from the transition charges imposed under the Financing Order, not the revenues of CEHE's utility operations. Excluding the Transition Bonds from the consolidated pro forma capital structure of CEHE, the member's equity ratio would be least

30% of its Consolidated Capitalization at all times during the Authorization Period.¹¹

Other than with respect to the Money Pool, Applicants submit to a reservation of jurisdiction over all authority granted in an order in this filing during any portion of the Authorization Period when: (1) The common equity ratio of CNP (net of securitization debt), on a consolidated basis, falls below its common equity ratio as of March 31, 2005;¹² (2) the member's equity ratio of CEHE, on a consolidated basis (net of securitization debt) falls below 30% of Consolidated Capitalization; or (3) the common equity ratio of CERC, on a consolidated basis, falls below 30%.

(6) *Investment Grade Ratings.* Apart from common stock, member interests or securities issued for the purpose of funding the operations of subsidiaries through the Money Pool, no guarantees or other securities may be issued in reliance on the authority requested in the Application unless:¹³ (i) The security to be issued, if rated, is rated investment grade by at least one nationally recognized statistical rating organization as that term is used in paragraphs (c)(2)(vi)(E), (F) and (H) of Rule 15c3-1 under the Securities Exchange Act of 1934 ("NRSRO"); (ii) all outstanding rated securities of the issuer are rated investment grade by at least one NRSRO; and (iii) all outstanding rated securities of CNP are rated investment grade by at least one NRSRO.

(7) *Authorization Period.* No security will be issued pursuant to the authority sought in the Application after the last day of the Authorization Period (which is June 30, 2008), provided, however, that securities issuable or deliverable upon exercise or conversion of, or in exchange for, securities issued on or before June 30, 2008 in accordance with the terms of such authorization may be issued or delivered after such date.

¹¹ Following issuance of the Transition Bonds, CEHE is expected to have member's equity capitalization of slightly less than 30% of Consolidated Capitalization if the securitization debt is included. CEHE will improve its equity ratio as securitization obligations are paid down. It is anticipated that CEHE will reach a level of at least 30% of Consolidated Capitalization by 2009.

¹² Based on CNP's Quarterly Report on Form 10-Q for the quarter ended March 30, 2005, CNP's common equity represented 11.4% of its Consolidated Capitalization (excluding securitization debt).

¹³ Applicants ask the Commission to reserve jurisdiction over the issuance of securities subject to the Investment Grade Ratings criteria where one or more of the Investment Grade Ratings criteria are not met. As noted previously, Utility Holding is not seeking authority to issue external debt or equity securities.

¹⁰ Issuance Expenses will not count toward the Effective Cost of Money, discussed above.

C. Description of Specific Types of Financing

(1) *CNP External Financing*

CNP requests authority to issue and sell securities including common stock, preferred stock and preferred and equity-linked securities (either directly or through a subsidiary), warrants, long-term and short-term debt securities and convertible securities and derivative instruments.¹⁴ CNP also requests authorization to enter into obligations with respect to tax-exempt debt issued on behalf of CNP by governmental authorities. Such obligations may relate to the refunding of outstanding tax-exempt debt or to the remarketing of tax-exempt debt. CNP seeks authorization to enter into lease arrangements, and certain hedging transactions in connection with the foregoing issuances of taxable or tax-exempt securities. Applicants state that, based on their business plans and the current conditions in the financial markets, they anticipate that the Current Authority (defined above) requested in their Application will be used during the Authorization Period primarily to refinance currently outstanding debt obligations and to meet ongoing operational needs of their respective businesses. The Current Authority for CNP is \$3.834 billion.

CNP may sell securities covered by the Application in any one of the following ways: (i) Through underwriters; (ii) to initial purchasers in transactions in reliance on Rule 144A under the Securities Act of 1933 or dealers; (iii) through agents; (iv) directly to a limited number of purchasers or a single purchaser; (v) in exchange for already outstanding securities, including tender offers; or (vi) directly to employees (or to trusts established for their benefit), shareholders and others. If underwriters are used in the sale of the securities, such securities may be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be offered to the public either through underwriting syndicates (which may be represented by a managing underwriter or underwriters designated by CNP) or directly by one or more underwriters

¹⁴ Any convertible or equity-linked securities or warrants would be convertible into or linked only to securities that CNP and its Subsidiaries are otherwise authorized to issue pursuant to rule or Commission order and will count against the authorized limits for those securities granted pursuant to the authority sought in the Application.

acting alone. The securities may be sold directly by CNP or through agents designated by CNP from time to time. If common or preferred stock or convertible debt is being sold in an underwritten offering, CNP may grant the underwriters thereof a “green shoe” option permitting the purchase from CNP at the same price of additional shares or debt then being offered solely for the purpose of covering over-allotments.

Sales may be registered under the Securities Act of 1933 or effected through competitive bidding among underwriters. In addition, sales may be made through private placements, sales to initial purchasers in Rule 144A transactions or other non-public offerings to one or more persons. All such sales will be upon terms and conditions, at rates or prices and under conditions negotiated or based upon, or otherwise determined by, competitive capital markets.

(a) Common Stock

CNP is authorized under its restated articles of incorporation to issue one billion shares of common stock, par value \$.01 per share, and related preferred stock purchase rights. Each share of common stock includes one right (“Right”) to purchase from CNP a unit consisting of one one-thousandth of a share of CNP Series A Preferred Stock at a purchase price of \$42.50 per unit, subject to adjustment under specified circumstances, as described in Exhibit I-1. The Rights are issued pursuant to the Rights Agreement dated as of January 1, 2002 between CNP and JPMorgan Chase Bank (the “Rights Agreement”), a copy of which was filed with CNP’s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-31447) and incorporated by reference.¹⁵ As of February 28, 2005,

¹⁵ The Rights will become exercisable shortly after (i) any public announcement that a person or group of associated persons has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of CNP common stock; or (ii) the start of a tender or exchange offer that would result in a person or group of associated persons becoming a 20% owner. The Rights are also exercisable for shares of (i) CNP common stock in the event of certain tender or exchange offers not approved by the CNP board; and (ii) the common stock of an acquiring company in the event of certain mergers, business combinations, or substantial sales or transfers of assets or earning power. Under certain circumstances, CNP may substitute cash, property, other equity securities or debt, or may reduce the exercise price of the Rights. The Rights attach to all certificates representing the outstanding shares of common stock and are transferable only with such certificates. The Rights are redeemable at CNP’s option prior to their becoming exercisable and expire on December 31, 2011.

CNP seeks continued authority to continue to implement the Rights Agreement, including the

CNP had 308,501,031 shares of common stock outstanding. CNP seeks authority to issue 200 million additional shares of common stock (including Rights) and to issue warrants, options and other rights to acquire an equivalent amount of common stock, and to buy and sell derivative securities to hedge these transactions. CNP will not engage in speculative transactions.

Such issuances may be used for the general corporate purposes described above in the “Use of Proceeds” section. In addition, CNP proposes, from time to time during the Authorization Period, to issue and/or acquire in open market transactions or negotiated block purchases, shares of CNP common stock for allocation under incentive compensation plans and other equity compensation and employee benefit plans, and for the CenterPoint Investor’s Choice Plan.¹⁶ Such transactions would comply with applicable law and Commission interpretations then in effect. The requested authority to issue or deliver CNP common stock under these plans includes the authority to issue related options, warrants, stock appreciation rights, stock units, time-based restricted stock, performance awards and other securities pursuant to those plans. Any newly issued shares of common stock, including shares of common stock issued upon the conversion or exercise of warrants, convertible debt or other equity-linked securities, will be counted toward the overall limit on common stock; shares of common stock purchased in the open market or otherwise acquired for the purpose of reissuance under Stock Based Plans will not be counted toward this limit to the extent that the net effect of the purchase and reissuance does not increase the number of shares of common stock outstanding.

CNP may also issue common stock as consideration, in whole or in part, for acquisitions of securities or businesses

authority to issue shares of CNP Series A Preferred Stock or CNP common stock, or to provide other consideration issued upon exercise of the Rights. Such securities issuances will not be counted against the external financing limits requested in this filing.

¹⁶ CNP’s existing stock-related employee plans are: CenterPoint Energy, Inc. Savings Plan; CenterPoint Energy, Inc. 1994 Long-Term Incentive Compensation Plan; Long-Term Incentive Plan of CenterPoint Energy, Inc.; CenterPoint Energy, Inc. and Subsidiaries Common Stock Participation Plan for Designated New Employees and Non-Officer Employees; NorAm Energy Corp. 1994 Incentive Equity Plan; and CenterPoint Energy, Inc. Stock Plan for Outside Directors (collectively, the “Stock Based Plans”). The requested authority relating to benefit and compensation plans is intended to apply to these plans, as they may be amended or supplemented from time to time, and similar plans or arrangements that may be adopted in the future without any additional prior Commission order.

or assets where such acquisition is otherwise authorized under the Act.

(b) External Debt, Preferred Stock, Preferred and Equity-Linked Securities

CNP requests Commission authorization during the Authorization Period to issue debt securities and preferred stock, and to issue directly or indirectly through one or more Financing Subsidiaries long-term debt securities, preferred stock, preferred securities (including, trust preferred securities), and equity-linked securities (including preferred stock, preferred securities that are convertible, either mandatorily or at the option of the holder, into common stock, or forward purchase contracts for common stock).

Long-term debt securities may be comprised of bonds, notes, medium-term notes or debentures under one or more indentures, long-term indebtedness under agreements with banks or other institutional lenders, directly or indirectly, and convertible debt.¹⁷ Long-term securities could also include obligations relating to the refunding or remarketing of tax-exempt debt issued on behalf of CNP or its Subsidiaries by governmental authorities.

Long-term debt issued pursuant to the requested authority will be unsecured.¹⁸ Specific terms of any borrowings may include one or more revolving credit facilities, and will also continue to be determined by CNP at the time of issuance. Any borrowings will comply in all regards with the parameters on financing authorization set forth above.

Short-term debt issued by CNP will be unsecured. Types of short-term debt securities may include borrowings under one or more bank loans, commercial paper, short-term notes, bid notes, institutional borrowings, and privately placed notes. Specific terms of any short-term borrowings will be determined by CNP at the time of issuance and will comply with the parameters for financing authorization set forth above. The maturity of any short-term debt issued will not exceed 364 days or, if the notional maturity is greater than 364 days, the debt security will include put options at appropriate points in time to cause the security to be accounted for as a current liability under generally accepted accounting principles ("GAAP").

CNP may sell commercial paper or privately placed notes ("commercial

paper"), from time to time, in established domestic or European commercial paper markets. Such commercial paper may be sold at a discount or bear interest at a rate per annum prevailing at the date of issuance for commercial paper of a similarly situated company. CNP may, without counting against the limit on parent financings set forth above, maintain back-up lines of credit in connection with one or more commercial paper programs in an aggregate amount not to exceed the amount of authorized commercial paper.

CNP may sell shares of preferred stock with terms of each series as may be designated in the instrument creating each such series. Shares of preferred stock may be convertible or exchangeable into CNP common stock, provided that preferred stock will be convertible only into such common stock as is otherwise authorized under the Act.

CNP may sell short-term notes through one or more private placements or public offerings primarily to traditional money market investors. CNP may enter into individual agreements with one or more commercial banks that may or may not be lenders under CNP credit facilities. These agreements would permit CNP to negotiate with one or more banks on any given day for such lender, or any affiliate or subsidiary of such lender, to purchase promissory notes directly from CNP.

Equity-linked securities issued by CNP will be exercisable or exchangeable for or convertible, either mandatorily or at the option of the holder, into common stock or indebtedness or allow the holder to surrender to the issuer or apply the value of a security issued by CNP, as approved by the Commission, to such holder's obligation to make a payment on another security of CNP issued as permitted by the Commission. Any convertible or equity-linked securities will be convertible into or linked to common stock, preferred securities or unsecured debt that CNP is otherwise authorized to issue by Commission order directly, or indirectly through Financing Subsidiaries on behalf of CNP.

Preferred stock and equity-linked securities may be sold directly or indirectly to or through underwriters, initial purchasers or dealers or pursuant to any other method of distribution as described for common stock, above.

(c) Risk Management Devices

CNP requests authority to enter into hedging arrangements intended to reduce or manage interest rate risks.

These arrangements may include, but are not limited to interest rate swaps, caps, floors, collars, forward agreements, issuance of structured notes (*i.e.*, a debt instrument in which the principal and/or interest payments are indirectly linked to the value of an underlying asset or index), or transactions involving the purchase or sale, including short sales, of U.S. Treasury or U.S. governmental agency (*e.g.*, Fannie Mae) obligations or LIBOR based swap instruments (collectively referred to as "Hedging Instruments"). The transactions would be for fixed periods and stated notional amounts as generally accepted as prudent in the capital markets. In no case will the notional principal amount of any interest rate hedge exceed that of the underlying debt instrument. CNP will not engage in "speculative transactions" as that term is described in Statement of Financial Accounting Standards ("SFAS") 133 ("Accounting for Derivative Instruments and Hedging Activities"). Transaction fees, commissions and other amounts payable to brokers in connection with an interest rate hedge will not exceed those generally obtainable in capital markets for parties of comparable credit quality. CNP may employ interest rate derivatives as a means of prudently managing the risk associated with any of its outstanding debt issued pursuant to this authorization or an applicable exemption by, in effect, synthetically (i) converting variable rate debt to fixed rate debt, (ii) converting fixed rate debt to variable rate debt, (iii) limiting the impact of changes in interest rates resulting from variable rate debt and (iv) managing other risks that may attend outstanding securities. Transactions will be entered into for a fixed or determinable period. CNP will only enter into agreements with counterparties having a senior debt rating at the time the transaction is executed of at least "BBB-" or its equivalent, as published by a NRSRO ("Approved Counterparties").

In addition, CNP requests authorization to enter into hedging transactions with respect to anticipated debt offerings (the "Anticipatory Hedges"), subject to the limitations and restrictions expressed below. Such Anticipatory Hedges would only be entered into with Approved Counterparties, and would be utilized to fix and/or limit the risk associated with any issuance of securities through appropriate means, including (i) a forward sale of exchange-traded Hedging Instruments, (ii) the purchase of put options on Hedging Instruments,

¹⁷ Debt will be convertible only into such securities as are otherwise authorized under the Act.

¹⁸ Currently, certain pollution control bonds outstanding at CNP are secured by mortgage bond obligations of CEHE.

(iii) a put options purchase in combination with the sale of call options Hedging Instruments, (iv) some combination of the above and/or other derivative or cash transactions, including, but not limited to, structured notes, caps and collars, appropriate for the Anticipatory Hedges, and (v) other financial derivatives or other products including Treasury rate locks, swaps, forward starting swaps, and options on the foregoing. Anticipatory Hedges may be executed on-exchange with brokers through the opening of futures and/or options positions traded on the Chicago Board of Trade, the opening of over-the-counter positions with one or more counterparties, or a combination of the two. CNP will determine the structure of each Anticipatory Hedge transaction at the time of execution. CNP may decide to lock in interest rates and/or limit its exposure to interest rate increases.

Each Hedging Instrument and Anticipatory Hedge will be treated for accounting purposes as provided for under GAAP. Fees, commissions and other amounts payable to the counterparty or exchange (excluding, however, the swap or option payments) in connection with Hedging Instruments will not exceed those generally obtainable in competitive markets for similarly-situated parties of comparable credit quality. CNP will comply with SFAS 133 and SFAS 138 ("Accounting for Certain Derivative Instruments and Certain Hedging Activities") or such other standards relating to accounting for derivative transactions as are adopted and implemented by the Financial Accounting Standards Board.

(2) *Subsidiary Financing*

The Utility Subsidiaries and the Non-Utility Subsidiaries, to the extent not exempted pursuant to Rule 52, request authority to issue and sell securities, including preferred stock, preferred securities (including trust preferred securities) (either directly or through a subsidiary), and long-term and short-term debt securities (including convertible debt, commercial paper and privately placed short-term notes) on the same terms and conditions discussed above for CNP, except that Subsidiary debt may be secured or unsecured, and Utility Subsidiary debt will be subject to the limits on aggregate amounts of securities outstanding in the applicable categories as set forth on Exhibit G-1 to the Application.¹⁹

¹⁹To the extent CEHE issues secured debt, the debt will be secured by assets or securities owned by CEHE. To the extent CERC issues secured debt, such debt will be secured by a pledge of the stock of its nonutility subsidiary companies. CERC currently does not have outstanding secured debt. To the extent a Non-Utility Subsidiary issue

The Utility Subsidiaries also request authorization to enter into obligations with respect to new tax-exempt debt issued on behalf of a Utility Subsidiary by governmental authorities as well as obligations entered into in connection with the refunding of outstanding tax-exempt debt assumed by CNP in connection with the August 31, 2002 restructuring by which CNP and Utility Holding became holding companies for the Utility Subsidiaries. The Utility Subsidiaries and the Non-Utility Subsidiaries, to the extent not exempted pursuant to Rule 52, also request authority to enter into hedging transactions intended to reduce or manage interest rate risks in connection with the foregoing issuance of securities, subject to the limitations and requirements applicable to CNP. Based on their business plans and the current condition in the financial markets, Applicants anticipate that the Current Authority (defined above) sought in this Application will be used during the Authorization Period primarily to refinance currently outstanding debt obligations and to meet ongoing operational needs of their respective businesses.

(3) *Guarantees and Intra-System Advances*

(a) *Guarantees*

Authorization is requested for CNP and its Subsidiaries during the Authorization Period to enter into guarantees on their own behalf and on behalf of their respective Subsidiaries to third parties, obtain letters of credit, enter into support or expense agreements or liquidity support agreements or otherwise provide credit support with respect to the obligations of the Subsidiaries, including performance guarantees, as may be appropriate to carry on in the ordinary course of CNP or its Subsidiaries' duly-authorized utility and related businesses, and the Subsidiaries request authority to provide to their respective Subsidiaries guarantees and other forms of credit support such that in the aggregate, CNP and its Subsidiaries will not enter into guarantees in an amount exceeding the CNP System Guarantee Limit.²⁰ Excluded from the CNP System Guarantee Limit are obligations exempt pursuant to Rule 45 under the Act.

secured debt, the debt will be secured by assets or securities owned by that Non-Utility Subsidiary.

²⁰The amount of the requested authority (in the aggregate, not to exceed \$4 billion outstanding at any time during the Authorization Period) is intended to accommodate situations such as the CNP System's exposure to, among other things, the volatility of natural gas prices.

CNP currently has a number of types of guarantees in effect. Among other things, it has issued guarantees with respect to payment obligations of certain of its Subsidiaries, both to counterparties and, in some cases, to regulatory authorities where required under applicable laws; entered into indemnification agreements to support the issuance of surety bonds on behalf of itself and its Subsidiaries; entered into agreements to guarantee certain amounts related to the issuance of securities by certain Subsidiaries and to guarantee certain other Subsidiary expenses and liabilities. In addition, CERC has guaranteed the office space lease of one of its subsidiaries.

Certain of the guarantees may be in support of obligations that are not capable of exact quantification. In such cases, CNP will determine the exposure under a guarantee for purposes of measuring compliance with the CNP System Guarantee Limit by appropriate means, including estimation of exposure based on loss experience or potential payment amounts. As appropriate, these estimates will be made in accordance with GAAP and sound financial practices. Such estimation will be reevaluated periodically.

The guarantor may charge each Subsidiary a fee for any guarantee provided on its behalf that is not greater than the cost, if any, of obtaining the liquidity necessary to perform the guarantee (for example, bank line commitment fees or letter of credit fees, plus other transactional expenses) for the period of time the guarantee remains outstanding.

The amount of any guarantees will be counted toward the applicable limits under Rules 53 and 58.

(b) *Money Pool*

The "Participants" request authorization to continue to conduct the Money Pool, as approved in the 2003 Omnibus Financing Order (HCAR No. 27962 (June 30, 2003)).²¹ To the extent not exempted by Rule 52 under the Act, the Participants (other than CNP) also request authorization to make, from

²¹The participants in the Money Pool will be CNP, CenterPoint Energy Service Company, LLC (the "Service Company"), the Utility Subsidiaries, CenterPoint Energy Properties, Inc. (owner of CNP's office building, parking garage and dispatch facility), CenterPoint Energy Products, Inc. (inactive), and CenterPoint Energy Funding Company (collectively, the "Participants"). CenterPoint Energy Funding Company is an entity through which CNP had funded or acquired foreign utility companies within the meaning of Section 33 of the Act and so, this company will be an investor in but not a borrower from the Money Pool. No exempt wholesale generator, foreign utility company or exempt telecommunications company will be a borrower from the Money Pool.

time to time, unsecured short-term borrowings from the Money Pool and to contribute surplus funds to the Money Pool and to lend and extend credit to (and acquire promissory notes from) one another through the Money Pool.

CNP requests authorization to contribute surplus funds and to lend and extend credit to the Participants through the Money Pool. CNP will not be a borrower from the Money Pool.

Under the terms of the Money Pool, each Participant determines each day the amount of funds each desires to contribute to the Money Pool, and contributes such funds to the Money Pool.²² The determination of whether a Participant has funds to contribute and the determination whether a Participant shall lend such funds to the Money Pool is made by such Participant's treasurer, or by a designee thereof, in such Participant's sole discretion.²³ Each Participant may withdraw any of its funds at any time upon notice to the Service Company, as administrative agent of the Money Pool.

Short-term funds will be available from the following sources: (1) Surplus funds in the treasuries of the Participants, and (2) proceeds from external borrowings, including bank loans, the sale of notes and/or the sale of commercial paper by the Participants, in each case to the extent permitted by applicable laws and regulatory orders.

Each borrowing Participant will borrow *pro rata* from each fund source in the same proportion that the amount of funds provided from that fund source bears to the total amount then loaned through the Money Pool. On a day when more than one source of funds is invested in the Money Pool with different rates of interest used to fund loans through the Money Pool, each borrower will borrow *pro rata* from each such funding source from the Money Pool in the same proportion that the amount of funds provided by that fund source bears to the total amount of funds invested into the Money Pool. If there are insufficient funds to meet all borrowing requests, the needs of the Utility Subsidiaries will be met before loans are made to any Non-Utility Subsidiaries.

The Service Company, as administrator of the Money Pool, will provide each Participant with a report for each business day that includes,

among other things, cash activity for the day and the balance of loans outstanding. All borrowings from the Money Pool shall be authorized by the borrowing Participant's treasurer, or by a designee thereof. No Participant shall be required to effect a borrowing through the Money Pool if such Participant determines that it can (and is authorized to) effect such borrowing more advantageously directly from banks or through the sale of its own notes or commercial paper.

Funds which are loaned by Participants and are not utilized to satisfy borrowing needs of other Participants will be invested by the Service Company on behalf of the lending Participants in one or more short term instruments, including (i) interest-bearing deposits with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies; (iii) commercial paper rated not less than A-1 by Standard & Poor's and P-1 by Moody's Investors Services, Inc.; (iv) money market funds; (v) bank certificates of deposit; (vi) Eurodollar funds; (vii) repurchase agreements collateralized by securities issued or guaranteed by the U.S. government; and (viii) such other investments as are permitted by Section 9(c) of the Act and Rule 40 under the Act.

The interest rate applicable on any day to then outstanding loans through the Money Pool, whether or not evidenced by a promissory demand note, will be the composite weighted average daily effective cost incurred by CNP for external borrowings outstanding on that date. The daily effective cost shall be inclusive of interest rate swaps related to such external funds. If there are no external borrowings outstanding on that date, then the rate will be the certificate of deposit yield equivalent of the 30-day Federal Reserve "AA" Non-Financial Commercial Paper Composite Rate or if no composite is established for that day, then the applicable rate will be the composite for the next preceding day for which a composite is established. If the composite shall cease to exist, then the rate will be the composite which then most closely resembles the composite and/or most closely mirrors the pricing CNP would expect if it had external borrowings.

Interest income related to external investments will be calculated daily and allocated back to lending Participants on the basis of their relative contribution to the Money Pool on that date.

Each Participant receiving a loan from the Money Pool shall repay the principal amount of such loan, together

with all interest accrued thereon, on demand by the administrator and in any event not later than the expiration date of the Commission authorization for the operation of the Money Pool. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty.

Borrowings by the Utility Subsidiaries from the Money Pool shall not exceed the following amounts at any one time outstanding during the Authorization Period:

CEHE—\$600 million²⁴

CERC—\$600 million

(c) Other Intra-System Financing

In addition to external financings and borrowings as described above through the Money Pool, the Subsidiaries may also finance their capital needs through both short-term and long-term borrowings from CNP, directly or indirectly through Utility Holding. Applicants request authorization, consistent with the requirements of Section 12(a) of the Act, to engage in intra-system financings with each other.

Authority is sought for the Utility Subsidiaries to acquire securities from their respective subsidiaries and to issue and sell securities to their respective parents. Any short-term borrowings by Utility Subsidiaries pursuant to this request would be counted toward the Money Pool limits above.

Applicants state that Utility Holding is a subsidiary of CNP and is the direct or indirect parent of all of the Subsidiaries. Applicants state that Utility Holding may have occasion to issue its debt or equity securities to CNP in exchange for funds. Utility Holding could then purchase debt or equity securities of its Subsidiaries with those funds, adding to the capitalization of those Subsidiaries. Applicants state that no such issuance by Utility Holding will increase the CNP system's securities held by third-parties. If CNP obtains funds to purchase such securities from an external source, CNP's issuance of securities will be only as approved by the Commission's order in this docket and subject to the limitations imposed in such order, including the overall financing limitation of \$4.334 billion. All securities issuances by a Subsidiary to Utility Holding, will be subject to limitations imposed on that Subsidiary regarding securities issuances and will be within the dollar limitations imposed by the order in this docket, if any.

²⁴ CEHE's external borrowings under the \$200 million revolving credit facility authorized in CNP, HCAR No. 27949 (Feb. 28, 2005) will be counted toward the Money Pool limits during the Authorization Period.

²² An Amended and Restated Form of Money Pool Agreement is attached to the Application as Exhibit J-1.

²³ Participants other than Utility Subsidiaries may contribute amounts to the Money Pool from either surplus funds or external borrowings. Utility Subsidiaries will only contribute surplus funds to the Money Pool.

Consequently, Applicants assert, there is no need to impose a separate dollar limitation on these conduit securities issuances by Utility Holding. Applicants state that the approval sought for Utility Holding is merely to cover the technical requirement that all of its securities issuances be approved, as it is acting as a conduit to invest funds by CNP in the Subsidiaries. Applicants also seek authority for Utility Holding to transfer any financing proceeds received from the Subsidiaries to CNP.

(d) Authority for Inactive Subsidiaries

The Applicants request authority in an aggregate amount of up to \$5 million during the Authorization Period to pay, on behalf of the Inactive Subsidiaries (defined above), administrative expenses and dissolution costs; to resolve claims and lawsuits of any Inactive Subsidiary, if any; and to pay any other costs and expenses that any Inactive Subsidiaries may incur from time to time. Applicants request that the Commission reserve jurisdiction over this request.

(4) Changes in Capital Stock of Majority Owned Subsidiaries

The portion of an individual Subsidiary's aggregate financing to be effected through the sale of stock or other equity securities to CNP or other immediate parent company during the Authorization Period pursuant to Rule 52 and/or pursuant to an order issued pursuant to this filing cannot be ascertained at this time. It may happen that the proposed sale of capital securities (*i.e.*, common stock or preferred stock) may in some cases exceed the then authorized capital stock of such Subsidiary. In addition, the Subsidiary may choose to use capital stock with no par value.

As needed to accommodate such proposed transactions and to provide for future issuances, request is made for authority to change the terms of any 50% or more owned Subsidiary's authorized capital stock capitalization or other equity interests by an amount deemed appropriate by CNP or other intermediate parent company; provided that the consents of all other shareholders or other equity holders have been obtained for the proposed change. This request for authorization is limited to CNP's 50% or more owned Subsidiaries and will not affect the aggregate limits or other conditions contained in the Application. A Subsidiary would be able to change the par value, or change between par value and no-par stock, or change the form of such equity from common stock to limited partnership or limited liability

company interests or similar instruments, or from such instruments to common stock, without additional Commission approval. Any such action by a Utility Subsidiary would be subject to and would only be taken upon the receipt of any necessary approvals by the state commission in the state or states where the Utility Subsidiary is incorporated and doing business. CNP will be subject to all applicable laws regarding the fiduciary duty of fairness of a majority shareholder to minority shareholders in any such 50% or more owned Subsidiary and will undertake to ensure that any change implemented under this paragraph comports with such legal requirements.²⁵

(5) Payment of Dividends Out of Capital or Unearned Surplus

CNP requests authority to declare and pay dividends out of capital or unearned surplus in an amount up to \$300 million during the Authorization Period. CNP requests that the Commission reserve jurisdiction over this request.²⁶

Applicants also request a continuation of authority for the Non-Utility Subsidiaries to pay dividends with respect to the securities of the Non-Utility Subsidiaries and/or acquire, retire or redeem any securities of the Non-Utility Subsidiaries that are held by an associated company or affiliate, from time to time, through the Authorization Period, out of capital or unearned surplus, to the extent permitted under applicable corporate law; provided that no Non-Utility Subsidiary will declare or pay any dividend out of capital or unearned surplus unless it: (i) Has received excess cash as a result of the sale of its assets; (ii) has engaged in a restructuring or reorganization; and/or (iii) is returning capital to an associate company. Further, no Non-Utility Subsidiary that derives any material part of its revenues from the sale of goods, services or electricity to Utility Subsidiaries will declare or pay any dividend out of capital or unearned surplus. The Applicants request that the Commission reserve jurisdiction over the payment of such dividends out of capital or unearned surplus when any of these conditions are not met.

²⁵ Applicants state that, in the event that proxy solicitations are necessary with respect to the internal corporate reorganizations, Applicants will seek the necessary Commission approvals under Sections 6(a)(2) and 12(e) of the Act through the appropriate filing of a declaration.

²⁶ CEHE will be seeking authority to declare and pay dividends in a separate application in connection with the issuance of transition bonds.

(6) Financing Subsidiaries

CNP and its Subsidiaries propose to organize and acquire the common stock or other equity interests of one or more Financing Subsidiaries for the purpose of effecting various financing transactions from time to time through the Authorization Period. Financing Subsidiaries may be corporations, trusts, partnerships or other entities created specifically for the purposes described herein. The amount of securities issued by the Financing Subsidiaries to third parties will count toward the respective financing limits of its immediate parent as set forth on Exhibit G-1 of the Application. Authorization is requested for the issuance of such securities by the Financing Subsidiaries and for the transfer of proceeds from such issuance to the respective parent companies.

CNP and, to the extent such issuances are not exempt pursuant to Rule 52, the Subsidiaries also request authorization to issue their subordinated unsecured notes ("Subordinated Notes") to any Financing Subsidiary to evidence the loan of financing proceeds by a Financing Subsidiary to its parent company. The principal amount, maturity and interest rate on such Subordinated Notes will be designed to parallel the amount, maturity and interest or distribution rate on the securities issued by a Financing Subsidiary, in respect of which the Subordinated Note is issued. CNP or a Subsidiary may, if required, guarantee or enter into support or expense agreements in respect of the obligations of such Financing Subsidiaries.

It is anticipated that the Financing Subsidiaries will be wholly-owned subsidiaries of CNP and fully consolidated for purposes of financial reporting. No Financing Subsidiary shall acquire or dispose of, directly or indirectly, any interest in any utility asset, as that term is defined under the Act, without first obtaining such further approval as may be required.

The business of the Financing Subsidiary will be limited to effecting financing transactions that have been otherwise authorized for CNP and its Subsidiaries. In connection with such financing transactions, CNP or its Subsidiaries may enter into one or more guarantees or other credit support agreements in favor of the Financing Subsidiary.

Any Financing Subsidiary organized pursuant to this filing shall be organized only if, in management's opinion, the creation and utilization of such Financing Subsidiary will likely result in tax savings, increased access to

capital markets and/or lower cost of capital for CNP or its Subsidiaries.

Each of CNP and its Subsidiaries also requests authorization to enter into an expense-related agreement with its respective Financing Subsidiary, pursuant to which it would agree to pay all expenses of such entity. Any amounts issued by such Financing Subsidiaries to third parties pursuant to this authorization will be included in the additional external financing limitation requested in the Application for the immediate parent of such financing entity. However, the underlying intra-system mirror debt and parent guarantee shall not be so included. Applicants also seek authority for the Financing Subsidiaries to transfer the proceeds of any financing to their respective parent companies.

(7) *Restructuring of Non-Utility Subsidiaries*

The Commission previously authorized CNP to restructure its Non-Utility Subsidiaries from time to time as may be necessary or appropriate.²⁷ CNP seeks a continuation of this authority, provided that the Non-Utility Subsidiaries will engage, directly or indirectly, only in businesses that are duly authorized, whether by order, rule or statute.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,
Deputy Secretary.

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BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-51722; File No. SR-NASD-2004-009]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment Nos. 1, 2, 3, and 4 Thereto by the National Association of Securities Dealers, Inc. To Modify Nasdaq's Clearly Erroneous Rule

May 20, 2005.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 21, 2004, the National Association of Securities Dealers, Inc. ("NASD"), through its subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), filed

with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. On August 23, 2004, Nasdaq submitted Amendment No. 1 to the proposed rule change.³ On May 5, 2005, Nasdaq submitted Amendment No. 2 to the proposed rule change.⁴ On May 11, 2005, Nasdaq submitted Amendment No. 3 to the proposed rule change.⁵ On May 16, 2005, Nasdaq submitted Amendment No. 4 to the proposed rule change.⁶ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change

Nasdaq proposes to amend NASD Rule 11890 to better serve the current market environment. Nasdaq proposes to implement the proposed rule change immediately upon approval by the Commission. Below is the text of the proposed rule change. Proposed new language is in *italics*; proposed deletions are in [brackets].⁷

* * * * *

11890. Clearly Erroneous Transactions

(a) Authority to Review Transactions Pursuant to Complaint of Market Participant.

(1) Scope of Authority.
(A) *Subject to the limitations described in paragraph (a)(2)(C) below, o[fficers of Nasdaq designated by its President shall, pursuant to the procedures set forth in paragraph (a)(2) below, have the authority to review any transaction arising out of the use or operation of any execution or communication system owned or operated by Nasdaq and approved by the Commission, including transactions entered into by a member of a national securities exchange with unlisted trading privileges in Nasdaq-listed*

³ See letter from Mary M. Dunbar, Vice President and Deputy General Counsel, Nasdaq, to Katherine A. England, Assistant Director, Division of Market Regulation ("Division"), Commission, dated August 20, 2004 ("Amendment No. 1"). Amendment No. 1 replaced the original rule filing in its entirety.

⁴ See Form 19b-4, dated May 5, 2005 ("Amendment No. 2"). Amendment No. 2 replaced Amendment No. 1 in its entirety.

⁵ See Partial Amendment, dated May 11, 2005 ("Amendment No. 3"). Amendment No. 3 revised incorrect cross-references in the rule text.

⁶ See Partial Amendment, dated May 16, 2005 ("Amendment No. 4"). Amendment No. 4 revised an incorrect paragraph designation in the rule text.

⁷ The proposed rule change, as amended, is marked to show changes from the rule as it appears in the electronic NASD Manual available at www.nasdaq.com.

securities (a "UTP Exchange") through such a system; provided, however, that the parties to the transaction must be readily identifiable by Nasdaq through its systems. A Nasdaq officer shall review transactions with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Based upon this review, the officer shall decline to act upon a disputed transaction if the officer believes that the transaction under dispute is not clearly erroneous. If the officer determines the transaction in dispute is clearly erroneous, however, he or she shall declare that the transaction is null and void or modify one or more terms of the transaction. When adjusting the terms of a transaction, the Nasdaq officer shall seek to adjust the price and/or size of the transaction to achieve an equitable rectification of the error that would place the parties to a transaction in the same position, or as close as possible to the same position, as they would have been in had the error not occurred. For the purposes of this Rule, the terms of a transaction are clearly erroneous *if the transaction is eligible for review under the Rule and if [when] there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security.* (2) Procedures for Reviewing Transactions

(A) Any member, member of a UTP Exchange, or person associated with any such member that seeks to have a transaction reviewed pursuant to paragraph (a)(1) hereof shall submit a written complaint to Nasdaq MarketWatch in accordance with the following time parameters:

(i) for transactions occurring at or after 9:30 a.m., eastern time, but prior to 10 a.m., eastern time, complaints must be received by Nasdaq by 10:30 a.m., eastern time; and

(ii) for transactions occurring prior to 9:30 a.m., eastern time and at or after 10 a.m., eastern time, complaints must be received by Nasdaq within thirty minutes of execution time.

(B) Once a complaint has been received in accord with [sub]paragraph (a)(2)(A) above[:], [(i)] the complainant shall have up to thirty (30) minutes, or such longer period as specified by Nasdaq staff, to submit any supporting written information concerning the complaint necessary for a determination under paragraph (a)(1)[;]. *Such supporting information must include the approximate time of transaction(s), security symbol, number of shares, price(s), contra broker(s) if the transactions are not anonymous, Nasdaq system used to execute the*

²⁷ See CNP, Holding Co. Act Release No. 27692 (June 30, 2003).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.