BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Direct Testimony of Rebecca Klein,

Appearing on Behalf of Staff

DOCKET NO. 060038-EI

March 31, 2006

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DIRECT TESTIMONY OF REBECCA KLEIN

Q. Please state your name and business address.

A. Rebecca Klein, The Loeffler Group, 1001 Congress Avenue, Suite 350, Austin, Texas 78701

Q. By whom are you employed and what is your position?

A. I am a Managing Partner for The Loeffler Group, which specializes in corporate legal representation and government affairs.

Q. Briefly provide an overview of your education and professional experience?

A. I am a graduate of Stanford University with a Bachelor of Arts degree in Human Biology. I received my Masters degree in National Security Studies at Georgetown University, and earned a Juris Doctorate at St. Mary's University in San Antonio, Texas. I am admitted to practice law in Texas. I am also a Major in the U.S. Air Force Reserve. I was awarded the National Defense and Southwest Asia Service Ribbons for service in Saudi Arabia during Desert Shield/Desert Storm.

I have served as a Commissioner and also as Chairman of the Public Utility Commission of Texas (PUCT) for almost three years. Prior to my appointment to the PUCT in 2001, I served as a Policy Director for then-Governor George W. Bush, engaging in a variety of statewide issues and projects in the areas of telecommunications; energy, housing, technology, and banking. My federal experience stretches back to 1988, when I worked for the Secretary of the Air Force as a Legislative Liaison Action Officer. From 1989-1991, I served in the White House of President George H.W. Bush as Associate Director, Office

of Presidential Personnel, where I recommended and recruited for the President's approval candidates for sub-cabinet level appointments at national security related agencies, as well as ambassadorial appointments. From 1991 to 1993, I was the Associate Director of the U.S. Trade and Development Agency during which time I oversaw agency accounts in various multi-lateral banks.

Q. Please describe the nature of your relationship with Saber Partners.

A. I am a member of the Advisory Board of Saber Partners, LLC. Members make themselves available to Saber's senior management from time to time to give their perspective on issues in which Saber is involved. Members have no management or operational responsibility for Saber Partners, LLC. I often share my knowledge with Saber management on regulation and energy issues from a public policy point of view and from the perspective both from the state and federal level based on my extensive experience in those areas.

Q. Who else serves with you on the Advisory Board?

A. The Board is comprised of eight members. Mr. Alan S. Blinder is the current Chairman of the Advisory Board. Mr. Blinder is a Professor of Economics at Princeton University, former Vice Chairman of the Federal Reserve Board in Washington, and a former member of the President's Council of Economic Advisors. Stuart Eizenstat, a partner at Covington and Burling and former Undersecretary of the Department of State for Economic Affairs is also a member.

Q. During your term with Public Utility Commission of Texas, were any utility securitization transactions completed?

A. Yes. Three transactions were completed with active Commission oversight during my tenure at the PUCT. Two transactions were done pursuant to financing orders issued by my predecessors and one from a financing order that I approved as a member of the Commission. These transactions involved the issuance of bonds referred to as "transition bonds." Approximately $747 million in bonds were issued for Reliant Energy in 2001, $797 million in bonds were issued for Central Power and Light in 2002, and $1.3 billion in bonds were issued for Texas Utilities in 2003. Like Florida Power & Light Company's proposed storm-recovery bonds, these bonds required ratepayers to bear the full economic burden of the bonds.

Q. Prior to these transactions, did the Texas Commission specifically approve any other types of financings for utilities under its jurisdiction?

A. No. Financings and financing costs were under the company's general cost of capital and subject to a retrospective prudence review process by the Commission in general rate cases. The utilities and their shareholders were directly accountable for all their debt costs and their capital structure under the general review process. If either item (debt level or cost of debt) was found to be imprudent, an adjustment would be made to the cost of capital.

Q. Were the ratepayer-backed securitization bonds treated differently by the Texas Commission? If so, why?

A. Yes. The normal incentives to minimize waste and inefficiencies are absent with ratepayer-backed bonds, and the PUCT's authority to correct problems it discovered was limited. The Commission was required by law to issue an irrevocable financing order in which the utility is insulated from any and all costs

associated with the financing.[1] The Commission was also required to approve a process called a "true-up mechanism" that committed the Commission to periodically raise the charge that supports the bonds to whatever level is necessary to pay the bonds' principal and interest on time.[2] In addition, the State and the Commission were required to pledge to the bondholders never to take or permit any action to be taken that would interfere with their right to payment.[3] This regulatory guarantee is an extraordinary use of the powers of state regulation.

Q. Why was an irrevocable financing order required with a true-up mechanism?

A. The Texas legislature required it because the Texas utilities that sponsored the Texas securitization legislation advised that a true-up mechanism was necessary to allow the bonds to be rated by the credit rating agencies at the highest category, "AAA", and make the bonds more attractive to investors. The PUCT's financial advisor, Saber Partners, advised the PUCT that this was a correct analysis.

Q. Why did the Texas legislature and the PUCT believe that a "AAA" rating was necessary?

A. The Texas utilities advised the Texas legislature and the PUCT that a "AAA" bond rating would result in the lowest possible interest rate on the bonds. The PUCT's financial advisor, Saber Partners, advised the PUCT that this was a correct analysis. This rating demonstrates to potential investors that the bonds are not very risky. The lower the risk, the lower the interest rate demanded by

[1] PURA 39.303.
[2] PURA 39.307.
[3] PURA 39.310.

underwriters and investors. Consequently, it is an important factor that should allow the bonds to be sold to investors at the lowest possible cost to ratepayers.

Q. Did the PUCT impose other conditions or provisions in its financing orders to improve the marketability of Texas transition bonds and lower the cost to ratepayers?

A. Yes. Joseph Fichera and Michael Noel of Saber Partners, a former underwriter and a former Chief Financial Officer, respectively, have outlined in their testimony many of the conditions and provisions that were adopted and implemented in connection with the Texas transition bonds to lower costs to ratepayers.

Q. In your opinion, should these other conditions or provisions be imposed to improve the marketability of Florida storm-recovery bonds and lower the cost to Florida ratepayers?

A. Yes.

Q. Did the Texas statute which authorized utility securitizations direct the PUCT to apply a standard to ensure that benefits from the legislation and the financing order to Texas ratepayers would be maximized?

A. Yes. Texas. Utility Code Ann. § 39.301 stated that "The commission shall ensure that the structuring and pricing of the transition bonds results in the lowest transition bond charges consistent with market conditions and the terms of the financing order."

Q. In the absence of that specific mandate, what would you have done as a Commissioner?

A. The same thing. I would have pursued the lowest cost to ratepayers for the very simple reason that this was our fundamental responsibility as regulators to ratepayers under our authority as a Commission, particularly in a situation where their interests are not otherwise represented. We were sworn to protect the public interest and the interests of ratepayers. In this instance, the utility was to receive hundreds of millions of dollars but without any direct or indirect obligation to pay it back. The utility's interests were already protected by the nature of the transaction. While the utility had a general interest in keeping overall customer rates low, they had another, more immediate and compelling interest in getting the money as quickly as possible without regard to cost. In this type of financing, it becomes imperative that the regulator stand with the issuer and oversee the costs of the transaction from the perspective of those who have the responsibility for bearing those costs, the ratepayers.

Q. Why was a "lowest cost" standard important?

A. It sets the appropriate benchmark. Every dollar is a dollar, and in this case, every dollar is a ratepayer dollar. There is no reason to pay more for some dollars versus others.

Q. How did the Texas Commission protect the public interest and assure itself that it met its legislative duty?

A. We established a process of active and involved oversight throughout the transaction lifecycle. The Commission was a joint decision maker with the sponsoring utility in all matters relating to the structuring, marketing, and pricing of the bonds. We expected the utility to work on a collaborative basis with the Commission to ensure a successful transaction at the lowest cost to ratepayers.

The Commission also participated actively and was a joint decision maker with the utility in the process of pricing the bonds. In addition, we required a detailed issuance advice process and certifications of what was done during the transaction, the choices made and the efforts expended, explaining how these efforts led to the lowest cost to ratepayers.

Q. Do you believe the utility securitization transactions which you oversaw as Chairman of the PUCT were successful in maximizing benefits to Texas ratepayers?

A. Yes.

Q. What is the basis for your belief?

A. The Texas financing orders required the utility to file a detailed set of analyses and representations called an "issuance advice letter" upon the pricing of the bonds documenting the benefits of the transaction to ratepayers. The Commission also established a detailed procedure of active due diligence on the part of its staff and expert advisors. These staff and expert advisors were assigned to present to the Commission their review of the issuance advice letter once filed, as well as their assessment of whether the structuring, marketing, and pricing of the bonds achieved the lowest costs to ratepayers consistent with market conditions and the terms of the applicable financing order. For each transaction, the Commission noticed a hearing within two business days after pricing for the purpose of issuing a stop order if the Commission was not convinced that the lowest cost objective in fact had been achieved. Throughout the period leading up to pricing and continuing for two business days after pricing, the Commission reviewed this information with staff and decided whether to issue a stop order. The due

diligence review was both in real time and after-the-fact, so that the Commission's hands would not be tied as a practical matter. The Commission also reviewed specific lowest cost certifications as to the structure, marketing, and pricing of the bonds from the utility, as well as from the underwriters and from independent experts without any potential conflicts of interest. The factors we considered included comparing the pricing relative to an independent benchmark versus other similar securities historically and at the time of pricing, the amount of orders received and from whom, and a number of other factors that staff and our advisors considered in their expert and independent judgment to be necessary. I have attached the most recent issuance advice letter used in Texas which is similar to the letters used during my tenure with the PUCT. See EXH RK-1. I also have attached a supplemental certificate from the utility in that most recent Texas transaction. See EXH RK-2.

Q. Did the PUCT use outside advisors in connection with those utility securitization transactions?

A. Yes. The Commission realized it did not have the expertise on staff for this assignment, so we brought in an expert financial advisor without any potential for conflicts of interest. As part of this engagement, the Commission also had the benefit of outside legal counsel. We acted by and through these advisors to ensure that the ratepayers' interests were protected.

Q. Did the Commission and the PUCT's financial advisor play an active role in structuring, marketing, and pricing the securitized bonds?

A. Yes.

Q. Did the Commission require a certification from the financial advisor?

A. Yes. In the open meeting on February 25, 2000, the PUCT discussed the need for an independent financial advisor to provide a fully accountable opinion as to the lowest cost of funds as one item the Commission would examine in deciding whether or not to approve the transaction immediately after pricing. The Commission understood that the work required to give that opinion was substantial and could add to the cost of the transaction. However, the Commission believed the benefits would exceed the costs and that the certification, like an insurance policy, would provide protection that our legislative mandate would be met.

Q. Are you aware that the Florida statute authorizing securitization of storm-recovery costs does not have an expressly stated lowest-cost requirement?

A. Yes. But the Florida statute specifically authorizes the Commission to specify the degree of flexibility afforded to utilities in establishing the terms and conditions of storm-recovery bonds and to add whatever conditions it considers appropriate. It also authorizes the Commission to employ an advisor and counsel to assist in the performance of its responsibilities.

Q. Given your experiences in Texas, would you recommend to the Florida Commission the "lowest cost" standard for guiding the financial advisor and FPL to minimize the burden on ratepayers resulting from this transaction?

A. Yes.

Q. Given your experiences in Texas, would you recommend that the Florida Commission require its financial advisor to play an active role in connection with the structuring, marketing, and pricing of storm-recovery bonds?

A. Yes.

Q. In your opinion, what other items should the Florida Commission consider in deciding to approve this irrevocable financing order?

A. The Florida Commission should also consider how the pricing process will be pursued to maintain the public's trust in the integrity of the process itself. Ratepayers need to be assured that this is not a "friends and family" plan for the utility. How the bonds are sold through underwriters is important. Millions of dollars are at stake in the structuring, marketing and pricing of the bonds. So, I believe there should be transparency and accountability in the issuance process. As President Reagan once said, "Trust but verify."

Q. Does that conclude your testimony?

A. Yes.

Exhibit 1. Issuance Advice Letter from CenterPoint Energy

Series A Transaction

The attached document is the issuance advice letter from the 2005 CenterPoint Energy Series A transition bond transaction.

PUC DOCKET NO. 30485

2005 DEC 12 PM 1:45

APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR A FINANCING ORDER	**§ § §**	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

Contact: James N. Purdue
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Fax: (713) 207-9819
Email: jim.purdue@CenterPointEnergy.com

December 12, 2005

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12th day, December, 2005

ADVICE _____

THE PUBLIC UTILITY COMMISSION OF TEXAS

SUBJECT: ISSUANCE ADVICE LETTER FOR TRANSITION BONDS

Pursuant to the Financing Order adopted in *Application of CenterPoint Energy Houston Electric, LLC for a Financing Order*, Docket No. 30485 (the "Financing Order"), CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, ("Applicant") hereby submits, no later than twenty-four hours after the pricing date of this series of Transition Bonds, the information referenced below. This Issuance Advice Letter is for the CenterPoint Energy Transition Bond Company II, LLC Transition Bonds series A, tranches A-1, A-2, A-3, A-4 and A-5. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

PURPOSE

This filing establishes the following:

(a) the total amount of Qualified Costs being securitized;
(b) confirmation of compliance with issuance standards;
(c) the actual terms and structure of the Transition Bonds being issued;
(d) the initial Transition Charge for retail users; and
(e) the identification of the SPE.

QUALIFIED COSTS BEING SECURITIZED

The total amount of Qualified Costs being securitized (the "Securitized Qualified Costs") is presented in Attachment 1.

COMPLIANCE WITH ISSUANCE STANDARDS

The Financing Order requires Applicant to confirm, using the methodology approved therein, that the actual terms of the Transition Bonds result in compliance with the standards set forth in the Financing Order. These standards are:

1. The securitization of Qualified Costs will provide tangible and quantifiable benefits to ratepayers, greater than would be achieved absent the issuance of Transition Bonds (See Attachment 2);

2. The amount securitized will not exceed the present value of the conventional financing revenue requirement over the life of the proposed Transition Bonds associated with the Securitized Qualified Costs when the present value calculation is made using a discount rate equal to the proposed interest rate on the Transition Bonds (See Attachment 2);

3. The total amount of revenues to be collected under the Financing Order is less than the revenue requirement that would be recovered using conventional financing methods (See Attachment 2);

4. The Transition Bonds will be issued in one or more series comprised of one or more tranches having target final maturities of 13.6 years and legal final maturities not exceeding 15 years from the date of issuance of such series (See Attachment 3);

5. The Transition Bonds will be issued with an original issue discount on several of the tranches to promotes marketability while providing yields that match market conditions; the original issue discount will be fully reflected in the interest rates used to calculate ratepayer benefits; and

6. The structuring and pricing of the Transition Bonds is certified by the Applicant to result in the lowest transition bond charges consistent with market conditions and the terms (including the amortization structure ordered by the Commission, if any) set out in the Financing Order (See Attachment 4).

ACTUAL TERMS OF ISSUANCE

Transition Bond Series: Series A
Transition Bond Issuer: **CenterPoint Energy Transition Bond Company II, LLC**
Trustee: Wilmington Trust Company
Closing Date: December 16, 2005
Bond Ratings: S&P AAA, Fitch AAA, Moody's Aaa
Amount Issued: $1,851,000,000
Transition Bond Issuance Costs: See Attachment 1, Schedule B.
Transition Bond Support and Servicing: See Attachment 2, Schedule B.

Tranche	Coupon Rate	Expected Final Maturity	Legal Final Maturity
A-1	4.840%	2/1/2009	2/1/2011
A-2	4.970%	8/1/2012	8/1/2014
A-3	5.090%	2/1/2014	8/1/2015
A-4	5.170%	8/1/2017	8/1/2019
A-5	5.302%	8/1/2019	8/1/2020

Effective Annual Weighted Average Interest Rate of the Transition Bonds:	**5.4519%**
Life of Series:	**13.6**
Weighted Average Life of Series:	**8.3**
Call provisions (including premium, if any):	None
Amortization Schedule	Attachment 2, Schedule A
Target Final Maturity Dates:	Attachment 2, Schedule A
Legal Final Maturity Dates:	Attachment 2, Schedule A
Annual Overcollateralization Funding Requirements:	None
Payments to Investors:	Semiannually Beginning August 1, 2006
Initial annual Servicing Fee as a percent of original Transition Bond principal balance:	0.05%

INITIAL TRANSITION CHARGE

Table I below shows the current assumptions for each of the variables used in the calculation of the initial Transition Charges.

TABLE I		
Input Values For Initial Transition Charges		
Applicable period: from **December 16, 2005 through November 30, 2006**		
Forecasted retail kWh/kW sales for the applicable period[1]:		**67,983,092,984**
Transition Bond debt service for the applicable period[2]:	**$**	**77,654,645**
Percent of billed amounts expected to be charged-off:		**1.88% (Residential)** **0.39% (Non-Residential)**
Forecasted % of Billings Paid in the Applicable Period:		**89.03%**
Forecasted retail kWh/kW sales billed and collected for the applicable period[3]:		**60,522,389,354**
Forecasted annual ongoing transaction expenses (Excluding Transition Bond principal and interest):	**$**	**1,278,500**
Required overcollateralization amount for applicable period:		**0**
Current Transition Bond outstanding balance:	**$**	**1,851,000,000**
Target Transition Bond outstanding balance as of 11/30/06:	**$**	**1,832,435,317**
Total Periodic Billing Requirement for applicable period:	**$**	**168,234,953**

Allocation of the PBR among customer classes: See Attachment 3.

[1] Aggregate in kWh equivalence; see Attachment 3, column 7, for billing determinants by rate class.
[2] Cash paid to service debt within the applicable period - not an accrued amount.
[3] Assumed collection curve for the residential rate class of 83.33% in the first month following billing; 14.79% in the second month following billing; and 1.88% charged-off. For all other rate classes, assumed collection curve of 83.33% in the first month following billing; 16.28% in the second month following billing; and 0.39% charged-off.

Based on the foregoing, the initial Transition Charges calculated for retail users are as follows:

TABLE II	
Rate Class	Initial Transition Charge[4]
Residential	**0.002899 $/kWh**
MGS	**0.385581 $/kW**
	0.002648 $/kWh
LGS	**1.048704 $/kVa**
	1.780475 $/kW
LOS-A	**0.881795 $/kW**
LOS-B	**1.248428 $/kW**
Non-Metered Lighting	**0.004246 $/kWh**
Standby Electric Service – Distribution	**0.387106 $/kW**
Interruptible Service Supplemental – Distribution	**2.122377 $/kW**
Interruptible Service – Thirty Minute Notice	**0.758917 $/kW**
Interruptible Service – Ten Minute Notice	**0.455760 $/kW**
Interruptible Service – Instantaneous	**0.868506 $/kW**
Interruptible Service Supplemental – Transmission	**0.869578 $/kW**
Standby Electric Service – Transmission	**0.376821 $/kW**
Standby Interruptible Service	**0.121198 $/kW**
SCP	**1.197195 $/kW**

IDENTIFICATION OF SPE

The owner of the Transition Property (the "SPE") will be: **CenterPoint Energy Transition Bond Company II, LLC.**

EFFECTIVE DATE

In accordance with the Financing Order, the Transition Charge shall be automatically effective upon the Applicant's receipt of payment in the amount of $1,837,990,612 from **CenterPoint Energy Transition Bond Company II, LLC**, following Applicant's execution and delivery to **CenterPoint Energy Transition Bond Company II, LLC** of the Bill of Sale transferring Applicant's rights and interests under the Financing Order relating to this series of Transition Bonds and other rights and interests that will become Transition Property upon transfer to **CenterPoint Energy Transition Bond Company II, LLC** as described in the Financing Order.

[4] Due to dynamic factors, the transition charge, including the residential charge, will change slightly from period to period, even in cases of no variation from the current forecast.

NOTICE

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at Applicant's corporate headquarters.

AUTHORIZED OFFICER

The undersigned is an officer of Applicant and authorized to deliver this Issuance Advice Letter on behalf of Applicant.

Respectfully submitted,

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: H.W. Roesler

Name: H.W. Roesler
Title: Division Vice President Regulatory Relations
CenterPoint Energy, Inc

ATTACHMENT 1
SCHEDULE A
CALCULATION OF SECURITIZED QUALIFIED COSTS[5]

Amount permitted to be securitized by Preliminary Order:	$1,493,747,264
EMCs through 12/15/05	139,491,591
Interest through 12/15/05	208,109,922
Up-front Qualified Costs	13,009,388
Less: Amount recovered through CTCs, if any	--
Less: Amount Allocated to Texas – New Mexico Power	3,358,166
TOTAL SECURITIZED QUALIFIED COSTS	**$1,851,000,000**

[5] Refer to the attached workpapers.

ATTACHMENT 1
SCHEDULE B
ESTIMATED UP-FRONT QUALIFIED COSTS

Capped Portion of Costs		
Underwriters' Fees	$	7,344,530
SEC Registration Fee	$	177,923
Rating Agency Fees	$	787,500
Legal Fees and Expenses for Underwriters' Counsel	$	2,000,000
Accountant's/Auditor's Fees	$	150,000
Commission's Financial Advisor Fees	$	950,000
Trustee Fee and Counsel	$	22,500
Servicer Set-up Costs	$	315,200
Printing and Filing Costs	$	113,653
Company's Advisor's Fee	$	478,312
Securitization Proceedings Expenses	$	137,097
Miscellaneous	$	177,089
Subtotal, Capped Portion of Costs	**$**	**12,653,804**
Uncapped Portion of Costs		
SEC Registration Fee	$	40,646
Original Issue Discount	$	314,939
Subtotal, Uncapped Portion of Costs	**$**	**355,584**
TOTAL UP-FRONT QUALIFIED COSTS	**$**	**13,009,388**

Note: Costs are subject to the caps set forth in the Financing Order. Any difference between the Estimated Up-front Qualified Costs securitized and the actual up-front costs incurred will be resolved through the true-up process described in the Financing Order.

ATTACHMENT 2
SCHEDULE A
TRANSITION BOND REVENUE REQUIREMENT INFORMATION

SERIES A, TRANCHE A-1				
Payment Date	Principal Balance	Interest	Principal	Total Payment
	$250,000,000.00			
8/1/2006	231,435,317.38	$7,562,500.00	$18,564,682.62	$26,127,182.62
2/1/2007	179,908,675.26	5,600,734.68	51,526,642.12	57,127,376.80
8/1/2007	144,571,637.66	4,353,789.94	35,337,037.60	39,690,827.54
2/1/2008	89,916,590.07	3,498,633.63	54,655,047.60	58,153,681.23
8/1/2008	50,875,178.22	2,175,981.48	39,041,411.84	41,217,393.32
2/1/2009	-	1,231,179.31	50,875,178.22	52,106,357.54

ATTACHMENT 2
SCHEDULE A
TRANSITION BOND REVENUE REQUIREMENT INFORMATION

SERIES A, TRANCHE A-2

Payment Date	Principal Balance	Interest	Principal	Total Payment
	$368,000,000.00			
8/1/2006	368,000,000.00	$11,431,000.00	$ -	$11,431,000.00
2/1/2007	368,000,000.00	9,144,800.00	-	9,144,800.00
8/1/2007	368,000,000.00	9,144,800.00	-	9,144,800.00
2/1/2008	368,000,000.00	9,144,800.00	-	9,144,800.00
8/1/2008	368,000,000.00	9,144,800.00	-	9,144,800.00
2/1/2009	360,066,563.33	9,144,800.00	7,933,436.67	17,078,236.67
8/1/2009	317,117,443.72	8,947,654.10	42,949,119.61	51,896,773.71
2/1/2010	253,934,484.98	7,880,368.48	63,182,958.74	71,063,327.22
8/1/2010	207,053,841.54	6,310,271.95	46,880,643.44	53,190,915.39
2/1/2011	139,554,687.16	5,145,287.96	67,499,154.38	72,644,442.34
8/1/2011	88,537,461.03	3,467,933.98	51,017,226.12	54,485,160.10
2/1/2012	16,503,845.14	2,200,155.91	72,033,615.90	74,233,771.80
8/1/2012	-	410,120.55	16,503,845.14	16,913,965.69

ATTACHMENT 2
SCHEDULE A
TRANSITION BOND REVENUE REQUIREMENT INFORMATION

SERIES A, TRANCHE A-3

Payment Date	Principal Balance	Interest	Principal	Total Payment
	$252,000,000.00			
8/1/2006	252,000,000.00	$8,016,750.00	$ -	$8,016,750.00
2/1/2007	252,000,000.00	6,413,400.00	-	6,413,400.00
8/1/2007	252,000,000.00	6,413,400.00	-	6,413,400.00
2/1/2008	252,000,000.00	6,413,400.00	-	6,413,400.00
8/1/2008	252,000,000.00	6,413,400.00	-	6,413,400.00
2/1/2009	252,000,000.00	6,413,400.00	-	6,413,400.00
8/1/2009	252,000,000.00	6,413,400.00	-	6,413,400.00
2/1/2010	252,000,000.00	6,413,400.00	-	6,413,400.00
8/1/2010	252,000,000.00	6,413,400.00	-	6,413,400.00
2/1/2011	252,000,000.00	6,413,400.00	-	6,413,400.00
8/1/2011	252,000,000.00	6,413,400.00	-	6,413,400.00
2/1/2012	252,000,000.00	6,413,400.00	-	6,413,400.00
8/1/2012	213,121,395.05	6,413,400.00	38,878,604.95	45,292,004.95
2/1/2013	136,291,216.12	5,423,939.50	76,830,178.93	82,254,118.43
8/1/2013	76,210,863.70	3,468,611.45	60,080,352.42	63,548,963.87
2/1/2014	-	1,939,566.48	76,210,863.70	78,150,430.18

ATTACHMENT 2
SCHEDULE A
TRANSITION BOND REVENUE REQUIREMENT INFORMATION

SERIES A, TRANCHE A-4				
Payment Date	Principal Balance	Interest	Principal	Total Payment
	$519,000,000.00			
8/1/2006	519,000,000.00	$16,770,187.50	$ -	$16,770,187.50
2/1/2007	519,000,000.00	13,416,150.00	-	13,416,150.00
8/1/2007	519,000,000.00	13,416,150.00	-	13,416,150.00
2/1/2008	519,000,000.00	13,416,150.00	-	13,416,150.00
8/1/2008	519,000,000.00	13,416,150.00	-	13,416,150.00
2/1/2009	519,000,000.00	13,416,150.00	-	13,416,150.00
8/1/2009	519,000,000.00	13,416,150.00	-	13,416,150.00
2/1/2010	519,000,000.00	13,416,150.00	-	13,416,150.00
8/1/2010	519,000,000.00	13,416,150.00	-	13,416,150.00
2/1/2011	519,000,000.00	13,416,150.00	-	13,416,150.00
8/1/2011	519,000,000.00	13,416,150.00	-	13,416,150.00
2/1/2012	519,000,000.00	13,416,150.00	-	13,416,150.00
8/1/2012	519,000,000.00	13,416,150.00	-	13,416,150.00
2/1/2013	519,000,000.00	13,416,150.00	-	13,416,150.00
8/1/2013	519,000,000.00	13,416,150.00	-	13,416,150.00
2/1/2014	513,249,049.38	13,416,150.00	5,750,950.62	19,167,100.62
8/1/2014	448,198,338.27	13,267,487.93	65,050,711.11	78,318,199.04
2/1/2015	360,804,209.00	11,585,927.04	87,394,129.27	98,980,056.32
8/1/2015	290,434,163.05	9,326,788.80	70,370,045.95	79,696,834.75
2/1/2016	197,270,773.41	7,507,723.11	93,163,389.64	100,671,112.75
8/1/2016	121,240,531.42	5,099,449.49	76,030,241.99	81,129,691.49
2/1/2017	21,943,148.46	3,134,067.74	99,297,382.96	102,431,450.70
8/1/2017	-	567,230.39	21,943,148.46	22,510,378.85

ATTACHMENT 2
SCHEDULE A
TRANSITION BOND REVENUE REQUIREMENT INFORMATION

SERIES A, TRANCHE A-5

Payment Date	Principal Balance	Interest	Principal	Total Payment
	$462,000,000.00			
8/1/2006	462,000,000.00	$15,309,525.00	$ -	$15,309,525.00
2/1/2007	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2007	462,000,000.00	12,247,620.00	-	12,247,620.00
2/1/2008	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2008	462,000,000.00	12,247,620.00	-	12,247,620.00
2/1/2009	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2009	462,000,000.00	12,247,620.00	-	12,247,620.00
2/1/2010	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2010	462,000,000.00	12,247,620.00	-	12,247,620.00
2/1/2011	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2011	462,000,000.00	12,247,620.00	-	12,247,620.00
2/1/2012	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2012	462,000,000.00	12,247,620.00	-	12,247,620.00
2/1/2013	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2013	462,000,000.00	12,247,620.00	-	12,247,620.00
2/1/2014	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2014	462,000,000.00	12,247,620.00	-	12,247,620.00
2/1/2015	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2015	462,000,000.00	12,247,620.00	-	12,247,620.00
2/1/2016	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2016	462,000,000.00	12,247,620.00	-	12,247,620.00
2/1/2017	462,000,000.00	12,247,620.00	-	12,247,620.00
8/1/2017	401,924,375.89	12,247,620.00	60,075,624.11	72,323,244.11
2/1/2018	296,111,799.76	10,655,015.20	105,812,576.12	116,467,591.33
8/1/2018	207,644,274.35	7,849,923.81	88,467,525.42	96,317,449.23
2/1/2019	94,860,409.09	5,504,649.71	112,783,865.25	118,288,514.96
8/1/2019	-	2,514,749.45	94,860,409.09	97,375,158.54

ATTACHMENT 2
SCHEDULE B
ONGOING QUALIFIED COSTS

	ANNUAL AMOUNT
Servicing Fee (0.05% of Transition Bonds principal amount)	$ 925,500
Administration Fees and Expenses	$ 100,000
Trustee Fees and Expenses	$ 4,500
Legal and Accounting Costs	$ 125,000
Ongoing Costs of Credit Enhancement (other than Collection Account)	$ -
Ongoing Costs of Swaps and Hedges	$ -
Independent Managers' Fees	$ 3,500
Rating Agency Fees	$ 50,000
Printing and Filing Fees	$ 20,000
Miscellaneous	$ 50,000
TOTAL ONGOING QUALIFIED COSTS	$ 1,278,500

Note: Costs are subject to the caps set forth in the Financing Order. The amounts shown for each category of operating expense on this attachment are the expected expenses for the first year of the transition bonds. Transition charges will be adjusted at least annually to reflect any changes in Ongoing Qualified Costs through the true-up process described in the Financing Order.

ATTACHMENT 2
SCHEDULE C
OVERCOLLATERALIZATION ACCOUNT FUNDING REQUIREMENT

Payment Date	Payment Amount[6]	Scheduled Overcollateralization Level
N/A	$ N/A	$ N/A

[6] The overcollateralization account will not be funded.

ATTACHMENT 2
SCHEDULE D
CALCULATION OF TRANSITION CHARGES

Year	Transition Bond Payments[7]	Ongoing Costs[8]	Total Nominal Transition Charge Requirement[9]	Present Value of Transition Charges[10]
1	$ 77,654,645	$ 799,063	$ 78,453,708	$ 75,893,496
2	$ 179,262,144	$ 1,278,500	$ 180,540,644	$ 168,062,134
3	$ 181,815,015	$ 1,278,500	$ 183,093,515	$ 161,618,140
4	$ 185,235,708	$ 1,278,500	$ 186,514,208	$ 156,126,233
5	$ 188,408,583	$ 1,278,500	$ 189,687,083	$ 150,576,178
6	$ 191,283,942	$ 1,278,500	$ 192,562,442	$ 144,956,039
7	$ 194,180,682	$ 1,278,500	$ 195,459,182	$ 139,529,744
8	$ 197,130,622	$ 1,278,500	$ 198,409,122	$ 134,312,884
9	$ 200,130,970	$ 1,278,500	$ 201,409,470	$ 129,295,076
10	$ 203,172,131	$ 1,278,500	$ 204,450,631	$ 124,461,837
11	$ 206,296,044	$ 1,278,500	$ 207,574,544	$ 119,830,279
12	$ 209,512,694	$ 1,278,500	$ 210,791,194	$ 115,395,988
13	$ 212,785,041	$ 1,278,500	$ 214,063,541	$ 111,128,792
14	$ 215,663,674	$ 1,278,500	$ 216,942,174	$ 106,803,792
Total	$ 2,642,531,895	$ 17,419,563	$ 2,659,951,457	$ 1,837,990,612

[7] From Attachment 2, Schedule A.
[8] From Attachment 2, Schedule B.
[9] Sum of transition bond payments and ongoing costs.
[10] The discount rate used is the weighted average effective annual interest rate of the transition bonds (5.4519%). The present value calculation takes into account the timing of the payment dates.

ATTACHMENT 2
SCHEDULE E
COMPLIANCE WITH SUBCHAPTER G OF THE UTILITIES CODE

Tangible & Quantifiable Benefits and Revenue Requirements Tests:[11]

	Conventional Financing Through Competition Transition Charge (CTC)[12]	Securitization Financing[13]	Savings/(Cost) of Securitization Financing
Nominal	$ 3,623,804,198	$ 2,659,951,457	$ 963,852,741
Present Value	$ 2,519,466,018	$ 1,837,990,612	$ 681,475,407

[11] Calculated in accordance with the methodology cited in the Financing Order.
[12] CTC carrying cost at 11.075% and CTC term of 14 years. The discount rate used is the weighted average effective annual interest rate of the transition bonds (5.4519%).
[13] From Attachment 2, Schedule D.

ATTACHMENT 3[14]

INITIAL ALLOCATION OF COSTS TO TC2 CLASSES

(1) TC2 Class	(2) PBRAF	(3) Subgroups	(4) Allocation Factor After Intra-Industrial Adjustment	(5) Periodic Billing Requirement	(6) Billing Requirement per TC2 Class (4) * (5)	(7) Forecasted Billing Determinant	(8) Transition Charge (6) / (7)
Residential	40.0412%		40.0412%	$ 168,234,953	$ 67,363,294	23,235,966,421	0.002899 $/kWh
		0.1872%	0.1872%	$ 168,234,953	$ 314,936	816,784	0.385581 $/kW
MGS	29.0309%	28.8437%	28.8437%	$ 168,234,953	$ 48,525,185	18,325,958,114	0.002648 $/kWh
		16.0015%	16.0015%	$ 168,234,953	$ 26,920,116	25,669,889	1.048704 $/kVa
LGS	16.1206%	0.1191%	0.1191%	$ 168,234,953	$ 200,368	112,536	1.780475 $/kW
LOS-A	4.7917%		4.7976%	$ 168,234,953	$ 8,071,054	9,152,981	0.881795 $/kW
LOS-B	2.7598%		2.3002%	$ 168,234,953	$ 3,869,789	3,099,729	1.248428 $/kW
Non-Metered Lighting	0.6600%		0.6600%	$ 168,234,953	$ 1,110,351	261,530,412	0.004246 $/kWh
Standby Electric Svc. – Distribution	0.0323%		0.0365%	$ 168,234,953	$ 61,468	158,790	0.387106 $/kW
Interruptible Svc. Supplemental – Dist.	0.1578%		0.1578%	$ 168,234,953	$ 265,475	125,084	2.122377 $/kW
Interruptible Svc. – 30 Minute Notice	1.0392%		1.1241%	$ 168,234,953	$ 1,891,132	2,491,881	0.758917 $/kW
Interruptible Svc. – 10 Minute Notice	1.8814%		2.2000%	$ 168,234,953	$ 3,701,175	8,120,882	0.455760 $/kW
Interruptible Svc. – Instantaneous	0.2454%		0.2486%	$ 168,234,953	$ 418,249	481,573	0.868506 $/kW
Interruptible Svc. Supplemental – Trans.	0.0672%		0.0743%	$ 168,234,953	$ 125,078	143,838	0.869578 $/kW
Standby Electric Svc. – Transmission	0.2383%		0.2541%	$ 168,234,953	$ 427,415	1,134,265	0.376821 $/kW
Standby Interruptible Svc.	0.2076%		0.2275%	$ 168,234,953	$ 382,773	3,158,259	0.121198 $/kW
Special Contract Pricing	2.7266%		2.7266%	$ 168,234,953	$ 4,587,094	3,831,535	1.197195 $/kW
Total	100.0000%		100.0000%		$ 168,234,953		

[14] Column (4) was added to the form of Attachment 3 contained in the Financing Order to accommodate the Allocation Settlement Agreement reached in Docket No. 30485.

ATTACHMENT 4
FORM OF APPLICANT'S CERTIFICATION

CenterPoint™ Energy

Date: December 12, 2005

Public Utility Commission of Texas
1701 N. Congress Ave.
P.O. Box 13362
Austin, TX 78711-3326

Saber Partners, LLC
44 Wall Street
New York, NY 10005

Re: *Application of CenterPoint Energy Houston Electric, LLC for a Financing Order*, Docket No. 30485

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC (the "Applicant") submits this Certification pursuant to Ordering Paragraph No. 4 of the Financing Order in *Application of CenterPoint Energy Houston Electric, LLC for a Financing Order*, Docket No. 30485 (the "Financing Order"). All capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

In its issuance advice letter dated December 12, 2005, the Applicant has set forth the following particulars of the Transition Bonds:

Name of Transition Bonds: **CenterPoint Senior Secured Transition Bonds, Series A**
SPE: **CenterPoint Energy Transition Bond Company II, LLC**
Closing Date: December 16, 2005
Amount Issued: $1,851,000,000
Expected Amortization Schedule: See Attachment 2, Schedule A to the Issuance Advice Letter
Distributions to Investors (quarterly or semi-annually): Semi-annually
Weighted Average Coupon Rate[15]: 5.1664%
Weighted Average Annual Interest Rate[16]: 5.2331%
Weighted Average Yield[17]: 5.4519%

[15] Semi-annual coupon rates weighted by the principal amount and modified duration of each class.
[16] Annualized weighted average coupon rate, giving effect to compounding.
[17] The internal rate of return giving effect to compounding, calculated including all upfront and ongoing costs.

The following actions were taken in connection with the design, marketing, structuring and pricing of the bonds:

- Included credit enhancement in the form of the true-up mechanism and an equity contribution of 0.50% of the original principal amount.
- Eliminated the overcollateralization account.
- Registered the transition bonds with the Securities and Exchange Commission to facilitate greater liquidity.
- Achieved Aaa/AAA/AAA ratings from each of the three major rating agencies.
- Worked with the Commission's financial advisor to select underwriters that have relevant experience and execution capability.
- Provided the termsheet and preliminary prospectus by e-mail to prospective investors.
- Allowed sufficient time for investors to review the termsheet and preliminary prospectus and to ask questions regarding the transaction.
- Held one-on-one and group conference calls with investors, along with meetings with potential investors in Asia and Europe to describe the legislative, political and regulatory framework and the bond structure.
- Arranged issuance of rating agency pre-sale reports during the marketing period.
- During the period that the bonds were marketed, held daily market update discussions with the underwriting team to develop recommendations for pricing.
- Had multiple conversations with all of the members of the underwriting team during the marketing phase in which we stressed the requirements of the Financing Order.
- Developed and implemented a marketing plan designed to incent each of the underwriters to aggressively market the bonds to their customers and to reach out to a broad base of potential investors, including investors who have not previously purchased this type of security.
- Provided potential investors with access to an internet roadshow for viewing on repeated occasions at investors' convenience. Similar roadshow information was also presented in one-on-one and group meetings with investors.
- Adapted the transition bond offering to market conditions and investor demand at the time of pricing. Variables impacting the final structure of the transaction were evaluated including the relative benefit of a fixed versus floating rate issue, length of average lives and maturity

of the bonds and interest rate requirements at the time of pricing so that the structure of the transaction would correspond to investor preferences and rating agency requirements for AAA ratings.

- Worked with the Commission's financial advisor to develop bond allocations, underwriter compensation and preliminary price guidance designed to achieve lowest interest rates.

Based upon information reasonably available to the officers, agents, and employees of the Applicant, the Applicant hereby certifies that the structuring and pricing of the Transition Bonds, as described in the issuance advice letter, will result in the lowest transition bond charges consistent with market conditions and the terms of the Financing Order (including the amortization structure, if any, ordered by the Commission), all within the meaning of Section 39.301 of PURA.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: _____
Name: H. W. Roesler
Title: Division Vice President Regulatory Relations
CenterPoint Energy, Inc

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

CNP 828

6.1.1.7.2- SCHEDULE TC2- TRANSITION CHARGES

SECTION 1: APPLICABILITY

This schedule sets out the rates and terms and conditions under which Transition Charges will be billed and collected by CenterPoint Energy Houston Electric, LLC (Company), any successor servicer(s) and any retail electric providers (REP) or collection agents billing or collecting Transition Charges on behalf of CenterPoint Energy Transition Bond Company II, LLC (SPE). The Transition Charges were authorized by the Financing Order approved by the Public Utility Commission of Texas (Commission) in Docket No. 30485 on March 16, 2005 (Financing Order). Pursuant to terms of the Financing Order and the requirements of Section 39.301 *et seq.* of the Texas Utilities Code, all of the Company's rights under the Financing Order, including the right to bill and collect Transition Charges and to adjust Transition Charges pursuant to this Schedule TC2, were transferred to the SPE in connection with the issuance of transition bonds. The rights transferred to the SPE are "transition property" of the SPE (as defined in Section 39.304 of the Utilities Code). On the effective date of this Schedule TC2, the Company will act as servicer on behalf of the SPE to bill, collect, receive and adjust Transition Charges imposed pursuant to this Schedule TC2. However, the SPE may select another party to serve as servicer or the Company may resign as servicer in accordance with the terms and subject to the conditions of the Servicing Agreement and the Financing Order. A successor servicer selected under these conditions will assume the obligations of the Company as servicer under this Schedule TC2. As used in this Schedule TC2, the term "Servicer" includes any successor servicer. All actions by the Company under this Schedule TC2, including collection of Transition Charges, will be undertaken solely in its role as servicer under the Servicing Agreement between the Company and the SPE dated as of December 16, 2005.

This schedule is applicable to:

1. Retail customers located within the certificated service area of Reliant Energy HL&P (HL&P) as such service area existed on May 1, 1999 who receive electric transmission and/or distribution service through a REP served by the Company and to the facilities, premises and loads of such retail customers;

2. Retail customers located within HL&P's certificated service area as it existed on May 1, 1999 who are presently receiving transmission and/or distribution service either directly from another utility, electric cooperative or municipally owned utility (T or D Provider) or through a REP served by another T or D Provider, and whose request to change service to the other T or D Provider was made after May 1, 1999;

3. Retail customers located within HL&P's certificated service area as it existed on May 1, 1999 and who are served by New On-Site Generation. New On-Site Generation means "New On-Site Generation" as defined in Section 25.345(c)(1) of the Commission's Substantive Rules.

4. REPs that serve retail customers located within HL&P's certificated service area as it existed on May 1, 1999.

5. Any other entity which, under the terms of the Financing Order or the Utilities Code, may be obligated to pay, bill, collect, or adjust the Transition Charges.

6. This schedule is applicable to public retail customers located within HL&P's certificated service area as it existed on May 1, 1999 who purchase power from the General Land Office as provided for in the Utilities Code, Section 35.102.

SECTION 2: CHARACTER OF TRANSITION CHARGES

Transition Charges are non-bypassable charges. All Transition Charges other than those applicable to New On-Site Generation are computed and paid on the basis of individual end-use retail customer consumption or demand. In accordance with Utilities Code Section 39.252(b) and Section 25.345(i)(3) of the Commission's Substantive Rules, the Transition Charges applicable to use of New On-Site Generation that results in a "material reduction" of the customer's use of energy delivered through the Company's transmission and distribution facilities (as defined in Section 25.345(i)(4) of the Commission's Substantive Rules) are computed and paid based on the output of the on-site generation used to meet the internal electric requirements of the customer. Customers with New On-Site Generation will also be required to pay the Transition Charges applicable to energy actually delivered to the Customer through the Company's facilities. Individual end-use retail customers are responsible for paying Transition Charges billed to them in accordance with the terms of this Schedule TC2 whether the charges are billed directly by Servicer or are included in the bills submitted to the customer by a REP or another entity. Payment is to be made to the entity that bills the customer in accordance with the terms of the Servicing Agreement and the Financing Order. The billing entity may be the Company, a successor servicer, a REP or an entity designated to collect Transition Charges in place of the REP.

The Transition Charges are separate charges to be paid in addition to any other applicable charges for services received. Although the Transition Charges are separate charges, they may be included within other charges of the billing entity.

The REP or entity designated to collect Transition Charges in place of the REP will pay Transition Charges (less an allowance for charge-offs calculated pursuant to this Schedule TC2)

to Servicer in accordance with the requirements of the Financing Order and this Schedule TC2 whether or not it has collected the Transition Charges from its customers. To the extent that the REP's actual charge-offs differ from the charge-off allowance, adjustments will be made pursuant to this Schedule TC2. The REP will have no right to reimbursement other than as expressly set out in this Schedule TC2.

Servicer will remit collections to the SPE in accordance with the terms of the Servicing Agreement.

SECTION 3: TERM

This Schedule TC2 is effective beginning on the date the transition bonds are issued. Schedule TC2 will remain in effect as provided in the Financing Order until the Transition Charges collected and remitted to the SPE are sufficient to satisfy all obligations of the SPE to pay principal and interest on the transition bonds (as due over the 14 year term of the transition bonds) and to pay all other qualified costs as provided in the Financing Order. However, in no event will the Transition Charges be billed for service provided after 15 years from issuance of the transition bonds, or sooner if the transition bonds are paid in full at an earlier date. This Schedule TC2 is irrevocable.

SECTION 4: TRANSITION CHARGE CLASSES

Transition Charges are calculated and applied by Transition Charge Class. There are 15 Transition Charge Classes, nine of which are Capped Classes. Each Transition Charge Class is defined in terms of the base rate tariff classes that existed on HL&P's system on September 1, 1999 ("pre-restructuring rate schedules"). The Transition Charge Classes are defined as follows:

Residential Class: The Residential Class is made up of (i) every customer that was served under HL&P rate schedule RS or RTD on the day before the customer discontinued taking service from HL&P under a pre-restructuring rate schedule, and (ii) each new customer that was not served by HL&P under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by HL&P under pre-restructuring rate schedules would have qualified for service under HL&P's rate schedules RS or RTD.

MGS Class: The MGS Class is made up of (i) every customer that was served under HL&P rate schedule MGS on the day before the customer discontinued taking service from HL&P on a pre-restructuring rate schedule, and (ii) each new customer that was not served by HL&P under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by HL&P under a pre-restructuring rate schedule would have qualified for service under HL&P's rate schedule MGS and whose demand is estimated by the Company to be less than 400 kVa. This class includes customers served under Rider GLTC. Customers served under rate schedules EIS, HVP and CSB are included in

the MGS class if the customer's contract for service from HL&P provided that the MGS rate was the basis for pricing.

LGS Class: The LGS Class is made up of (i) every customer that was served under HL&P rate schedule LGS on the day before the customer discontinued taking service from HL&P on a pre-restructuring rate schedule, and (ii) each new customer that was not served by HL&P under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by HL&P under a pre-restructuring rate schedule would have qualified for service under HL&P's rate schedules LGS and whose demand as estimated by the Company, if served at less than 60,000 volts, is 400 kVa or greater; or if served at 60,000 volts or greater, is at least 400 kVa but less than 2,000 kVa. This class includes customers served under Rider SEL. Customers served under rate schedules EIS, HVP and CSB are included in the LGS class if the customer's contract for service from HL&P provided that the LGS rate was the basis for pricing.

LOS-A Class: The LOS-A Class is made up of (i) every customer that was served under HL&P rate schedule LOS-A on the day before the customer discontinued taking service from HL&P on a pre-restructuring rate schedule, and (ii) each new customer that was not served by HL&P under any pre-restructuring rate schedule, but is the type of customer which, if it had been served by HL&P under a pre-restructuring rate schedule would have qualified for service under HL&P's rate schedule LOS-A and has a demand as estimated by the Company of 2,000 kVa or greater. Customers served under rate schedules EIS and HVP are included in the LOS-A class if the customer's contract for service from HL&P provided that the LOS-A rate was the basis for pricing.

LOS-B Class: The LOS-B Class is made up of every customer that was served under HL&P rate schedule LOS-B on the day before the customer discontinued taking service from HL&P on a pre-restructuring rate schedule. Customers that were not served by HL&P under any pre-restructuring rate schedule may not be included in this class.

Non-Metered Lighting Class: The Non-Metered Lighting Class is made up of (i) every customer that was served under HL&P rate schedules SPL, MLS or MTA on the day before the customer discontinued taking service from HL&P on a pre-restructuring rate schedule, and (ii) each new customer which was not served by HL&P under any pre-restructuring rate schedule, but is taking outdoor lighting services which are provided on an unmetered basis using lighting fixtures controlled by photo-electric devices which would have qualified for service under HL&P's pre-restructuring rate schedules SPL, MLS and MTA.

In addition to the six Transition Charge Classes described above, there will be nine additional Transition Charge Classes, each of which is a capped class ("Capped Classes"). Each of the Capped Classes will be made up solely of customers that actually received service from HL&P during the 12-month period ended April 30, 1999 under the HL&P rate schedule related to the

class and any SIP customers with a contract effective date after April 30, 1999 and before January 1, 2002. The nine Capped Classes, and the related rate schedule, are as follows:

Capped Class	Related Rate Schedule
Standby Electric Service – Distribution	**SES**
Interruptible Service Supplemental – Distribution	**ISS**
Interruptible Service – 30 minute notice	**IS-30**
Interruptible Service – 10 minute notice	**IS-10 & SIP**
Interruptible Service – Instantaneous	**IS-I**
Interruptible Service Supplemental – Transmission	**ISS**
Standby Electric Service – Transmission	**SES**
Standby Interruptible Service	**SBI**
Special Contract Pricing	**SCP**

Each customer in one or more of the nine Capped Classes will be charged the Transition Charges for the applicable class only for service the customer actually receives during the billing period up to the Monthly Cap. The Monthly Cap for each customer will be based on the amount of service the customer received under the related rate schedule during the 12-month period ended April 30, 1999 or for any SIP customer, the Monthly Cap will be based on the customer's average monthly interruptible demand corresponding to the initial MFC under the customer's SIP contract effective after April 30, 1999 and before January 1, 2002, and calculated as follows:

(1) For customers which took stand alone standby service (SBI and/or SES without other service), the Monthly Cap for SBI and SES will be the highest demand under the respective rate, during the 12-month period ended April 30, 1999. If a customer began service under SES and/or SBI after April 30, 1999, the Monthly Cap for such customer's will be the highest demand under rate SES or SBI, as applicable, during the period from April 30, 1999 to January 1, 2002, if the customer provides the Company adequate documentation that (i) the additional load served was on-site load normally served by the customer's on-site generation and (ii) the customer's on-site generation was out of service due to forced outage or maintenance. If the customer does not provide the required documentation, the additional load will be billed using the Transition Charges applicable to the LGS Class for distribution voltage customers or LOS-A Class for transmission voltage customers.

(2) For customers which took SBI and/or SES in combination with other services, the Transition Charge for additional load taken in excess of the Monthly Cap will be the Transition Charge for the LOS-A class restated and applied as a cents per KWh charge if the customer provides the Company adequate documentation that (i) the additional load was lawfully served without use of the Company's transmission and distribution facilities and (ii) the customer's on-site generation was out of service due to forced outage or maintenance. If the customer does not provide the required documentation, the additional

load will be billed using the Transition Charges applicable to the LOS-A Class for transmission voltage customers applied on a kW basis.

(3) For any SCP customer that also received service under a non-Capped Class, the SCP rate will have a Monthly Cap based on the amount of service the customer received under the SCP rate schedule during the 12-month period ended April 30, 1999. The Monthly Cap will be the customer's monthly maximum hourly kW under the SCP rate schedule during the peak hours as defined herein, summed for the 12-month period ended April 30, 1999 and divided by the number of months during which the customer actually consumed power under the SCP rate schedule.

(4) For all other customers in Capped Classes, the Monthly Cap will be the customer's monthly maximum hourly kW under the related rate schedule during the peak hours as defined herein, summed for the 12-month period ended April 30, 1999 or alternate period applicable to any SIP customer and divided by the number of months during which the customer actually consumed power under the rate schedule. For monthly service in excess of the Monthly Cap(s), the charge associated with customer's non-capped Transition Charge Class will apply. If the customer is served at distribution voltage and did not have service associated with one of the six non-capped Transition Charge Classes, the customer will be required to pay the Transition Charges applicable to the LGS Class for all monthly service in excess of its Monthly Cap. If the customer is served at transmission voltage and did not have service associated with one of the six non-capped Transition Charge Classes, the customer will be required to pay the Transition Charges applicable to the LOS-A Class for all monthly service in excess of its Monthly Cap.

The categories of service historically provided by HL&P ceased to exist after electric business activities were unbundled pursuant to Section 39.051 of the Utilities Code. Similarly, since the advent of customer choice under Section 39.102 of the Utilities Code, retail customers receive service that may not only have different names, but may have different characteristics than the service historically provided by HL&P. The classifications set out in the preceding paragraphs will be applied to determine the Transition Charge applicable to each customer without regard to the descriptions that may be used to describe the services currently provided to retail customers.

SECTION 5: PERIODIC BILLING REQUIREMENT ALLOCATION FACTORS

The initial Periodic Billing Requirement Allocation Factors ("PBRAF") for each Transition Charge Class are set out below. These initial PBRAFs will remain in effect throughout the life of the transition bonds unless a modification of the factors is made pursuant to the allocation factor adjustment provisions in Section 6 of this Schedule TC2:

INITIAL PERIODIC BILLING REQUIREMENT ALLOCATION FACTORS

TRANSITION CHARGE CLASS	***PBRAF***
Residential	40.0412%
MGS	29.0309%
LGS	16.1206%
LOS-A	4.7917%
LOS-B	2.7598%
Non-Metered Lighting	0.6600%
CAPPED CLASSES	
Standby Electric Service-Distribution	0.0323%
Interruptible Service Supplemental- Distribution	0.1578%
Interruptible Service –Thirty Minute Notice	1.0392%
Interruptible Service –Ten Minute Notice	1.8814%
Interruptible Service – Instantaneous	0.2454%
Interruptible Service Supplemental – Transmission	0.0672%
Standby Electric Service – Transmission	0.2383%
Standby Interruptible Service	0.2076%
Special Contract Pricing	2.7266%

SECTION 6: ALLOCATION FACTOR ADJUSTMENTS

The PBRAFs will be subject to adjustment using the procedures in this Section 6. Any adjustment required under this Section 6 will be made effective on the date of an annual Standard True-up Adjustment. Required adjustments will be made in the following order: first, adjustments will be made under Part A; second, adjustments will be made under Part B; and third, adjustments will be made under Part C.

For purposes of determining whether an allocation adjustment is required under Parts B and C of this Section 6 and adjusting PBRAFs pursuant to those Parts, the Transition Charge Classes will be combined into three groups (TC Groups) as follows:

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TC GROUPS

TC GROUP	*TRANSITION CHARGE CLASSES*	*INITIAL GROUP ALLOCATION PERCENTAGE*
Residential	Residential	40.0412%
Commercial	MGS, LGS, Non-Metered Lighting	45.8115%
Industrial	All other Transition Charge Classes	14.1473%

Part A: Adjustments Due to Load Loss Qualifying under Utilities Code Section 39.262(k)

The PBRAFs shall be adjusted consistent with the Utilities Code to reflect the loss of loads due to operations of facilities that are "Eligible Generation" as defined in PUC Subst. Rule 25.345 (c) (2) ("Eligible Generation") except that this Part A shall not apply to, and the term "Eligible Generation" shall not include, load loss due to installation and operation of small power production facilities with a rated capacity of 10 megawatts or less. Any adjustments required under this Part A will be calculated as follows:

Step 1 – The Company will determine the amount of service provided during the twelve months ended April 30, 1999 that has been replaced by Eligible Generation (excluding amounts reflected in either the Initial PBRAFs or a prior adjustment under this Part A) and sum the losses by Transition Charge Class.

Step 2 – The Company will recalculate the PBRAFs for all Transition Charge Classes using the spreadsheet and data used to compute the initial PBRAFs but reducing the demand allocation factors for each Transition Charge Class to reflect the cumulative losses for that class as calculated under Step 1 (including losses for which PBRAF adjustments were made in prior years). No other changes to the spreadsheet or data used to compute the initial PBRAFs will be made. Appendix A to this Schedule TC2 contains the spreadsheet and data used to compute the initial PBRAFs.

Step 3 – An Adjusted Group Allocation Percentage for each TC Group shall then be calculated as the sum of the Adjusted PBRAFs (computed under Step 2) for all Transition Charge Classes within the TC Group.

Part B: Inter-Group Adjustments Due to Cumulative Load Loss Not Attributable to Eligible Generation

In connection with each annual Standard True-up Adjustment, the Company will compare the projected billing determinants being used to set Transition Charges for each Transition Charge Class during the ensuing year to the billing determinants in effect on the original effective date of

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Schedule TC2 (adjusted to exclude any billing determinants attributable to Eligible Generation if any adjustment was made under Part A after the original effective date) (such billing determinants as adjusted are hereafter referred to as the "Base Billing Determinants"). The PBRAFs of all Transition Charge Classes in all TC Groups will be adjusted if one or more TC Groups experience load loss (calculated excluding load loss attributable to Eligible Generation for which adjustments have been made under Part A but including load loss attributable to small power production facilities of 10 megawatts or less) aggregating 50% or more on a cumulative basis when measured against the Base Billing Determinants. The adjustments under this Part B will be made using the following procedures:

Step 1:

For each TC Group, if $CTCOL_G / PBR_G \geq 0.50$	Then, no PBRAF adjustment will occur and any adjustment made in previous years under Part B shall be reversed
For each TC Group, if $CTCOL_G / PBR_G < 0.50$	Then, a PBRAF adjustment will be calculated pursuant to Steps 2 through 5.

Where:

$CTCOL_G$ = cumulative test collections for group $G = \Sigma\ CC_c * FBU_c$ for all classes (c) in Group (G)

FBU_c = forecasted billing determinants for class c

CC_c= cumulative test charge for class $c = \{PBRAF_c * PBR_T\} / BBD_c$

$PBRAF_c$= the PBRAFs then in effect, or if an adjustment has been made under Part A, the adjusted PBRAFs from Part A

PBR_T= total periodic billing requirement for upcoming period

BBD_c= Base Billing Determinants for class c

PBR_G= periodic billing requirement for group = $\Sigma\ PBRAF_c * PBR_T$ for all classes in G

Step 2:
For each TC Group in Step 1 where $CTCOL_G / PBR_G < 0.50$, a reduction amount (RED_G) will be calculated for group G where

$RED_G = 0.5\ (PBR_G - CTCOL_G)$

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Step 3:

For all TC Groups, a reallocation amount for that group (RA_G) shall be calculated where:

$$RA_G = GAP_G * \{\Sigma RED_G\} \text{ for all Groups}$$

Where:

GAP_G = Group Allocation Percentage = $\Sigma PBRAF_c$ for all classes in the group

Step 4:

For all TC groups a Group Allocation Percentage Adjustment ($GAPA_G$) shall be calculated where:

$$GAPA_G = (RA_G - RED_G) / PBR_T$$

Where:

$$\Sigma GAPA_G = 0 \text{ for all G}$$

Step 5:

For all TC classes, the PBRAF adjustment for class c ($PBRAFA_c$) will be calculated for use in calculating adjustments to the Transition Charges under Section 8, Part A where

$$PBRAFA_c = GAPA_G * (PBRAF_c / GAP_G)$$

Part C: Inter-Group Adjustments Due to Year-Over-Year Load Loss Not Attributable to Eligible Generation

In connection with each annual Standard True-up Adjustment, the Company will compare the projected billing determinants being used to set Transition Charges for each Transition Charge Class during the ensuing year to the forecasted billing determinants used to develop the then currently effective Transition Charges for the class minus the Eligible Generation load loss for the class determined in Step 1 of Part A after the billing determinant for the currently effective Transition Charges was determined (such adjusted amount is hereinafter referred to as the "Prior Year Billing Determinant"). The PBRAFs of all Transition Charge Classes in all TC Groups will be adjusted if (i) one or more TC Groups experience load loss (calculated excluding load loss attributable to Eligible Generation for which adjustments have been made under Part A but including load loss attributable to small power production facilities of 10 megawatts or less) of 10% or greater on a year-over-year basis when compared to the Prior Year Billing Determinants or (ii) any TC Group for which an adjustment was made under this Part C in one or more prior years experiences load growth resulting in projected billing determinants for the current year at a level which, if they had existed in one or more of such prior year(s) would have resulted in no adjustment to PBRAFs in such prior year(s). No reduction in PBRAFs will be made under this Part C for any TC Group for which a reduction amount was computed under Step 5 of Part B. The adjustments under this Part C will be made using the following procedures:

Step 1:
For each TC Group not adjusted under Part B,

If $YTCOL_G / PBR_G \geq 0.90$	Then, no PBRAF adjustment will occur.
If $YTCOL_G / PBR_G > 1.00$	Then, no PBRAF adjustment will occur and any prior year adjustments made under C will be reversed pursuant to step 6.
If $YTCOL_G / PBR_G < 0.90$	Then, a PBRAF adjustment will be calculated pursuant to Steps 2 through 5.

Where:

$YTCOL_G$ = year-to-year test collections for group G = Σ YC_c* FBU_c for all classes (c) in Group (G)

FBU_c = forecasted billing determinants for class c

YC_c= year-to-year test charge for class c = $\{PBRAF_c * PBR_T\} / FBU_c^{-1}$

$PBRAF_c$= the PBRAFs then in effect, or if an adjustment has been made under Part A, the adjusted PBRAFs from Part A

PBR_T= total periodic billing requirement for upcoming period

FBU_c^{-1}=prior year's forecasted billing determinants for class c
PBR_G= periodic billing requirement for group = Σ $PBRAF_c$* PBR_T for all classes in the group

Step 2:
For each TC Group in Step 1 where $YTCOL_G / PBR_G < 0.90$, a year to year reduction amount ($YRED_G$) shall be calculated where

$$YRED_G = 0.9 (PBR_G - YTCOL_G)$$

Step 3:

For all TC Groups, a year to year reallocation amount (YRA_G) shall be calculated where:

$$YRA_G = GAP_G * \{\Sigma YRED_G\} \text{ for all groups}$$

Where:

GAP_G = Group Allocation Percentage = Σ $PBRAF_c$ for all classes in the group

Step 4:

For all TC groups a year to year group allocation percentage adjustment ($YGAPA_G$) shall be calculated where:

$$YGAPA_G = (YRA_G - YRED_G) / PBR_T$$

Where Σ $GAPA_G$ = 0 for all G

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Step 5:

For all TC classes, a year to year PBRAF adjustment ($YPBRAFA_c$) shall be calculated for use in calculating adjustments to the Transition Charges under Section 8, Part A where:

$$YPBRAFA_c = YGAPA_G * (PBRAF_c / GAP_G)$$

Step 6:

if$\{\Sigma (YC_c * FBU_c)\}/\{\Sigma (YC_c * FBU_c^{t-1})\} \geq .90$ (for all classes in group G) then the adjustment made in year t shall be discontinued.

if$\{\Sigma (YC_c * FBU_c)\}/\{\Sigma (YC_c * FBU_c^{t-1})\} < .90$ (for all classes in group G) then the adjustment made in year t carries forward.

Where FBU_c^{t-1} is the forecasted billing determinants from the year prior to the year an adjustment was made adjusted to reflect any adjustments made under part A between year t-1 and the current year.

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Part D: Adjustments to Base Class Allocations

The methodology used to allocate qualified costs and determine Transition Charges shall not be changed except in the limited circumstance described in this paragraph. If, but only if, the total retail stranded costs (determined pursuant to Section 39.253 of the Utilities Code) on a statewide basis exceed $5 billion, then the qualified costs attributable to the Company's share of the statewide stranded costs in excess of $5 billion shall be reallocated using the allocation methodology prescribed in Section 39.253(f) of the Utilities Code. The Company's share of the statewide stranded costs in excess of $5 billion shall be determined by multiplying (i) the percentage obtained by dividing the Company's total stranded costs (determined pursuant to Section 39.253(f)) by the total statewide stranded costs (determined pursuant to Section 39.253(f)) by (ii) the amount by which the total statewide stranded costs (determined pursuant to Section 39.253(f)) exceed $5 billion. The qualified costs attributable to the Company's share of the statewide stranded costs shall then be determined by multiplying (i) the Company's share of the statewide stranded costs by (ii) the percentage obtained by dividing (a) the Company's stranded costs (determined pursuant to Section 39.253(f)) which were securitized pursuant to the Financing Order dated March 16, 2005 in Docket No. 30485 by (b) the Company's total stranded costs (determined pursuant to Section 39.253(f)). The Company shall file the adjustments required herein, within 45 days after the Commission issues any order determining a utility's stranded costs or regulatory assets that causes the total statewide stranded costs (determined pursuant to Section 39.253(f)) to exceed $5 billion or changes the amount by which the total statewide stranded costs (determined pursuant to Section 39.253(f)) exceed $5 billion. Any changes in Transition Charges resulting from a change in the initial or adjusted PBRAFs under this Part D shall be made prospectively from the date of the Commission's order approving adjusted PBRAFs under this Part D. No change in an initial or adjusted PBRAF shall cause the sum of all PBRAFs to be more than or less than 100% or change the total Periodic Billing Requirement for any period. Transition Charges for services rendered prior to such effective date will not be changed. Future changes to the PBRAFs underlying the recomputed Transition Charges, if necessary under Parts A – D of this Section 6 will be computed pursuant to this Section 6 using the initial and adjusted PRBAFs as determined by the Commission pursuant to this Part D.

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SECTION 7: TRANSITION CHARGES

The Transition Charges to be applied beginning on the effective date of this Schedule TC2 are set out below. Transition Charges to be applied in subsequent periods (Adjusted Transition Charges) will be determined in the manner described in Section 8.

TRANSITION CHARGES

TRANSITION CHARGE CLASS	*PER UNIT CHARGE*	*BILLING UNIT*
Residential	$0.002899	Per kWh
MGS	$0.385581 $0.002648	Per kW Per kWh
LGS	$1.048704 $1.780475	Per kVa Per kW
LOS-A	$0.881795	Per kW
LOS-B	$1.248428	Per kW
Non-Metered Lighting	$0.004246	Per kWh
CAPPED CLASSES:		
Standby Electric Service-Distribution	$0.387106	Per kW
Interruptible Service Supplemental- Distribution	$2.122377	Per kW
Interruptible Service –Thirty Minute Notice	$0.758917	Per kW
Interruptible Service –Ten Minute Notice	$0.455760	Per kW
Interruptible Service – Instantaneous	$0.868506	Per kW
Interruptible Service Supplemental - Transmission	$0.869578	Per kW
Standby Electric Service - Transmission	$0.376821	Per kW
Standby Interruptible Service	$0.121198	Per kW
Special Contract Pricing	$1.197195	Per kW

The Transition Charges shall be applied on a kW basis for all service provided at Transmission voltage and for all service provided to Capped Classes and to any LGS customer that also received SES-Distribution service. The kW to be used in calculating the bill for those customers obligated to pay on a kW basis will be the highest kW for the month measured over a one hour period occurring on weekdays (Monday through Friday) during the sixteen hours beginning with

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and including the hour that ends at seven (a.m.) (07:00) and extending until the hour that ends at ten p.m. (22:00), local time (central standard or central daylight saving time, as appropriate).

Except for customers in the MGS class, the Transition Charges shall be applied on a kVa basis for all service provided at distribution voltage (other than service at distribution voltage to Capped Classes or to LGS customers that also received SES-Distribution service) and whose kVa is greater than 10 kVa in the billing month. The kVa will be the highest kVa measured over a 15 minute period during the month if the metering equipment has indicators for measuring and recording only the highest demand during the billing period, otherwise if the metering equipment measures and records continuously for all 15 minute periods the kVa will be the average of the 4 highest 15 minute periods measured during the billing period. If the demand meters used to meter service to a customer measure service is on a kW basis instead of a kVa basis or measure in intervals different than 15 minutes (*e.g.* 5, 10, 30 minutes) the transition charge to the customer will be based on the kW with the interval measurement period closest to a 15 minute period.

Transition Charges will be applied on a kWh basis for those customers with watt-hour meters and those customers with demand meters whose measured demand is 10 kVa or less, all Residential customers, all Non-Metered Lighting customers and all MGS customers served at distribution voltage.

Each retail customer shall be obligated to pay Transition Charges for its applicable class. The Transition Charge shall be applied to all service received by the customer during the applicable billing period. If a customer was taking service in more than one rate class through one point of service on April 30,1999, or on the day before the customer discontinued taking service from HL&P on a pre-restructuring rate schedule, its Transition Charges shall be determined as follows:

1. For customers taking service under two or more rates through a single meter, the following order will be used to determine Transition Charges for the customer:

(a) If the customer takes service in one or more Capped Classes (other than SCP) through a single meter, the service shall be allocated first to Capped Classes in ascending order of unit Transition Charges beginning with the Capped Class with the lowest unit Transition Charge. All service to the customer, up to the lesser of (i) the highest hourly on-peak kW for total premises load (Total kW) or the Monthly Cap for the class, shall be deemed to be service under the Capped Class with the lowest unit Transition Charge. If the Total kW is greater than the Monthly Cap for the class with lowest unit Transition Charge, the difference up to the Monthly Cap for the Capped Class with the next lowest unit Transition Charge will be deemed to be service under the Capped Class with the next

lowest unit Transition Charge. The remainder will then similarly be allocated to each other Capped Class under which the customer is served until the Total kW has been allocated or all applicable Monthly Caps have been reached.

(b) If the total amount allocated to Capped Classes under (a) is less than the Total kW, the remainder, up to the Monthly Cap for SCP shall be deemed to be service provided under SCP.

(c) Any amount remaining after the allocations in (a) and (b) will be deemed to be service provided under the Transition Charge Class (other than Capped Classes and SCP) that is applicable to the customer. If the customer is not otherwise taking service under any Transition Charge Class (other than Capped Classes and SCP) the amount remaining after the allocations in (a) and (b) shall be deemed to be service under LOS-A, if the customer is served at transmission voltage, or under LGS, if the customer is served at distribution voltage.

In addition, each customer which has New On-Site Generation shall pay an amount each month computed by multiplying the output of the on-site generation used to serve the internal electric requirements of the customer (either kW or kVa, as determined by the Transition Charge class for which the customer would qualify if it were being served by the Company or an REP) by the Transition Charge in effect for services provided to customers in that class during the month. This amount shall be in addition to any Transition Charges applicable to energy or demand actually delivered to the customer through the Company's or another T&D Provider's facilities.

SECTION 8: STANDARD TRUE-UP FOR ADJUSTMENT OF TRANSITION CHARGES

Transition Charges will be adjusted annually effective on December 1st to ensure that the expected collection of Transition Charges is adequate to pay principal and interest on the transition bonds when due pursuant to the expected amortization schedule, pay as due all other qualified costs and to fund the overcollateralization account to the required level. In addition to these annual true-up adjustments, true-up adjustments may be made more frequently at any time during the term of the transition bonds to correct any undercollection or overcollection, as provided for in the Financing Order, in order to assure timely payment of transition bonds based on rating agency and bondholder considerations. In addition to the foregoing, either of the following two conditions may result in an interim true-up adjustment in the month prior to an upcoming transition bond principal payment date:

(a) The collection of transition charges for the upcoming payment date will result in a difference that is greater than 5% in absolute value, between (i)

the actual outstanding principal balances of the transition bonds plus amounts on deposit in the reserve subaccount and (ii) the outstanding principal balances anticipated in the target amortization schedule; or

(b) To meet a rating agency requirement that any series of transition bonds be paid in full by the expected maturity date for any series of transition bonds that matures after a date determined mutually, at the time of pricing by CenterPoint Houston and the Commission's designated personnel or financial advisor.

In no event will interim true-up adjustments occur more frequently than every three months if quarterly transition bond payments are required or every six months if semi-annual transition bond payments are required; provided, however, that interim true-up adjustments for any transition bonds remaining outstanding during the fourteenth and fifteenth year after the bonds are issued may occur quarterly.

All annual and interim adjustments will be designed to cause (i) the outstanding principal balance of the transition bonds to be equal to the scheduled balance on the expected amortization schedule; (ii) the amount in the overcollateralization subaccount to be equal to the required overcollateralization level; (iii) the amount in the capital subaccount to be equal to the required capital plus any investment earnings on amounts in the capital subaccount to the extent that the investment earnings have not been released to the SPE and (iv) the reserve subaccount to be zero by the payment date immediately preceding the next adjustment or by the final payment date, if the next payment date is the final payment date.

Part A: TRUE-UP ADJUSTMENT PROCEDURE FOR STANDARD AND INTERIM TRUE-UPS

Servicer will calculate the Adjusted Transition Charges using the methodology described below and will file the Adjusted Transition Charges with the Commission. Annual adjustments will be filed 15 days prior to the effective date of the Adjusted Transition Charges unless an adjustment to the PBRAFs is required under Section 6 (including Intra-Group Allocation Adjustments under Part D of Section 6) in which case the annual adjustment will be filed not later than 90 days prior to the effective date. Interim Adjustments will be filed not less than 15 days prior to the effective date of the Adjusted Transition Charges.

The Adjusted Transition Charge for the upcoming period for each class (TC_c) shall be computed as follows:

For the residential class,

$$TC_c = PBR_T * (PBRAF_c + PBRAFA_c + YPBRAFA_c^b) / FBU_c$$

For classes in the Commercial and Industrial TC Groups, except if any class in the Industrial Group is forecast for the ensuing period to experience more than a 10% reduction in billing determinants compared to the industrial base billing determinants for that class, then the transition charges for the classes within the Industrial TC Group will be determined according to Section 8, Part B:

$TC_c = TC_c^{-1} \{\Sigma [PBR_T * (PBRAF_c + PBRAFA_c + YPBRAFA_c^t)] / \Sigma(TC_c^{-1} * FBU_c)\}$
For all classes in the applicable group.

Where

TC_c^{-1} = the transition charge for that class from the previous period

PBR_T= Periodic Billing Requirement for the ensuing period (the 12 months beginning on the effective date of the adjusted transition charges in the case of annual true-ups and the period until the next scheduled annual true-up in the case of interim adjustments). The Periodic Billing Requirement will be the amounts required to pay principal and interest on the transition bonds when due pursuant to the expected amortization schedule, pay as due all other qualified costs, fund the overcollateralization account to the required level, and recover any net system under-collections or credit any net system over-collections so that (i) the outstanding principal balance of the transition bonds will be equal to the scheduled balance on the expected amortization schedule; (ii) the amount in the overcollateralization subaccount will be equal to the required overcollateralization level; (iii) the amount in the capital subaccount will be equal to the required capital plus any investment earnings on amounts in the capital subaccount to the extent that the investment earnings have not been released to the SPE and (iv) the reserve subaccount will be zero by the payment date immediately preceding the next adjustment or by the final payment date, if the next payment date is the final payment date.

$PBRAF_c$ = the PBRAFs then in effect, or if an adjustment has been made under Section 6, Part A, the adjusted PBRAFs from Section 6, Part A.

$PBRAFA_c$= the adjustment (if any) from Section 6, Part B, Step 5

$YPBRAFA_c^t$= the adjustment from Section 6, Part C, Step 5 for every year t in which an adjustment was made unless that adjustment was discontinued under Section 6, Part C, Step 6.

FBU_c= the forecasted billing determinants for the upcoming period

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Part B: Intra Industrial Group Adjustments Due to Cumulative Load Loss Not Attributable to Eligible Generation

In connection with each annual Standard True-up Adjustment, the Company will compare the projected billing determinants being used to set Transition Charges for each Industrial Group Transition Charge Class during the ensuing year to the billing determinants for the period November 2003 through October 2004 (adjusted to exclude any billing determinants attributable to Eligible Generation if any adjustment was made under Section 6, Part A after October 2004) (such billing determinants as adjusted are hereafter referred to as the "Industrial Base Year Billing Determinants"). The Transition Charges of all Transition Charge Classes in the Industrial TC Group will be adjusted if one or more Transition Charge Classes experience load loss (calculated excluding load loss attributable to Eligible Generation for which adjustments have been made under Section 6, Part A but including load loss attributable to small power production facilities of 10 megawatts or less) aggregating more than 10% on a cumulative basis when measured against the Industrial Base Year Billing Determinants. The adjustments under this Part B will be made using the following procedures:

Step 1: If $FBU_c / IBD_c \geq 0.90$ for each Industrial TC Class	Then, no adjustments will occur under this Section 8, Part B and the transition charge for each Industrial TC class will be calculated under Section 8, Part A.
If $FBU_c / IBD_c < 0.90$ for any Industrial TC Class (Load Loss Class)	Then, adjustments will be calculated pursuant to Steps 2 through 6.
Where: FBU_c = forecasted billing determinants for class c IBD_c = Industrial Base Year Billing Determinants for class c	

Step 2:

For each Industrial TC Class in Step 1 where $FBU_c / IBD_c < 0.90$, a reduction amount (RED_c) will be calculated as follows:

$$RED_c = PBR_c - TCLL_C$$

Where:

$PBR_c = PBR_T * PBRAF_c$

$TCLL_c$ = Test Collections with 10% Load Loss for Class c = $[PBR_c / (IBD_c * 0.9)] * FBU_c$

PBR_T = total periodic billing requirement for upcoming period

$PBRAF_c$ = the PBRAFs then in effect, including any adjustment made under Section 6, Part A; plus any adjustment made under Section 6, Part B and Section 6, Part C unless the adjustment was discontinued.

Step 3:

For each Industrial TC class for which a reduction amount was not calculated in Step 2 and whose $TC_c^{-1} \leq TC_{LOSA}^{-1}$, a reallocation amount shall be calculated as follows:

$$RA_c = IAP_c * \Sigma RED_c \text{ for all classes}$$

Where:

IAP_c = Intra-Group Allocation Percentage for class c = $PBRAF_c / \Sigma PBRAF_c$ for all Industrial TC Classes for which a reduction amount was not calculated in Step 2 and whose $TC_c^{-1} \leq TC_{LOSA}^{-1}$

TC_{LOSA}^{-1} = Transition Charge implemented for the LOSA TC class in the last true-up filing

TC_c^{-1} = Transition Charge implemented for class c in the last true-up filing

Step 4:

The adjusted transition charge for a class (TC_c) shall be calculated as follows:

For those Industrial TC Classes receiving a reallocation amount in Step 3:
$TC_c = [PBR_c + RA_c] / FBU_c$

For all other Industrial TC Classes:
$TC_c = [PBR_c - RED_c] / FBU_c$

Step 5:

Calculate the percent increase in the Transition Charge from the Base Year as follows:

$$PI_c = (TC_c / TC_c^{BASE}) - 1$$

Where:

TC_c = The adjusted transition charge calculated in Step 4

TC_c^{BASE} = The transition charge calculated using the Industrial Base Year Billing Determinants.

Step 6:

A. For any Industrial TC Class where PI is less than the PI for the TC Classes identified in Step 1 as Load Loss Classes:

$$TC_c^{FINAL} = TC_c$$

B. If PI for any Industrial TC Class is greater than or equal to the PI for the Load Loss Classes identified in Step 1, then calculate an initial Equal Percent Increase for that class and the Load Loss Classes identified in Step 1:

$$TC_c^{FINAL} = TC_c^{BASE} * (1 + EPI^{INITIAL})$$

Where:

$EPI^{INITIAL}$ = initial Equal Percent Increase = $\Sigma (TC_c * FBU_c) / \Sigma (TC_c^{BASE} * FBU_c)$ for only those Industrial TC Classes identified in Step 1 as Load Loss Classes and TC classes with a PI greater than or equal to those Industrial TC Load Loss Classes identified in Step 1.

C. In the event that $EPI^{INITIAL}$ for any Industrial TC Class, other than a Load Loss Class identified in Step 1, exceeds the PI_c calculated in Step 5, then for that Class,

$$TC_c^{FINAL} = TC_c$$

D. For the remaining classes, a final Equal Percent Increase will be calculated to reflect the exclusion of the Classes identified in Step 6, Parts A and C above as follows:

$$TC_c^{FINAL} = TC_c^{BASE} * (1 + EPI^{FINAL})$$

Where:

EPI^{FINAL} = final Equal Percent Increase = $\Sigma (TC_c * FBU_c) / \Sigma (TC_c^{BASE} * FBU_c)$ for only those Industrial TC Classes remaining in Step 6, Part D.

SECTION 9: BILLING AND COLLECTION TERMS AND CONDITIONS

Transition Charges will be billed and collected as set forth in this Schedule TC2. The terms and conditions for each party are set forth below.

A. Billings by Servicer to other T or D Providers:

1. Transition Charges applicable to former retail customers of the Company in multiply certificated service areas who are now taking service directly from other T or D Providers or through REPs served by other T or D Providers will be billed to and collected from the other T or D Provider, which, in turn will be responsible for collecting the Transition Charges from the retail customers and REPs.

2. The T or D Provider shall pay all Transition Charges not later than 35 days after bill is mailed by Servicer. The T or D Provider shall make such payment regardless of whether it collects such charges from the end-use retail customer or REP.

B. Billings by Servicer to New On-Site Generation:

1. Customers subject to Transition Charges for New On-Site Generation shall pay such charges in full not later than sixteen days after the date the bill is mailed to the customer.

2. Transition Charges applicable to New On-Site Generation are in addition to applicable transition charges under A above or C below.

3. If the entity with New On-Site Generation receives transmission or distribution service from the Company or another T or D Provider, Servicer shall have the same right to terminate service or require the other provider to terminate service for non-payment of Transition Charges as the Company has to terminate service for non-payment of charges under the Company's rate schedules. Any termination shall comply with applicable Commission rules.

C. Billings by the REP or its replacement to end-use customers:

1. REPs will bill and collect, or cause to be billed and collected, all Transition Charges applicable to consumption by retail customers served by the REP.

2. If Servicer is providing the metering, metering data will be provided to the REP at the same time as the billing. If Servicer is not providing the metering, the entity providing metering services will be responsible for complying with Commission rules and ensuring that Servicer and the REP will receive timely and accurate metering data in order for Servicer to meet its obligations under the Servicing Agreement and the Financing Order with respect to billing and true-ups.

3. Each REP must (1) have a long-term, unsecured credit rating of not less than "BBB-" and "Baa3" (or the equivalent) from Standard & Poor's and Moody's Investors Service, respectively, or (2) provide (A) a deposit of two months' maximum expected Transition Charge collections in the form of cash, (B) an affiliate guarantee, surety bond, or letter of credit providing for payment of such amount of Transition Charge collections in the event that the REP defaults in its payment obligations, or (C) a combination of any of the foregoing. A REP that does not have or maintain the requisite long-term, unsecured credit rating may select which alternate form of deposit, credit support, or combination thereof it will utilize, in its sole discretion. The indenture trustee shall be the beneficiary of any affiliate guarantee, surety bond or letter of credit. The provider of any affiliate guarantee, surety bond, or letter of credit must have and maintain a long-term, unsecured credit ratings of not less than "BBB-" and "Baa3" (or the equivalent) from Standard & Poor's and Moody's Investors Service, respectively.

4. If the long-term, unsecured credit rating from either Standard & Poor's or Moody's Investors Service of a REP that did not previously provide the alternate form of deposit, credit support, or combination thereof or of any provider of an affiliate guarantee, surety bond, or letter of credit is suspended, withdrawn, or downgraded below "BBB-" or "Baa3" (or the equivalent), the REP must provide the alternate form of deposit, credit support, or combination thereof, or new forms thereof, in each case from providers with the requisite ratings, within 10 business days following such suspension, withdrawal, or downgrade. A REP failing to

make such provision must comply with the provisions set forth in paragraph 3 of Section D, Billings by Servicer to the REP or its replacement (when applicable).

5. The computation of the size of a required deposit shall be agreed upon by Servicer and the REP, and reviewed no more frequently than quarterly to ensure that the deposit accurately reflects two months' maximum collections. Within 10 business days following such review, (1) the REP shall remit to the indenture trustee the amount of any shortfall in such required deposit or (2) Servicer shall instruct the indenture trustee to remit to the REP any amount in excess of such required deposit. A REP failing to so remit any such shortfall must comply with the provisions set forth in Paragraph 3 of the Section D, Billings by Servicer to the REP or its replacement (when applicable). REP cash deposits shall be held by the indenture trustee, maintained in a segregated account, and invested in short-term high quality investments, as permitted by the rating agencies rating the transition bonds. Investment earnings on REP cash deposits shall be considered part of such cash deposits so long as they remain on deposit with the indenture trustee. At the instruction of Servicer, cash deposits will be remitted with investment earnings to the REP at the end of the term of the transition bonds unless otherwise utilized for the payment of the REP's obligations for Transition Bond payments. Once the deposit is no longer required, Servicer shall promptly (but not later than 30 calendar days) instruct the indenture trustee to remit the amounts in the segregated accounts to the REP.

6. In the event that a REP or the Provider of Last Resort (POLR) is billing customers for Transition Charges, the REP shall have the right to transfer the customers to the POLR (or to another certified REP) or to direct Servicer to terminate transmission and distribution service to the end-use customer for non-payment by the end-use customer pursuant to applicable Commission rules.

D. Billings by Servicer to the REP or its replacement (when applicable):

1. Servicer will bill and collect from REPs all Transition Charges applicable to consumption by retail customers served by the REP, including applicable customers served by New On-Site Generation.

2. Payments of Transition Charges are due 35 calendar days following each billing by Servicer to the REP, without regard to whether or when the REP receives payment from the end-use retail customers. Servicer shall accept payment by electronic funds transfer, wire transfer, and/or check. Payment will be considered received the date the electronic funds transfer or wire transfer is received by Servicer, or the date the check clears. A 5% penalty is to be charged on amounts received after 35 calendar days; however, a 10 calendar-day grace period will be allowed before the REP is considered to be in default. A REP in default must

comply with the provisions set forth in paragraph 3 of this Section D. The 5% penalty will be a one-time assessment measured against the current amount overdue from the REP to Servicer. The "current amount" consists of the total unpaid Transition Charges existing on the 36th calendar day after billing by Servicer. Any and all such penalty payments will be made to the indenture trustee to be applied against Transition Charge obligations. A REP shall not be obligated to pay the overdue Transition Charges of another REP. If a REP agrees to assume the responsibility for the payment of overdue Transition Charges as a condition of receiving the customers of another REP that has decided to terminate service to those customers for any reason, the new REP shall not be assessed the 5% penalty upon such Transition Charges; however, the prior REP shall not be relieved of the previously-assessed penalties.

3. After the 10 calendar-day grace period (the 45th calendar day after the billing date), Servicer shall have the option to seek recourse against any cash deposit, affiliate guarantee, surety bond, letter of credit, or combination thereof provided by the REP, and avail itself of such legal remedies as may be appropriate to collect any remaining unpaid Transition Charges and associated penalties due Servicer after the application of the REP's deposit or alternate form of credit support. In addition, a REP that is in default with respect to the requirements set forth in paragraphs 4 and 5 of Section C and paragraph 2 of this Section D shall select and implement one of the following options:

   (a) Allow the POLR or a qualified REP of the customer's choosing to immediately assume the responsibility for the billing and collection of Transition Charges.

   (b) Immediately implement other mutually suitable and agreeable arrangements with Servicer. It is expressly understood that Servicer's ability to agree to any other arrangements will be limited by the terms of the Servicing Agreement and requirements of rating agencies that have rated the transition bonds necessary to avoid suspension, withdrawal or downgrade of the ratings on the transition bonds.

   (c) Arrange that all amounts owed by retail customers for services rendered be timely billed and immediately paid directly into a lock-box controlled by Servicer with such amounts to be applied first to pay Transition Charges before the remaining amounts are released to the REP. All costs associated with this mechanism will be borne solely by the REP.

   If a REP that is in default does not immediately select and implement one of the options specified in (a), (b) or (c) or, after so selecting one of the foregoing options, fails to adequately meet its responsibilities thereunder, then Servicer shall

Exhibit 2. Supplemental Certificate from Issuing Utility

The attached document contains a supplemental certificate from the issuing utility for these bonds.

Marc Kilbride
Vice President and Treasurer

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CenterPointEnergy.com

December 14, 2005

Saber Partners, LLC
44 Wall Street
New York, NY 10005

Saber Capital Partners, LLC
44 Wall Street
New York, NY 10005

Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

Re: CenterPoint Energy Transition Bond Company II, LLC
Senior Secured Transition Bonds, Series A

Gentlemen;

In Docket No. 30485, the Public Utility Commission of Texas (the "Commission") issued its financing order dated March 16, 2005 (the "Financing Order"). The Financing Order authorized CenterPoint Energy Houston Electric, LLC (the "Company") to issue one or more series of transition bonds and to participate in certain related transactions as specified in the Financing Order through a wholly-owned subsidiary of the Company, subsequently identified as CenterPoint Energy Transition Bond Company II, LLC (the "Issuer").

On December 12, 2005, the Company filed at the Commission an issuance advice letter dated December 12, 2005, attached as Exhibit A-1 (the "Issuance Advice Letter"), in connection with $1,851,000,000 aggregate principal amount of the Issuer's Senior Secured Transition Bonds, Series A (the "Transition Bonds"). On December 14, 2005, the Company will submit to the Commission a letter, attached as Exhibit A-2, providing notice that, as a result of an agreement between the Commission's financial advisor and the underwriters subsequent to filing the Issuance Advice Letter, the actual underwriter fees will be $321,598 less than was estimated in the Issuance Advice Letter. Attachment 4 to the Issuance Advice Letter is the Company's certification concerning certain matters related to the Transition Bonds. The Series A Bonds were priced, with respect to Tranche A-1 at 2:57 P.M. New York time, with respect to Tranche A-2, Tranche A-3 and Tranche A-4 at 2:58 P.M. New York time, and with respect to Tranche A-5 at 3:30 P.M. New York Time on December 9, 2005, (the "Pricing Time") when Credit Suisse First Boston LLC, Greenwich

Capital Markets Inc, and Lehman Brothers Inc. (acting for themselves and as representatives of a syndicate of underwriters) agreed to purchase the Transition Bonds in accordance with the terms of the Underwriting Agreement dated December 9, 2005.

As set forth in Exhibit II Attachment C to its April 15, 2005 Requests for Proposals for a Financial Advisor, the Commission has requested additional specific comfort from Saber Partners, LLC and Saber Capital Partners, LLC (together, "Saber"), as the Commission's financial advisor in connection with the Transition Bonds. Saber has requested similar comfort from the Company. Therefore, in connection with the Transition Bonds, we hereby certify to you as follows:

1. Given the terms of the Financing Order, the schedule of principal amounts set forth in the attached Exhibit A-1, market conditions at the Pricing Time, and applicable securities laws, and based on the Company's experience and on market conditions and other information reasonably available to officers, agents and employees of the Company, the structuring, marketing and pricing of the Transition Bonds will result in the lowest transition-bond charges consistent with market conditions and the terms of the Financing Order.

2. On October 11, 2005, a decision was made by the Company and the Commission's financial advisor to proceed with marketing the Transition Bonds as a negotiated sale through a syndicate of selected underwriters. Based on information reasonably available to us as of that date, and given the terms of the Financing Order, the schedule of principal amounts set forth in the attached Exhibit A-1 and applicable securities laws, (a) competitive sales are not customary in the market in which transition bonds typically are marketed, nor are competitive sales generally considered to be the most effective manner in which to market highly structured securities such as the Transition Bonds; and (b) the Issuer could not have expected to achieve lower transition bond charges for any or all tranches of the Transition Bonds through a competitive bidding process than through the negotiated sale of all the Transition Bonds to the syndicate of underwriters jointly selected by the Company and the Commission's designated representative or financial advisor.

3. Given the terms of the Financing Order, market conditions at the time of pricing and the schedule of principal amounts set forth in the attached Exhibit A-1, the amount of compensation payable to the underwriters from proceeds of the Transition Bonds was necessary to achieve the lowest transition bond charges for each tranche of Transition Bonds, and the amount of compensation payable to the underwriters and funded from proceeds of the Transition Bonds have been established at amounts that could not be reduced without increasing overall transition bond charges.

For purposes of this letter, the following definitions apply:

(a) "marketing" means all aspects of presenting the Transition Bonds to the public capital markets and offering the Transition Bonds for sale to investors, including but not limited to targeting particular investors or classes of investors and selecting methods of communicating with investors;

(b) "transition bond charges" means transition charges imposed to pay the annualized cost, expressed as a percentage, of principal, interest and the cost of external credit enhancement, if any, attributable to that tranche;

(c) the "structure" of the Transition Bonds means the structure reflected in the Preliminary Prospectus filed with the United States Securities and Exchange Commission on December 6, 2005, including the transaction documents described and/or contemplated therein; and

(d) the "lowest transition bond charges" means (i) the lowest transition bond charges in respect of the Transition Bonds as a whole, and (ii) the lowest transition bond charges in respect of each tranche of Transition Bonds.

This letter is being delivered to assist you in meeting your obligations under Section 39.301 of PURA and under the Financing Order, and we shall be fully accountable for all matters set forth in this letter. Without our written permission, this letter may not be used by or relied upon by any other person or entity.

Respectfully submitted,

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for issuance of a storm recovery financing order, by Florida Power & Light Company.	DOCKET NO. 060038-EI DATED: MARCH 31, 2006

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one correct copy of the DIRECT TESTIMONY AND EXHIBITS OF REBECCA KLEIN, has been served by U.S. Mail to R. Wade Litchfield, Esq. at 700 Universe Blvd., Juno Beach, Florida 33408-0420 on behalf of Florida Power & Light Company, and that a true copy thereof has been furnished to the following by U.S. Mail this 31st day of March, 2006:

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