

SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-28019)

Filings Under the Public Utility Holding Company Act of 1935, as amended (“Act”)

August 24, 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 **September 19, 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 **September 19, 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. (70-10329)

CenterPoint Energy, Inc. (“CenterPoint”), a registered public-utility holding company under the Act, located at 1111 Louisiana, Houston, TX 77002, Utility Holding,

LLC (“Utility Holding”), CenterPoint’s direct, wholly owned subsidiary limited liability company, located at 200 West Ninth Street Plaza, Suite 411, Wilmington, DE 19801, CenterPoint Energy Houston Electric, LLC (“CEHouston Electric”), a wholly owned electric utility subsidiary limited liability company of Utility Holding, and CenterPoint Energy Transition Bond Company II, LLC (“CE Issuer”), a direct, wholly owned subsidiary limited liability company of CEHouston Electric, both located at 1111 Louisiana, Houston, TX 77002 (together, “Applicants”), have filed an application-declaration, as amended (“Application”), with the Commission under sections 6(a), 7, 9, 10, 12(b), 12(c) 12(f), 12(g) and 13(b) of the Act and rules 42, 43, 44, 45, 54, 90 and 91.

Applicants are requesting authority to issue certain additional transition bonds (“Additional Transition Bonds”)¹ in an amount projected, at this time, to be approximately \$2 billion² and to engage in certain transactions related to Applicants’ financing and recovery of costs associated with the State of Texas’ electric-utility industry restructuring, administered by the Texas Commission.³ The proposed bonds are

¹ By its order dated Nov. 30, 2004, the Commission previously authorized CenterPoint to form and capitalize CenterPoint Energy Transition Bond Company II, LLC, to issue the Additional Transition Bonds and, in its order dated June 29, 2005, the Commission previously discussed the bonds’ financial effect on the CenterPoint system’s capitalization. See CenterPoint Energy, Inc., et al., Holding Co. Act Release No. 27919; CenterPoint Energy, Inc., et al., Holding Co. Act Release No. 27989 (“June 29, 2005 Omnibus Financing Order”), respectively.

² Applicants state that the amount of the proposed bonds is a projection, as it is based on an assumption that issuance will be prior to Dec. 31, 2006 and the total amount of Additional Transition Bonds is also subject to a further determination of the Texas Public Utility Commission (“Texas Commission”).

³ The Texas Restructuring Law (“Restructuring Law”) became effective on Sept. 1, 1999, to permit companies to compete for retail electric customers, among other things. The Restructuring Law also required the Texas Commission to administer the requirement that integrated utilities separate their generating, transmission and distribution and retail sales functions.

in addition to transition bonds issued in 2001, prior to CenterPoint's registration with the Commission.⁴

I. Summary of the Request

Applicants request authority to issue the Additional Transition Bonds and engage in related transactions, as generally described below:

1. CEHouston Electric, to sell, pledge or assign transition property ("Transition Property"), as described below, to CE Issuer in exchange for proceeds from the sale of one or more series of Additional Transition Bonds;
2. CE Issuer, to issue and sell Additional Transition Bonds in an aggregate principal amount not to exceed approximately \$2 billion (as authorized and approved by the Texas Commission);
3. CE Issuer, to enter into hedging transactions and arrangements and credit enhancement transactions to reduce certain interest rate and credit risks associated with the Additional Transition Bonds;
4. CEHouston Electric, or any successor entity or another affiliate, to provide services to CE Issuer related to the Transition Property and to enter into one or more Transition Property Servicing Agreements, as described below;
5. CEHouston Electric, or any successor entity or another affiliate, to provide administrative services to CE Issuer and to enter into one or more Administration Agreements, as described below;
6. CE Issuer, to use the proceeds from the Additional Transition Bonds to pay the expenses of issuance and to purchase the Transition Property from CEHouston Electric;
7. CEHouston Electric and Utility Holding, to pay dividends out of capital or unearned surplus, from the Transition Property sale proceeds (or some

⁴ Applicants state that, in October 2001, CenterPoint Energy Transition Bond Company, LLC (formerly known as Reliant Energy Transition Bond Company, LLC) ("Transition Bond Company I"), a special purpose, wholly owned subsidiary of CEHouston Electric, issued \$749 million of the Series 2001-1 Transition Bonds. Applicants also note that they have referred to CEHouston Electric as the "T&D Utility" in previous filings and that it may be so referred to in certain of the exhibits to this Application.

portion of the proceeds), from CEHouston Electric to Utility Holding and from Utility Holding to CenterPoint;

8. CEHouston Electric, to enter into
 - (a) indemnity provisions in the Transition Property Sale Agreement, indemnifying CE Issuer, the trustee and certain of their affiliates; and
 - (b) as a service provider, to enter into indemnity provisions of the Transition Property Service Agreement, indemnifying CE Issuer, the trustee, certain affiliates of the trustee and the Texas Commission (for the benefit of CEHouston Electric's customers);
9. CE Issuer, to enter into indemnity provisions in its limited liability company agreement, through which it may indemnify its managers; and
10. CEHouston Electric, to make capital contributions to CE Issuer and, subject to certain limitations, receive interest and other investments earnings on them.

II. Background

In addition to introducing competition to the Texas electric utility industry, by requiring integrated utilities to separate their generating, transmission and distribution and retail sales functions, Applicants state that the Texas Restructuring Law permits utilities to recover certain of certain "stranded" or other "transition" costs associated with transition to a competitive retail electric market in Texas.⁵ Applicants explain that the Restructuring Law permits recovery of the stranded costs, and other transition related costs, providing two mechanisms, either, or both, of which the Texas Commission may use to permit a utility to recover transition costs: (1) non-bypassable "competition

⁵ Applicants state that the Restructuring Law allows a utility to recover the amount by which the market value of its generating assets is below the regulatory book value of the assets as of the end of 2001. It also allows a utility to recover certain other transition costs by a true-up procedure (*i.e.*, calculating the difference between the Texas Commission's projected market prices for generation during 2002 and 2003 and the actual market prices for generation occurring in 2002 and 2003). The statute requires these determinations to be made by the Texas Commission in "true-up proceedings."

transition charges” (“CTCs”) imposed on retail electric customers’ bills or (2) the issuance of transition bonds, securitizing non-bypassable “transition charges” imposed on customers, which pay for the bonds (“Transition Charges”).⁶ Applicants’ request in this Application involves the latter mechanism.⁷

Applicants state that the Texas Restructuring Law requires transition bonds to be repaid by retail customers, over a period of no more than 15 years, through the imposition of the non-bypassable Transition Charges.⁸ Under the statute, transition bonds will be secured by, and payable from, Transition Property, which includes the right to impose, collect and receive the Transition Charges.⁹ Applicants state that transition bonds may be

⁶ Applicants state that the Restructuring Law provides, in general, that retail electric customers within the utility’s service territory as it existed on May 1, 1999, will be assessed CTCs, regardless of whether the retail electric customers receive service from the utility that historically served them or another entity. CTCs are similar to transition charges in the way they are imposed and collected, but CTCs are not securitized.

⁷ Applicants state that, separately, in January 2005, CEHouston Electric filed an application with the Texas Commission for a CTC order, to recover the entire true-up balance (plus accrued interest and excess mitigation credits), and that, on July 14, 2005, CEHouston Electric received an order allowing it to collect approximately \$570 million in CTC over 14 years, plus interest at an annual rate of 11.075% (“CTC Order”). Based on this interest permitted, it is expected that the amount will total to approximately \$600 million by the end of the third quarter of 2005, when the CTC is expected to be implemented. Applicants state that the CTC Order also allows CEHouston Electric to collect approximately \$24 million of rate case expenses over three years.

⁸ Applicants explain that the Restructuring Law authorizes the Texas Commission to issue financing orders approving transition bonds to recover certain “qualified costs.” Qualified costs of an electric utility include, among other things, the costs of issuing, supporting and servicing transition bonds and any costs of retiring and refunding existing debt and equity securities in connection with their issuance. The Restructuring Law permits a utility, its successors or a third-party assignee of a utility, to issue transition bonds. Under the Restructuring Law, proceeds of transition bonds must be used to reduce the amount of recoverable qualified costs through the refinancing or retirement of the electric utility’s debt or equity, and may have a maximum maturity of 15 years.

⁹ Applicants also state that the State of Texas pledged in the Restructuring Law that it will not take or permit any action that would impair the value of the transition property or, except as permitted in connection with the true-up adjustment authorized by the

issued through a special purpose entity designed to be a bankruptcy remote entity.¹⁰ The obligations on the bonds are required to be non-recourse to the utility and to all other entities in the electric utility system, other than issuer, the special purpose entity.

In December 2004, the Texas Commission authorized CEHouston Electric¹¹ to recover about \$2.4 billion of stranded costs and interest accrued through Aug. 31, 2004 (“True-Up Order”). Applicants state that, on Mar. 16, 2005, the Texas Commission authorized the proposed Additional Transition Bonds, allowing CEHouston Electric to securitize approximately \$1.494 billion, plus (1) the amount of excess mitigation credits provided by CEHouston Electric after Aug. 31, 2004, (2) interest on the stranded cost amount accrued after Aug. 31, 2004, and through the date of issuance of the transition bonds, and (3) certain up-front qualified costs related to the issuance of the Additional

statute, reduce, alter or impair the transition charges until the principal, interest and premium, and any other charges incurred and contracts to be performed in connection with transition bonds, have been paid and performed in full. Applicants state that the Restructuring Law does require the Texas Commission to review and adjust the transition charges at least annually, within 45 days of the anniversary of the date of the issuance of the transition bonds in order to: (1) correct any overcollections or undercollections during the preceding 12 months and (2) provide for recovery of amounts sufficient to pay timely all debt service and other amounts and charges associated with the transition bonds.

¹⁰ See notes 1 and 8, above. The Commission previously authorized CenterPoint to form and capitalize CenterPoint Energy Transition Bond Company II, LLC, to issue the Additional Transition Bonds. CenterPoint Energy, Inc., et al., Holding Co. Act Release No. 27919 (Nov. 30, 2004). As noted above, the Restructuring Law permits a utility, its successors or a third party assignee of a utility, to issue transition bonds.

¹¹ Applicants explain that, on Mar. 31, 2004, CEHouston Electric, Texas Genco, LP and Reliant Energy Retail Services, LLC, applied to the Texas Commission for an order determining CEHouston Electric’s 2004 true-up balance. Applicants state that the Restructuring Law requires the power generation company and the retail electric provider that are “affiliated with” the former integrated electric utility to be parties to the application. Reliant Energy Retail Services was an applicant even though, at the time, it no longer had any legal affiliation with CenterPoint Energy or its subsidiaries.

Transition Bonds (“Texas Financing Order”).¹² On Nov. 30, 2004, as noted previously, the Commission authorized Centerpoint to form and capitalize CE Issuer (i.e., Centerpoint Energy Transition Bond Company II, LLC), for the purpose of issuing the Additional Transition Bonds.¹³

III. The Proposed Transactions

A. Additional Transition Bonds

Applicants request authority to issue the Additional Transition Bonds through CE Issuer, in one or more series, each made up of one or more classes, up to an amount, anticipated to be approximately \$2 billion (as authorized by the Texas Commission), secured by CE Issuer’s right, title and interest in and to the Transition Property.

Applicants also ask that they be authorized to issue the different series, with different interest rates (which may be at fixed or floating rates) and amortizations of principal and that each series have classes with different interest rates and amortizations of principal.

Applicants state that, in accordance with the requirements of the Restructuring Law, the Additional Transition Bonds will be required to be fully repaid within 15 years of the date of issuance.¹⁴ CenterPoint projects that, with interest from Aug. 31, 2004 to the date

¹² Applicants state that this amount was also subject to adjustments reflecting certain deferred taxes, accrual of interest and payment of excess mitigation credits after Aug. 31, 2004. Applicants also explain that a financing order, once effective, is irrevocable and not subject to reduction, impairment or adjustment by the Texas Commission (including the transition charges authorized in the order), except for annual and interim true-up adjustments made under the Restructuring Law.

¹³ See notes 1 and 10, above.

¹⁴ Applicants expect that it will be a condition of issuance that each series of Additional Transition Bonds be rated Aaa by Moody’s Investors Service, Inc., AAA by Standard and Poor’s Rating Services, a Division of The McGraw-Hill Companies and AAA by Fitch, Inc. In addition, Applicants state that CEHouston Electric will comply with the Commission’s investment grade criteria contained in the Commission’s June 29, 2005 Omnibus Financing Order. See also note 1, above.

of issuance (and assuming the Additional Transition Bonds are issued no later than Dec. 31, 2006), the amount of Additional Transition Bonds issued would be no more than \$2 billion, although the total amount of Additional Transition Bonds issued will be determined by the Texas Commission before the bonds are issued.

Applicants further request that CEHouston Electric be authorized to transfer its right to receive Transition Charges to CE Issuer. Applicants state that, once CEHouston Electric transfers its right to receive Transition Charges to CE Issuer, all revenues and collections resulting from them, and its other rights and interests received under the Texas Financing Order, will constitute Transition Property. Applicants state that the Transition Property includes the right to impose, collect and receive (through the transition charges payable by retail electric customers within CEHouston Electric's service territory) an amount sufficient to recover the CEHouston Electric's "qualified costs," including the right to receive transition charges in amounts and at times sufficient to pay principal and interest and to make other deposits in connection with the Additional Transition Bonds (authorized in the Texas Financing Order).¹⁵

Applicants also state that the Restructuring Law provides that the issuer of the transition bonds will have a valid and enforceable lien and security interest in the transition property derived from the transition charges and created by a Texas financing Order. Applicants state, as well, that the Restructuring Law also provides that an electric utility's (or an assignee's) transfer of transition property is a "true sale" under state law.

¹⁵ See also notes 9, 10 and 13, above. Under the Texas Financing Order, CEHouston Electric's qualified costs include a portion of CEHouston Electric's 2004 true-up balance, up-front costs of issuing, supporting and servicing the Additional Transition Bonds and certain related costs of retiring and refunding CEHouston Electric's existing debt and equity securities.

Applicants state that a trustee will be appointed under the indenture governing the Additional Transition Bonds and that the trustee, and its investment authority, will be subject to certain constraints.¹⁶ The trustee will provide to the holders of record of the Additional Transition Bonds regular reports (containing information concerning, among other things, CEHouston Electric and the bonds' collateral) prepared by the servicer, described below.¹⁷

In addition, Applicants request authority to enter into certain transactions for the purpose of protecting CE Issuer against certain credit risks that may be associated with the Additional Transition Bonds. Applicants explain that these transactions or instruments, which may include surety bonds, financial guaranty insurance policies or letters of credit, among other things, are intended to protect against losses or delays in scheduled payments on the Additional Transition Bonds.

B. Hedging Transactions

Applicants request that CE Issuer be authorized to hedge its interest rate risk using interest rate swaps or other financial derivatives.¹⁸ Applicants state that each

¹⁶ Deutsche Bank Trust Company Americas will be the initial trustee under the indenture governing the Additional Transition Bonds.

¹⁷ As noted above, other transition bonds have been issued by Applicants. Applicants note with respect to the previous bonds that, although CEHouston Electric is the servicer of the Series 2001-1 Transition Bonds and is expected to be the initial servicer of the Additional Transition Bonds, CE Issuer is a separate legal entity from Transition Bond Company I and the Additional Transition Bonds issued by CE Issuer will be payable from collateral that is separate from the collateral securing the Series 2001-1 Transition Bonds. Moreover, Applicants note that Transition Bond Company I has no obligations for the Additional Transition Bonds that will be issued by CE Issuer and, similarly, CE Issuer will have no obligations for the Series 2001-1 Transition Bonds.

¹⁸ Applicants state that CE Issuer may enter into certain interest rate swaps or other transactions for the purpose of hedging a series or class of floating rate Additional Transition Bonds. They explain that interest rate swaps and other hedging arrangements

hedging arrangement will be treated for accounting purposes in accordance with U.S. generally accepted accounting principles and that Applicants will comply with Statement of Financial Accounting Standards 133 and Statement of Financial Accounting Standards 138 (“Accounting for Certain Derivative Instruments and Certain Hedging Activities”) or other standards applicable to accounting for derivative transactions as are adopted and implemented by the Financial Accounting Standards Board.

C. Various Agreements

1. Transition Property Servicing Agreement

Applicants request that CEHouston Electric be authorized to act on behalf of CE Issuer, as the servicer, of the Additional Transition Bonds. They propose that the servicer of the bonds, as the agent of CE Issuer, manage, service, administer and make collections related to the Transition Property.¹⁹ Applicants state that, while they anticipate that CEHouston Electric will be the servicer, they request that the trustee be authorized to appoint an unaffiliated third party as the servicer under certain conditions. Applicants state that the appointment of a third party as the servicer will not adversely affect Additional Transition Bonds’ investment grade ratings.

Applicants also request an exemption from the “at cost” requirements in connection with the servicing fee. Applicants propose that the servicer be entitled to receive an aggregate annual servicing fee under the terms of the transition property servicing agreement. Applicants state that the servicing fee must be comparable to

may be used, among other things, to fix synthetically the interest on floating rate Additional Transition Bonds.

¹⁹ The servicer will be responsible for, among other things, calculating, billing and collecting the transition charges from retail electric providers, submitting requests to the

similar fees charged in market-based, arm's length transactions for CE Issuer to qualify for the status of a bankruptcy remote entity and to satisfy related rating agency and other legal requirements. Applicants propose that the fee be set at an annual level of not more than one percent of the initial principal amount of the Additional Transition Bonds.

Applicants state that, although they expect the servicing fee to approximate the actual costs of providing the services, they cannot be certain that the servicing fee will meet the "at cost" requirements of section 13(b) of the Act and other applicable rules.

2. Administration Agreement

Applicants request that CEHouston Electric be authorized to provide administrative services to CE Issuer. They propose that CEHouston Electric provide administrative services to CE Issuer under an administration agreement, providing ordinary clerical, bookkeeping and other corporate administrative services necessary and appropriate.²⁰

Applicants also request an exemption from the "at cost" requirements in connection with the administration fee. Applicants propose that the administrator be entitled to receive a fixed fee, plus reimbursable expenses. Applicants state that the administrative fee must be comparable to similar fees charged in market-based, arm's

Texas Commission to adjust these charges, monitoring the collateral for the transition bonds and taking certain actions in the event of non-payment by a retail electric provider.

²⁰ These services may include, without limitation: (1) maintaining CE Issuer's general accounting records; (2) preparing and filing required documents; (3) preparing and filing income, franchise or other tax returns; (4) preparing minutes of meetings of CE Issuer's managers; (5) maintaining executed copies of CE Issuer documents; (6) taking actions necessary for CE Issuer to keep in full effect its existence, rights and franchises as a limited liability company; (7) providing for the issuance and delivery of the Additional Transition Bonds; (8) providing for the performance by CE Issuer of its obligations and enforcement each of its rights under the indenture, the servicing agreement and the sale

length transactions for CE Issuer to qualify for the status of a bankruptcy remote entity and to satisfy related rating agency and other, legal requirements. Applicants state that, although they expect the administrative fee to approximate the actual costs of providing the services, they cannot be certain that the fee will meet the “at cost” requirements of section 13(b) of the Act and other applicable rules.

D. Dividend Authority and Use of Proceeds

Applicants request that CE Issuer be authorized to use the proceeds from the issuance of the Additional Transition Bonds to pay associated issuance expenses and to purchase the Transition Property from CEHouston Electric. In addition, Applicants request that CEHouston Electric be authorized to use proceeds received from CE Issuer to reduce stranded costs, through the retirement of debt or equity or both, or to be distributed to Utility Holding and to CenterPoint through either the payment of dividends or the settlement of intercompany payables.²¹ Applicants state that they intend to

agreement; (9) providing for defense of any action, suit or proceeding; and (10) providing office space and ancillary services.

²¹ Applicants state that the specific amount of proceeds to be used to retire debt and/or equity will depend on CEHouston Electric’s capital structure and market conditions. They expect that approximately \$1.3 billion of the securitization proceeds will be used to repay CEHouston Electric’s term loan maturing in November 2005 (or any replacement credit facility or debt issuance if the proceeds have not been received by the maturity date). To the extent that proceeds may not be applied to repay that loan, they may be distributed to Utility Holding and CenterPoint, either through dividend payments or the settlement of intercompany payables. Applicants state that proceeds that are paid as a dividend by CEHouston Electric to Utility Holding and by Utility Holding then to CenterPoint may be used to reduce debt at CenterPoint and to otherwise improve the capital structure of the CenterPoint system. To the extent that proceeds received prior to the November 2005 maturity of the term loan may not be used to repay the loan, Applicants state that they may be contributed back to CEHouston Electric when the term loan matures.

maintain CEHouston Electric's capital structure at the approximately 60% debt to 40% equity target levels (exclusive of the Additional Transition Bonds).²²

E. Indemnifications

Applicants also request that they be authorized to enter into various indemnity agreements associated with the transition property sale agreement and transition property servicing agreement. Applicants explain that CEHouston Electric will be required to indemnify the Texas Commission (for the benefit of CEHouston Electric's customers), CE Issuer, the trustee and certain of their affiliates for various activities required in connection with the issuance and administration of the Additional Transition Bonds and, similarly, under the limited liability company agreement, CE Issuer will be required to indemnify its managers in certain situations, as described in the Application.

F. CEHouston Electric Capitalization

Finally, Applicants also request an exemption from the Commission's 30% common equity ratio in order to carry out the Texas Financing Order, as discussed in the Commission's June 29, 2005 Omnibus Financing Order.²³ Applicants state that CEHouston Electric's common equity ratio is projected to decrease below the Commission's standard of 30% during part of the period that the Additional Transition Bonds are outstanding, because the Additional Transition Bonds are categorized as debt.

²² See also June 29, 2005 Omnibus Financing Order.

²³ See note 1, above. As discussed in the June 29, 2005 Omnibus Financing Order, CEHouston Electric may have less than the Commission's common equity ratio standard 30% when the securitization debt of the Additional Transition Bonds is included. Applicants anticipate, however, that its equity ratio will improve as the Additional Transition Bonds are paid down, although it is not expected to reach 30% until 2010 with securitization debt included in the calculation. Applicants note that, in their request for the June 29, 2005 Omnibus Financing Order, they asked the Commission to take into account the particular nature of this debt in issuing that order.

Applicants state, however, that inasmuch as the bonds will be (1) non-recourse to CEHouston Electric and (2) serviced by Transition Charges cash flows in accordance with the Texas Financing Order (not CEHouston Electric utility operation revenues), the Additional Transition Bonds do not represent the type of financial leverage that the Commission's 30% common equity standard is intended to address.

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

Margaret H. McFarland
Deputy Secretary