File No. 070-09895

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM U-1/A

AMENDMENT NO. 2 TO

APPLICATION/DECLARATION

UNDER

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

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(Name of companies filing this statement and address of principal executive offices)

None

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TABLE OF CONTENTS

Applicants hereby amend and restate their Application filed previously in this proceeding as follows:

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION

A. INTRODUCTION AND REQUEST FOR COMMISSION ACTION

Reliant Energy, Incorporated ("REI") and CenterPoint Energy, Inc. ("New REI") hereby file this Application/Declaration (this "Application") seeking approval from the Securities and Exchange Commission (the "Commission") under the Public Utility Holding Company Act of 1935, as amended (the "Act" or the "1935 Act"), in connection with the restructuring (the "Restructuring") of the utility operations of REI, a Texas public-utility holding company currently exempt from registration pursuant to Section 3(a)(2) of the Act.(1)

The Restructuring will involve the formation of New REI as a new holding company over REI's existing utility operations, which will be reorganized along functional and geographic lines. Upon completion of the Restructuring, New REI will have five public-utility subsidiaries for purposes of the Act: (i) the "T&D Utility," which will own and operate REI's transmission and distribution assets; (ii) "Texas Genco LP," which will own and operate REI's Texas generation assets; (iii) "Entex, Inc.," which will provide gas distribution services to customers in Texas, Louisiana and Mississippi; (iv) "Arkla, Inc.," which will provide gas distribution services to customers in Texas, Louisiana, Arkansas and Oklahoma; and (v) "Minnegasco, Inc.," which will provide gas distribution services to customers in Minnesota.(2)

The Restructuring will proceed in stages. Under Texas law, the first stage -- the separation of REI's electric utility operations into Texas Genco LP and the T&D Utility (the "Electric Restructuring") -- must be completed by January 1, 2002. Accordingly, the Applicants ask the Commission to issue an order authorizing New REI to acquire the securities of Texas Genco LP, the T&D Utility and Reliant Energy Resources, Inc. ("GasCo"), which currently conducts REI's gas utility operations through three unincorporated divisions: the Entex division, the Arkla division and the Minnegasco division. To enable REI to complete the first part of the Restructuring in a timely fashion pursuant to Texas law, Applicants ask the Commission to issue an order (the "Initial Order") approving the Electric Restructuring as expeditiously as possible but, in any event, no later than December 15, 2001.

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(1) Houston Indus., HCAR No. 26744, 1997 WL 414391 (July 24, 1997).

(2) For tax efficiency purposes, New REI will hold its utility ownership interests through special purpose subsidiaries. Utility Holding LLC will be a first tier subsidiary of New REI that will hold the securities of Utility Holding LLC, the T&D Utility and Texas Genco Holdings, Inc. Texas Genco Holdings, Inc., in turn, will have two wholly-owned subsidiary limited liability companies, GP LLC and LP LLC, which will own the partnership interests in Texas Genco LP. Utility Holding LLC, Texas Genco Holdings, Inc. and GP LLC will be intermediate holding companies (the "Intermediate Holding Companies"), similar to those approved by the Commission in National Grid Group plc, HCAR No. 27154, 2000 WL 279236 (Mar. 15, 2000).

The second stage, the separation of REI's gas utility operations into Entex, Inc., Arkla, Inc. and Minnegasco, Inc. (the "GasCo Separation"), will require state, as well as Commission, approval and therefore may not be completed at the same time as the Electric Restructuring. Accordingly, the Applicants ask the Commission to reserve jurisdiction over the acquisition by New REI of the securities of the Entex, Arkla and Minnegasco subsidiaries pending completion of the record with respect to the second stage of the Restructuring.(3)

Upon completion of the GasCo Separation, New REI will qualify for exemption under Section 3(a)(1) of the Act.(4) In the interim, however, pending receipt of the state approvals for the GasCo Separation, there will be a period (not to exceed two years from the date of the Initial Order) during which New REI will not be fully in compliance with the standards for exemption. Specifically, although the New REI holding company system will be "predominantly intrastate in character" and carry on its business "substantially in a single state" (that is, Texas), GasCo will be a material subsidiary with significant out-of-state operations. This situation is temporary in nature. Upon completion of the GasCo Separation, New REI and each of its public- utility subsidiary companies will comply fully with the requirements of Section 3(a)(1).

Rather than cause New REI to register during this interim period and then deregister upon completion of the GasCo Separation, Applicants ask that the Commission in its Initial Order grant New REI an order of exemption pursuant to Section 3(a)(1) of the Act, conditioned upon completion of the Restructuring and the GasCo Separation no later than two years from the date of the Initial Order.

B. BACKGROUND

1. Overview of REI and Its Principal Subsidiaries

REI is a public-utility holding company exempt from registration under the Act pursuant to Section 3(a)(2). REI is incorporated and maintains its principal place of business in the State of Texas. Its common stock is listed on the New York and Chicago Stock Exchanges. REI is also an "electric-utility company" within the meaning of Section 2(a)(3) of the Act. REI's electric utility operations are conducted through its unincorporated Reliant Energy HL&P division ("HL&P"), while its gas utility operations are conducted through GasCo, a wholly-

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(3) New REI will make the acquisition through an Intermediate Holding Company, Utility Holding LLC, and so authority is also requested for Utility Holding LLC to acquire the securities of Entex, Inc., Arkla, Inc. and Minnegasco, Inc. as part of the GasCo Separation.

(4) Texas Genco Holdings, Inc. and GP LLC will qualify for exemption under Section 3(a)(1) upon the completion of the Electric Restructuring. As discussed more fully herein, Utility Holding LLC will be formed under the laws of the State of Delaware and therefore will not meet the technical requirements for exemption under Section 3(a)(1). Applicants are asking the Commission to "look through" Utility Holding LLC in much the same way as the Commission treated the various intermediate holding companies in National Grid Group plc, HCAR No. 27154, 2000 WL 279236.

owned subsidiary company. GasCo is a "gas utility company" as defined in Section 2(a)(4) of the Act.(5)

REI's existing holding company structure resulted from the acquisition by Houston Industries Incorporated ("Houston Industries") of NorAm Energy Corp. ("NorAm") in August 1997.(6) Prior to the acquisition, Houston Industries' principal utility operations had been conducted through its integrated electric utility subsidiary, Houston Lighting & Power Company. NorAm had no electric utility operations but did engage in gas distribution operations through its Entex, Arkla and Minnegasco divisions. In the merger, Houston Industries merged into Houston Lighting & Power Company (which then adopted the name Houston Industries Incorporated). Houston Lighting & Power Company referred to herein as "HL&P," became a division of the holding company, Houston Industries, and NorAm became a first tier, wholly-owned subsidiary of the holding company.(7)

REI conducts its nonutility operations, including merchant power generation and energy trading and marketing, largely through its nonutility subsidiary company, Reliant Resources, Inc. ("Reliant Resources"), and Reliant Resources' subsidiary companies.(8) On May 4, 2001, Reliant Resources completed an initial public offering of approximately 20% of its common stock. REI expects the offering to be followed by a distribution of the remaining common stock of Reliant Resources to shareholders within 12 months (the "Distribution"). Upon completion of the Distribution, Reliant Resources will cease to be an affiliate of REI or New REI for the purposes of the Act.

2. The REI Electric System

Through its HL&P division, REI generates, purchases, transmits and distributes electricity to approximately 1.7 million customers in the State of Texas, primarily serving a 5,000-square-mile area on the Texas Gulf Coast, including the Houston metropolitan area. All of REI's generation and operating properties are located within Texas. As an electric utility, HL&P

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(5) A description of the REI electric system is set forth at Item 1, Section B.2. below. A description of the REI gas system is set forth at Item 1, Section B.3. below. Both systems are subject to effective state regulation, as discussed below.

(6) See Houston Indus., HCAR No. 26744, 1997 WL 414391.

(7) In 1999, the name of the holding company was changed from Houston Industries Incorporated to Reliant Energy, Incorporated, referred to herein as "REI," and the integrated electric utility became Reliant Energy HL&P, a division of REI. NorAm became Reliant Energy Resources Corp., referred to herein as "GasCo." A diagram of the current corporate structure of the REI system is attached hereto as Exhibit F-1.

(8) These nonutility subsidiaries include wholesale power, trading and communications operations. Reliant Resources' business and the offering of its stock are more fully described in the Amendment No. 8 to Registration Statement on Form S-1 of Reliant Resources, Inc. (Registration No. 333-48038) filed with the Commission on April 27, 2001 (the "Reliant Resources Registration Statement"), which is included as Exhibit C-1 to this Application and incorporated by reference herein.

is subject to regulation of its rates, services and operations by the Public Utility Commission of Texas (the "Texas Commission"). HL&P is subject to the provisions of the Texas Act, as that term is defined below.

As of December 31, 2000, HL&P owned: 25,646 pole miles of overhead distribution lines and 3,586 circuit miles of overhead transmission lines, including 480 circuit miles operated at 69,000 volts, 2,061 circuit miles operated at 138,000 volts and 1,045 circuit miles operated at 345,000 volts; 12,653 circuit miles of underground distribution lines and 14.9 circuit miles of underground transmission lines, including 6.8 circuit miles operated at 69,000 volts and 8.1 circuit miles operated at 138,000 volts; and 218 major substation sites (252 substations) having a total installed rated transformer capacity of 58,041 megavolt amperes.

As of December 31, 2000, HL&P owned and operated 12 power generating facilities (62 generating units), with a net generating capacity of 14,040 megawatts (MW), including a 30.8% interest in the South Texas Project Electric Generating Station (South Texas Project). The South Texas Project is a nuclear generating plant with two 1,250 MW nuclear generating units. The following table contains information regarding the regulated electric generating assets, which will be transferred to Texas Genco LP at the time of the Electric Restructuring:

GENERATION FACILITIES	NET GENERATING CAPACITY AS OF DECEMBER 31, 2000 (IN MW)
W. A. Parish	3,606
Limestone	1,532
South Texas Project	770
San Jacinto	162
Cedar Bayou	2,260
P. H. Robinson	2,213
T. H. Wharton	1,254
S. R. Bertron	844
Greens Bayou	760
Webster	387
Deepwater	78
H. O. Clarke	174
Total	14,040

As of December 31, 2000, HL&P's peak load was 15,505 megawatts and its total net capability (including firm purchase power capacity) was 14,810 megawatts. HL&P relies primarily on natural gas, coal and lignite for the generation of electricity. In addition, HL&P purchases power from various qualifying facilities exercising their rights under the Public Utility Regulatory Policies Act of 1978. From time to time, as market conditions dictate, HL&P also purchases power from various wholesale market participants including qualifying facilities, EWGs, power marketers and other utilities.

REI is a member of the Electric Reliability Council of Texas, Inc. ("ERCOT"). ERCOT is one of ten Regional Reliability Councils in the North American Electric Reliability Council Organization. ERCOT represents a bulk electric system located entirely within the State of Texas and serves approximately 85% of the state's electrical load. Because of the intrastate status of their operations, the primary regulatory authority for HL&P and ERCOT is the Texas Commission, although the Federal Energy Regulatory Commission ("FERC") exercises limited authority. ERCOT serves as Independent System Operator for its member utilities.

For the year ended December 31, 2000, HL&P reported operating income of $1.2 billion on total operating revenues (including base and reconcilable fuel revenues) of $5.5 billion. Total electric sales in gigawatt-hours were 75,294. For the six months ended June 30, 2001, HL&P reported operating income of $528 million on total operating revenues (including base and reconcilable fuel revenues) of $2.9 billion.

3. The REI Gas System

REI conducts natural gas distribution operations through three unincorporated divisions of GasCo, which is a "gas utility company" for purposes of the Act: (i) the Entex Division ("Entex") serves approximately 1.5 million customers, located in Texas (including the Houston metropolitan area), Louisiana and Mississippi; (ii) the Arkla Division ("Arkla") serves approximately 740,000 customers located in Texas, Louisiana, Arkansas, and Oklahoma; and (iii) the Minnegasco Division ("Minnegasco") serves approximately 680,000 customers in Minnesota. The largest communities served by Arkla are the metropolitan areas of Little Rock, Arkansas and Shreveport, Louisiana. Minnegasco serves the Minneapolis metropolitan area.

In 2000, Arkla purchased approximately 57% of its natural gas supply from Reliant Energy Services, 15% pursuant to third-party contracts, with terms varying from three months to one year, and 28% on the spot market. Arkla's major third-party natural gas suppliers in 2000 included Oneok Gas Marketing Company, Marathon Oil Company and Aquila Energy Marketing Corporation. Arkla transports substantially all of its natural gas supplies under contracts with our pipeline subsidiaries. These transportation contracts were renegotiated during 2000 and have been extended to March 2005.

In 2000, Entex purchased virtually all of its natural gas supply pursuant to term contracts, with terms varying from one to five years. Entex's major third-party natural gas suppliers in 2000 included Enron North America Corp., Kinder Morgan Texas Pipeline, L.P., Gulf Energy Marketing, Island Fuel Trading and Koch Energy Trading. Entex transports its natural gas supplies on both interstate and intrastate pipelines under long-term contracts with terms varying from one to five years.

In 2000, Minnegasco purchased approximately 81% of its natural gas supply pursuant to term contracts, with terms varying from one to ten years, with more than 25 different suppliers. Minnegasco purchased the remaining 18% on the daily or spot market. Most of the natural gas volumes under long-term contracts are committed under terms providing for delivery during the winter heating season, November through March. Minnegasco purchased approximately 64% of its natural gas requirements from four suppliers in 2000: Pan-Alberta Gas Ltd., Reliant Energy Services, TransCanada Gas Services Inc. and Duke Energy Trading and

Marketing, LLC. Minnegasco transports its natural gas supplies on various interstate pipelines under long-term contracts with terms varying from five to ten years.

Arkla and Minnegasco use various leased or owned natural gas storage facilities to meet peak-day requirements and to manage the daily changes in demand due to changes in weather. Minnegasco also supplements contracted supplies and storage from time to time with stored liquefied natural gas and propane-air plant production. Minnegasco owns and operates a 7.0 billion cubic feet ("Bcf") underground storage facility, having a working capacity of 2.1 Bcf available for use during a normal heating season and a maximum daily withdrawal rate of 50 million cubic feet ("MMcf") per day. Minnegasco also owns ten propane-air plants with a total capacity of 191 MMcf per day and on-site storage facilities for 11 million gallons of propane (1.0 Bcf gas equivalent). Minnegasco owns a liquefied natural gas facility with a 12 million-gallon liquefied natural gas storage tank (1.0 Bcf gas equivalent) with a send-out capability of 72 MMcf per day.

GasCo, through subsidiaries, also owns two interstate pipelines and a gas gathering system. Through Reliant Energy Gas Transmission Company ("REGT"), GasCo owns and operates a major interstate transmission system (approximately 6,100 miles of transmission lines) located in the United States mid-continent region. Through the Mississippi River Transmission Corporation ("MRT"), GasCo owns and operates a major interstate transmission system (approximately 2,100 miles of transmission lines) that extends from East Texas and Northern Louisiana to the St. Louis metropolitan area. A majority of Arkla's gas supply and a portion of Entex's gas supply are transported by REGT. Reliant Energy Field Services ("Field Services"), which is comprised of approximately 300 separate gathering systems connecting over 3,700 wells located in the Mid-continent region, delivers the majority of its gas into REGT's interstate pipeline system. Field Services gathers approximately 800 million cubic feet of gas per day, approximately 470 MMcf of which is sourced from the Arkoma Basin, 180 MMcf of which is sourced from the Anadarko Basin and 150 MMcf of which is sourced from the ArkLaTex Basin. REGT and MRT are subject to regulation by the FERC.

Entex provides natural gas distribution services in over 500 communities in Louisiana, Mississippi and Texas. The largest metropolitan area served by Entex is Houston, Texas. It delivers gas to approximately 1.5 million residential, commercial, industrial and transportation customers. Entex has 26,000 miles of main piping, 16,500 miles of service line and 1.5 million meters. Entex is subject to regulation by the Texas Railroad Commission, the Louisiana Public Service Commission (the "Louisiana Commission") and the Mississippi Public Service Commission (the "Mississippi Commission").

Arkla provides natural gas distribution services in Arkansas, northern Louisiana, Oklahoma and northeastern Texas. The largest metropolitan areas served by Arkla are Little Rock, Arkansas and Shreveport, Louisiana. It delivers gas to approximately 740,000 residential, commercial, industrial and transpiration customers. Arkla has 19,100 miles of main piping, 4,000 miles of service line and 800,000 meters. Arkla is subject to regulation by the Texas Railroad Commission, the Louisiana Commission, the Arkansas Public Service Commission (the "Arkansas Commission") and the Corporation Commission of the State of Oklahoma (the "Oklahoma Commission").

Minnegasco provides natural gas distribution services in over 240 communities in Minnesota. The largest metropolitan area served by Minnegasco is Minneapolis, Minnesota. It delivers gas to 680,000 residential, commercial and industrial customers. Minnegasco is subject to regulation by the Minnesota Public Utilities Commission (the "Minnesota Commission").

For the year ended December 31, 2000, Entex, Arkla and Minnegasco reported combined net operating income of $119.8 million. Reported net property, plant and equipment at December 31, 2000 was $1.522 billion. For the six months ended June 30, 2001, Entex, Arkla and Minnegasco reported net operating income of $66.8 million. Reported net property, plant and equipment at June 30, 2001 was $1.551 billion.

4. Integration and Geographic Overlap of Electric and Gas Utilities

REI's electric and gas systems substantially overlap as described above and as shown by the diagram attached as Exhibit E-1 to this Application. Each of REI and GasCo is an "integrated public utility system" under the Act as described in Section B.1. of Item 3 below.

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Additional information regarding the Restructuring, REI, GasCo and their respective subsidiaries is set forth in the following documents, each of which has been previously filed with the Commission and is incorporated herein by reference:

(i) Annual Report on Form 10-K of REI (Commission File Number 1-3187) and GasCo (Commission File Number 1-13265) for the fiscal year ended December 31, 2000, filed with the Commission on March 22, 2001;

(ii) Quarterly Reports on Form 10-Q of REI (Commission File Number 1-3187) and GasCo (Commission File Number 1-13265) for the quarter ended March 31, 2001, filed with the Commission on May 15, 2001, and for the quarter ended June 30, 2001, filed with the Commission on August 10, 2001, and for the quarter ended September 30, 2001, filed with the Commission on November 13, 2001;

(iii) Current Reports on Form 8-K of REI and GasCo filed with the Commission on January 26, 2001, April 16, 2001 and September 12, 2001;

(iv) Annual Report Concerning Foreign Utility Companies on Form U-33-S of REI for the fiscal year ended December 31, 2000, filed with the Commission on April 30, 2001; and

(v) Registration Statement on Form S-4 of CenterPoint Energy, Inc. (Commission File Number 333-69502), filed with the Commission on September 17, 2001.

C. OVERVIEW OF THE RESTRUCTURING

1. The Business Separation Plan

S.B.7, known as the Texas Electric Choice Plan (the "Texas Act"), substantially amends the regulatory structure governing electric utilities in Texas to provide for full retail competition beginning on January 1, 2002. Under the Texas Act, the traditional vertically integrated electric-utility companies are required to separate their generation, transmission and distribution, and retail activities.

The Texas Commission has approved a business separation plan under which REI's existing electric utility operations will be separated into three businesses: generation, transmission and distribution, and retail sales.(9) Under the plan, Reliant Resources will be the successor to REI as the retail electric provider ("REP") to customers in the Houston metropolitan area when the Texas market opens to competition in January 2002.(10) The T&D Utility will be a subsidiary

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(9) The specific form of the business separation was the result of a contested proceeding before the Texas Commission. Before receiving approval in that proceeding, REI had filed two other business separation plans that proposed alternative corporate structures. Both of those proposed plans were opposed in the proceedings before the Texas Commission for reasons explained below, and neither plan was approved.

REI's initial business separation plan contemplated the separation of HL&P's activities into three unincorporated divisions of the existing parent entity. These divisions were to be a power generation company, a transmission and distribution utility and a retail electric provider. This plan was opposed by the staff of the Texas Commission and certain intervenors in the proceeding because it did not place each of the three functional units in a separate corporation.

In response, REI filed an amended business separation plan, which contemplated that REI would create new first or second tier corporate subsidiaries to house the power generation company and the retail electric provider and that the transmission and distribution utility would continue as an unincorporated division of REI. Although supported by the commercial intervenors in the proceeding, this approach was opposed by the staff of the Texas Commission, based on the fact that the parent entity's transmission and distribution utility operations would be liable for a substantial amount of debt unrelated to its operations and that the regulated utility's credit would be used to support unregulated businesses. The Texas Commission indicated its preference for a plan that would not only place the three functional units in separate legal entities but would also result in the regulated transmission and distribution utility no longer being a creditor of or financing source for the unregulated business activities.

Thus, the business separation model which gives rise to this Application reflects the pattern of vigorous and effective state oversight to which the Commission has "watchfully deferred" in past matters. See Sierra Pacific Resources, HCAR No. 24566, 1988 WL 236860 (Jan. 28, 1988), aff'd sub nom.; Environmental Action, Inc. v. SEC, 895 F.2d 1255 (9th Cir. 1990).

(10) Reliant Resources will provide these services through one or more subsidiary REPs. The REPs will be power marketers. They will not be 1935 Act-jurisdictional electric utility companies

of New REI, and will retain its existing transmission and distribution businesses, which will remain subject to traditional utility rate regulation. The T&D Utility will be an "electric utility company" within the meaning of the Act. New REI will also initially hold REI's Texas generation assets in Texas Genco LP, a newly-formed indirect subsidiary that will also be an "electric utility company" within the meaning of the Act. New REI will hold such assets subject to an option by Reliant Resources as more fully described below.

The T&D Utility -- The T&D Utility will continue to be subject to cost-of-service rate regulation. The rates that will be in effect as of January 1, 2002 will be set upon the resolution of a rate case currently pending before the Texas Commission.

Texas Genco LP-- To facilitate a competitive market, each power generator, such as Texas Genco LP, that will be affiliated with a transmission and distribution utility will be required to sell at auction 15% of the output of its installed generating capacity. The obligation continues until January 1, 2007, unless before that date the Texas Commission determines that at least 40% of the quantity of electric power consumed in 2000 by residential and small commercial customers in the utility's service area is being served by REPs not affiliated with the incumbent utility. An affiliated REP such as Reliant Resources may not purchase capacity sold by its affiliated power generation company in the mandated capacity auction. Any differences between market power prices received by Texas Genco LP and the Texas Commission's estimate of those prices, made for purposes of estimating stranded costs, will be accrued and included in a true-up of New REI's stranded costs in a final order of the Texas Commission. These costs will be recaptured pursuant to a securitization order of the Texas Commission.

REP -- Reliant Resources will become the REP for all of REI's approximately 1.5 million residential and small commercial customers located in the Houston metropolitan area who do not take action to select another retail electric provider. Although, upon completion of the Distribution, Reliant Resources will cease to be an affiliate of REI or New REI for purposes of the 1935 Act, the Reliant Resources REP will be treated as an affiliate of the T&D Utility for purposes of the Texas Act. Under the market framework required by the Texas Act, REPs such as Reliant Resources that are deemed to be affiliated with an incumbent utility will be required to sell electricity to residential and small commercial customers within the utility's service territory at a specific price, which is referred to in the law as the "price to beat."(11) In contrast, new entrants may sell electricity to REI's retail and small commercial customers at any price. The initial price to beat for Reliant Resources will be 6% less than the average rates, on a bundled basis, in effect for REI on January 1, 1999, adjusted to take into account a new fuel factor as of December 31, 2001. Reliant Resources will not be permitted to sell electricity to residential and small commercial customers in REI's service

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because they do not own or operate physical facilities that are used for the generation, transmission or distribution of electric energy for sale. See Enron Power Marketing, SEC No-Action Letter (Jan. 5, 1994). See also Holding Co. Act Rule 58(b)(1)(v) (exempting investments in certain non-utility companies, including companies that derive substantially all of their revenues from the brokering and marketing of energy commodities).

(11) The price to beat applies only to electric services provided to residential and small commercial customers. Electric services provided to large commercial and industrial customers may be provided at any negotiated price.

territory at prices other than the price to beat until January 1, 2005, unless the Texas Commission determines that 40% or more of the amount of electric power that was consumed in 2000 by the relevant class of customers is committed to be served by other REPs.(12)

By allowing nonaffiliated REPs to provide retail electric service to customers in an electric utility's traditional service territory at any price, the Texas Act encourages competition among retail electric providers. The Texas Commission is currently developing regulations governing quality, reliability and other aspects of service from retail electric providers.(13)

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The remaining steps in the business separation plan relate to the determination and recovery of "stranded costs" associated with REI's Texas generation assets.(14)

On or before June 30, 2002, New REI expects to conduct an initial public offering of approximately 20% of the common stock of Texas Genco Holdings, Inc., the holding company for the Texas Genco LP assets (the "Texas Genco IPO") or distribute such stock to its shareholders. Creation of the minority public ownership interest in Texas Genco LP will permit REI to use the "partial stock valuation method" under the Texas Act for purposes of determining the stranded costs associated with its regulated generation assets.(15)

Reliant Resources will have the right to purchase all of New REI's equity interest in Texas Genco LP remaining after the Texas Genco IPO, which retained equity interest will be at least 80% (the "Texas Genco Option").(16) The Texas Genco Option is exercisable in January 2004.

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(12) Reliant Resources may request that the Texas Commission adjust the fuel factor included in its price to beat not more than twice a year if Reliant Resources can demonstrate that the existing fuel factor does not adequately reflect significant changes in the market price of natural gas and purchased energy used to serve retail customers.

(13) For more information regarding the provisions of the Texas Act, see "Our Business--Regulation--State Regulation" in the Reliant Resources Registration Statement.

(14) The term "stranded costs" generally refers to historic investments that had been expected to be recovered under regulation that cannot be recovered in a competitive market.

(15) Under the "partial stock valuation method," the resulting average daily closing price of the common stock can be used to establish the market value of the common stock equity in Texas Genco LP for purposes of determining stranded costs used to develop a nonbypassable competition transition charge.

(16) The Texas Genco Option agreement provides that if Reliant Resources purchases the Texas Genco LP shares under the Texas Genco Option, Reliant Resources must also purchase all notes and other receivables from Texas Genco LP then held by New REI, at their principal amounts plus accrued interest. The Texas Genco Option agreement contains other provisions regarding the operation

The exercise price for the option will be determined by a market-based formula based on the formula employed by the Texas Commission for determining stranded costs under the partial stock valuation method referenced above.(17)

2. The Electric Restructuring

To prepare for the Texas Genco IPO, REI will contribute its regulated assets used to generate electric power and energy for sale within Texas and the liabilities associated with those assets (the "Texas Genco assets") to a newly-formed subsidiary company, Texas Genco Holdings, Inc. Texas Genco Holdings, Inc., in turn, will contribute the Texas Genco assets to two newly-formed limited liability companies: 1% of the Texas Genco assets to GP LLC, and 99% of the Texas Genco assets to LP LLC. GP LLC and LP LLC will, in turn, contribute the Texas Genco assets to a limited partnership, Texas Genco LP.

Texas Genco LP will be a Texas limited partnership and an "electric utility company" within the meaning of the Act. Texas Genco Holdings, Inc., will be a Texas corporation and a holding company that is entitled to an exemption under Section 3(a)(1) of the Act.

GP LLC and LP LLC are conduit entities that exist solely to minimize certain Texas franchise tax liability. LP LLC, which will be a Delaware limited liability company, will acquire a 99% limited partnership interest with no voting rights in Texas Genco LP. Because it will not acquire 10% or more of the voting securities of Texas Genco LP, it will not be a holding company for purposes of the Act. GP LLC, which will be a Texas limited liability company, will be a "holding company" because it will acquire the 1% general partnership interest in Texas Genco LP and will qualify for exemption under Section 3(a)(1).(18)

At the conclusion of the transactions contemplated herein, GP LLC and LP LLC will not own the Texas Genco assets.

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and capitalization of Texas Genco. For more information on these provisions, see "Texas Genco Option" in the Reliant Resources Registration Statement.

(17) The per share exercise price under the option will equal the sum of (i) the average daily closing price on a national exchange for publicly held shares of common stock of Texas Genco for the 30 consecutive trading days with the highest average closing price during the 120 trading days immediately preceding January 10, 2004, and (ii) a control premium, up to a maximum of 10%, to the extent a control premium is included in the valuation determination made by the Texas Commission relating to the market value of Texas Genco LP's common stock equity.

(18) Texas franchise tax is based upon 4.5% of taxable income. Texas franchise tax law does not provide for any consolidated return concept. Thus each company reports its income on a stand-alone basis, and the payment of dividends from a Texas company to its parent is a taxable event for purposes of Texas franchise tax law. Dividends from a non-Texas company such as LP LLC, however, are not treated as Texas receipts. The use of the LP LLC helps to minimize the Texas franchise tax liability of New REI. But for the Texas franchise tax issue, the generating assets would be owned directly by Texas Genco Holdings, Inc.

A diagram of this stage of the Restructuring is attached hereto as Exhibit F-2.

The next steps relate to the formation of New REI as a holding company for the regulated operations. REI has formed New REI as a wholly-owned subsidiary.(19) New REI, in turn, will form a special-purpose wholly-owned subsidiary, Utility Holding LLC which, in turn, will form a special-purpose wholly-owned subsidiary company, MergerCo, which will merge with and into REI with REI as the surviving entity. REI common stock will be exchanged for New REI common stock in the merger, and New REI will become the holding company for Utility Holding LLC, REI and its subsidiaries.

REI will then convert to a Texas limited liability company, Reliant Energy, LLC ("REI LLC"). REI LLC will distribute the stock of all its subsidiaries to New REI.(20) Thereafter, with the specific timing dependent on market conditions and obtaining appropriate approvals, New REI will effect a tax-free distribution to its shareholders of its remaining ownership interest in Reliant Resources (approximately 80%). As a result of the Distribution, Reliant Resources will become a separate, publicly traded corporation.

New REI will be the holding company for Texas Genco, REI, referred to herein as the "T&D Utility" (which will continue to hold REI's existing electric transmission and distribution businesses), and certain limited nonutility businesses, which are described more fully in Exhibit G-3.

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(19) New REI was incorporated in Delaware on December 13, 2000. As part of the Restructuring, on October 9, 2001, REI reincorporated New REI as a Texas corporation.

(20) The distribution of the stock of REI's subsidiaries, including GasCo and Texas Genco Holdings, Inc. will be currently taxable under state law as a distribution of appreciated property to New REI and will be also taxable to New REI as an in-kind dividend. To minimize tax inefficiencies, New REI will hold its utility interests through a newly-formed Delaware limited liability company, Utility Holding LLC. The distributions would thus be made first by REI to Utility Holding LLC and, under the "Gain Sourcing Rule," this distribution to a non-Texas entity will eliminate the gain to REI for purposes of Texas state tax law. The in-kind dividend to Utility Holding LLC will not be included in the Texas taxable income of that company because Utility Holding LLC will have no contacts in Texas and accordingly will not be subject to Texas franchise tax.

Because Utility Holding LLC will be a Delaware limited liability company, it will not qualify for exemption under Section 3(a)(1) of the Act. However, as discussed more fully herein, Applicants believe it is appropriate to "look through" Utility Holding LLC for purposes of analysis under Section 3(a)(1) of the Act. Utility Holding LLC, which will be wholly-owned by New REI, will not be a means by which New REI seeks to diffuse control. Rather, Utility Holding LLC will be a special-purpose entity created for the sole purpose of helping the Applicants to capture economic efficiencies that might otherwise be lost in this transaction. In this regard, it is analogous to the Intermediate Holding Companies that the Commission deemed consistent with Section 11(b)(2) of the Act in National Grid, supra note 2.

The formation of Texas Genco and the T&D Utility have been expressly approved by the Texas Commission. The Electric Restructuring will require approval (or a statement of nonopposition) from the Louisiana Commission. In addition, as discussed below, certain aspects of the transaction must be approved by the Nuclear Regulatory Commission ("NRC").

3. The GasCo Separation

The second stage of the Restructuring relates to the reorganization of GasCo into three separate companies.

Upon obtaining the necessary regulatory approvals, including consent from or approval by the Arkansas, Oklahoma, Louisiana, Minnesota, and Mississippi Commissions, GasCo will form two new subsidiary companies, Arkla, Inc. and Minnegasco, Inc., and will contribute to them the Arkla and Minnegasco assets, respectively, in exchange for the stock of the newly-formed companies.(21) GasCo will then distribute the stock of Arkla, Inc. and Minnegasco, Inc. to Utility Holding LLC.(22) GasCo, which will be renamed Entex, Inc. and reincorporated in Texas, will own the Entex assets as well as, through subsidiary companies, natural gas pipelines and gathering business. At the conclusion of this stage of the Restructuring, Arkla, Minnegasco and Entex will be affiliated sister subsidiaries owned, through Utility Holding LLC, by New REI. For further detail regarding this stage of the Restructuring, please see Exhibit F-2.

D. OTHER REGULATION

REI and GasCo currently are subject to broad regulation as to rates and other matters in each of their jurisdictions. Following the Restructuring:

- Entex, Inc. will be subject to the jurisdiction of the Texas Railroad Commission, the Mississippi Commission and the Louisiana Commission;
- Arkla, Inc. will be subject to the jurisdiction of the Arkansas Commission, the Louisiana Commission, the Oklahoma Commission and the Texas Railroad Commission;
- Minnegasco, Inc. will be subject to the jurisdiction of the Minnesota Commission; and
- the T&D Utility and Texas Genco will subject to the jurisdiction of the Texas Commission.

In connection with the Electric Restructuring, the formation of Texas Genco and the T&D Utility has been expressly approved by the Texas Commission. The Electric Restructuring will also

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(21) It is contemplated that Arkla, Inc. and Minnegasco, Inc. will be incorporated under the laws of Delaware.

(22) For federal tax reasons, this distribution should be made after August 7, 2002.

require approval (or a statement of non-opposition) from the Louisiana Commission, as well as approval from the NRC.

The GasCo Separation will require approval or review by the Arkansas Commission, the Louisiana Commission, the Minnesota Commission, the Mississippi Commission and the Oklahoma Commission.

Although prior approval is not required from the Texas Railroad Commission for either stage of the Restructuring, Applicants have discussed the proposed Restructuring with that commission and will keep it informed of the regulatory approval process in other jurisdictions.

The jurisdiction of the various state commissions, and a summary of the necessary state and federal approvals, are provided below.

1. Arkansas

The Arkansas Commission has broad jurisdiction over rates and other matters. It has authority to require the submission of "[a]ny additional information which the [Arkansas] Commission may by rule or regulation prescribe as necessary or appropriate for the protection of ratepayers of the domestic public utility or in the public interest."(23) It also can require the production "of any books, accounts, papers, or records of the public utility, or of any affiliate of the utility relating to the public utility's business or affairs within the state, pertinent to any lawful inquiry..."(24)

The GasCo Separation will require the approval of the Arkansas Commission under Sections 23-3-101 and 23-3-102 of the Arkansas Code. Section 23-3-101 of the Arkansas Code provides that (i) "[n]o organization or reorganization [of a public utility] shall be had or given effect without the written approval of the [Arkansas Commission]," and (ii) no plan of organization or reorganization shall be approved unless applicant establishes that approval of the plan is "consistent with the public interest." Section 23-3-102 provides that "[w]ith the consent and approval of the [Arkansas Commission], but not otherwise . . . [a]ny public utility may sell, acquire, lease or rent any public utility plant or property constituting an operating unit or system." An application for approval of a transaction covered by Section 23-3-102 must be made by "the interested public utility and shall contain a concise statement of the proposed action, the reasons therefor, and such other information as may be required by the commission."(25) The Arkansas Commission has authority to hold hearings on the application, but it is not required to do so.

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(23) Ark. Code Ann. Section 23-3-307(a)(10).

(24) Ark. Code Ann. Section 23-2-408.

(25) Ark. Code Ann. Section 23-3-102(b)(1).

The Arkansas Commission is required to approve the application if it finds that the proposed action is "consistent with the public interest."(26) The statute does not, however, impose any time limit for action by the Arkansas Commission.

2. Louisiana

The Louisiana Commission has broad jurisdiction over rates and other matters. The Louisiana Commission has authority to review all utility contracts, including those between utilities and their affiliates.(27) Further, when setting rates, the Louisiana Commission can review contracts and interactions between the regulated utility and its affiliates and disallow any amount it determines "to be unjust, or unreasonable and designed for the purpose of concealing, abstracting or dissipating the net earnings of the public utility."(28)

Both the Electric Restructuring and the GasCo Separation will be subject to review by the Louisiana Commission, pursuant to a Louisiana Commission General Order which provides that, "without prior official action of approval or official action of non-opposition by the [Louisiana Commission]," no utility shall, inter alia, "sell, lease, transfer, mortgage, or otherwise dispose of or encumber the whole or any part of its franchise, works, property or system . . ."(29) The General Order is "intended to apply to any transfer of the ownership and/or control of public utilities . . . regardless of the means used to accomplish that transfer." The General Order lists eighteen factors that the Commission will take into account, dealing with various aspects of financial strength, quality of service, and impact on ratepayers, shareholders and employees, in determining whether to approve, or not oppose, such a transaction.

The Louisiana Commission has discretion to approve (or not oppose) a transaction if it concludes, based on its consideration of all of the eighteen factors that the transaction is in the "public interest."

3. Minnesota

The Minnesota Commission has broad jurisdiction over rates and other matters concerning public utilities operating in Minnesota.

The Minnesota Commission also has authority over transactions between affiliates within a utility system. In rate proceedings, or proceedings involving utility practices, the Minnesota Commission can exclude any payment made to an affiliate unless the utility

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(26) Ark. Code Ann. Section 23-3-102(b)(2).

(27) La. R.S. Section 45:1176.

(28) Id.

(29) In re: Commission Approval Required of Sales, Leases, Mergers, Consolidation, Stock Transfers, and All Other Changes of Ownership on Control of Public Utilities Subject to Commission Jurisdiction, General Order (Mar. 18, 1998) (the "General Order").

establishes the reasonableness of the payment.(30) In addition, the Minnesota Department of Commerce has broad authority to "inspect at all reasonable times, and copy the books, records, memoranda and correspondence or other documents of any person relating to any regulated business."(31)

The GasCo Separation will be subject to approval of the Minnesota Commission pursuant to Minn. Stat. Ann. Section 216B.50, which states, in pertinent part:

> No public utility shall sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of $100,000, or merge or consolidate with another public utility operating in this state, without first being authorized so to do by the [Minnesota] commission. Upon the filing of an application for the approval and consent of the [Minnesota] commission thereto the [Minnesota] commission shall investigate, with or without public hearing, and in case of a public hearing, upon such notice as the [Minnesota] commission may require, and if it shall find that the proposed action is consistent with the public interest it shall give its consent and approval by order in writing.

The Minnesota Commission has interpreted the "consistent with the public interest" standard contained in Section 216B.50 as requiring a showing that a transaction subject to that Section will not adversely affect customers or the public.(32) The four main issues considered by the Minnesota Commission have been the merger's potential impacts on (i) rates; (ii) day-to-day utility operations and reliability of service; (iii) combined market power of the merging companies; and (iv) the Minnesota regulatory process, including the authority of the Minnesota Commission.(33)

4. Mississippi

The Mississippi Commission has broad jurisdiction over rates and other matters, including affiliate transactions. A public utility must file with the Mississippi Commission "copies of contracts with any person selling services of any kind."(34) No public utility may "pay any fees, commission or compensation of any description whatsoever to any affiliated or subsidiary holding, managing, operating, constructing, engineering or purchasing company for services rendered or to be rendered without first filing copies of all agreements and contracts

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(30) Minn. Stat. Ann. Section 216B.48.

(31) Minn. Stat. Ann. Section 206A.07.

(32) In the Joint Petition of Minnegasco a Division of NorAm Energy Corp., et al., Docket No. 008/PA-96-950 (Feb. 24, 1997).

(33) Id.

(34) Miss. Code Ann. Section 77-3-10(1).

therefore with the [Mississippi] commission."(35) When establishing rates, the Mississippi Commission can disallow any payment to be capitalized or included as a utility operating cost if it finds the cost to be unjust or unreasonable. In addition, if the utility unreasonably refuses to provide relevant accounts and records of itself or its affiliates, the Mississippi Commission can disallow associated costs.(36)

The GasCo Separation will require approval under Section 77-3-23 of the Mississippi Code of 1972.

5. Oklahoma

The Oklahoma Commission has broad authority over rates and other matters. It has "full visitorial and inquisitorial power to examine such public utilities, and keep informed as to their general conditions,... the management, conduct, operation, practices and services; not only with respect to the adequacy, security and accommodation afforded by their service, but also with respect to their compliance with the provisions of this act, and with the Constitution and laws of this state, and with the orders of the Commission."(37) To the extent a utility's records and activities reflect any affiliate transactions, the Oklahoma Commission can disallow costs that would adversely affect the ratepayer.

The GasCo Separation will require approval of the Oklahoma Commission, after a hearing.(38) The Oklahoma Commission's Rules do not provide a time limit for action on a utility's application for approval of the sale, transfer or disposition of jurisdictional plant or operating system.

6. Texas

The Texas Commission and the Texas Railroad Commission have broad authority over electric and gas utility companies, respectively.

As explained in Item 1.C.1. supra, the Restructuring was prompted by, among other things, the unbundling of retail, transmission and distribution and generation functions required by the Texas Act. The Restructuring is subject to the jurisdiction of the Texas Commission under Section 39.051 of the Texas Act. REI, as an electric utility company, also is generally subject to the jurisdiction of the Texas Commission pursuant to Sections 14.001 and 32.001 of the Texas Utilities Code. By order dated March 15, 2001 (the "Texas Order"), the Texas Commission approved the Restructuring described in this Application in which New REI will

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(35) Miss. Code Ann. Section 77-3-10(2).

(36) Miss. Code Ann. Section 77-3-10(3).

(37) 17 Okl. St. Ann. Section 152(c).

(38) Oklahoma Commission Rules, Ch. 45, Section 165:45-3-5. Section 165:45-3-5 was promulgated by the Oklahoma Commission pursuant to its power of "general supervision over all public utilities." 17 Okl. St. Ann. Section 152

succeed to the ownership of Texas Genco and the T&D Utility. A copy of the Texas Order is attached as Exhibit D-1, and the requirements of the Texas Act are described supra in Item 1.C.1.

In addition, the Texas Commission has ongoing authority to adopt and enforce rules as may be necessary to assure reliable electricity and the protection of consumers.(39) The T&D Utility will be subject to cost-of-service rate regulation.(40) The Texas Commission has express authority "to govern transactions ...or activities...between a transmission and distribution utility and its competitive affiliates to avoid potential market power abuses and cross-subsidizations between regulated and competitive activities."(41) The Texas Commission may require a public utility to report information relating to the utility and a transaction between the utility and an affiliate inside or outside the state, to the extent the transaction is jurisdictional.(42) In addition, each public utility is required to "keep and provide to the regulatory authority, in the manner and form prescribed by the [Texas] commission, uniform accounts of all business transacted by the utility."(43)

The Texas Railroad Commission has exclusive original jurisdiction over the rates and services of a gas utility distributing natural or synthetic gas in areas outside a municipality.(44) The Texas Railroad Commission may require a gas utility to report information relating to the gas utility and an affiliate inside or outside the state; require the filing of any affiliate contracts; and require that affiliate contracts not in writing be reduced to writing and filed with the commission.(45) Unless a gas utility reports to the Texas Railroad Commission in a reasonable time, it may not sell, acquire or lease Texas facilities for a total consideration of more than $1 million or merge or consolidate with another Texas gas utility.(46) The Texas Railroad Commission has jurisdiction over an affiliate to the extent of access to an account or a record of the affiliate relating to an affiliate transaction.(47) The Texas Railroad Commission may require the examination and audit of the accounts of a gas utility.(48) It may also require the production of out of state records.(49)

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(39) Tex. Util. Code Ann. Section 14.002.

(40) Tex. Util. Code Ann. Section 39.201.

(41) Tex. Util. Code Ann. Section 39.157(d).

(42) Tex. Util. Code Ann. Section 14.003.

(43) Tex. Util. Code Ann. Section 14.151(a).

(44) Tex. Util. Code Ann. Section 102.001(a).

(45) Tex. Util. Code Ann. Section 102.003.

(46) Tex. Util. Code Ann. Sections 102.051(a)(1)-(2).

(47) Tex. Util. Code Ann. Section 102.104.

(48) Tex. Util. Code Ann. Section 102.202.

(49) Tex. Util. Code Ann. Section 102.206.

Although the Texas Railroad Commission will not have jurisdiction over the GasCo Separation, Applicants have discussed the Restructuring with the commissioners and staff members of the Texas Railroad Commission. The GasCo Separation will not adversely affect the authority of the Texas Railroad Commission over the Entex gas utility operations.

7. Nuclear Regulatory Commission

REI owns a 30.8% interest in the South Texas Project electric generating station, a nuclear generating plant consisting of two 1,250 MW generating units, and holds NRC licenses with respect to its interest. As part of the Restructuring, this interest is being transferred to Texas Genco, which will be a subsidiary of New REI. Section 184 of the Atomic Energy Act provides that no license may be directly or indirectly transferred unless the NRC finds that the transfer is in accordance with the provisions of the Atomic Energy Act and gives its consent in writing. REI is seeking approval from the NRC for the transfer of control of its NRC licenses and the ownership by New REI of Texas Genco in connection with the Restructuring. The NRC issued a notice of the proposed transactions on September 28, 2001, with a return date of October 29, 2001.(50) It is anticipated that REI will have received such approval from the NRC prior to the issuance of the Initial Order.

8. Internal Revenue Service

REI is in the process of seeking private letter rulings from the Internal Revenue Service relating to the Restructuring and the Distribution. Once obtained, these rulings would, among other things, confirm the tax-free treatment of the spin-off of Reliant Resources stock to occur in the Distribution.

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Apart from the above-listed approvals, no other regulatory authorities have jurisdiction over the Electric Restructuring. The approval or consent of certain local authorities may be required in connection with the GasCo Separation. Applicants are in the process of identifying which local jurisdictions may be implicated and will seek and obtain all such approvals and supplement the record to reflect the same.

E. PROPOSED REPORTING REQUIREMENTS

New REI will file certificates under Rule 24 on a a semi-annual basis (within 90 days after June 30 and December 31 of each year), stating: (i) gross operating revenues and net operating revenues for New REI and each of its public-utility subsidiary companies, (ii) the percentage contribution of each public-utility subsidiary company, (iii) a breakdown (as applicable) of Texas and non-Texas revenues and (iv) the percentage of each, all for the past year. For a period not to exceed three years from the date of the Initial Order, each semi-annual report will present a comparative report of the previous semi-annual report.

ITEM 2. FEES, COMMISSIONS AND EXPENSES

The fees, commissions and expenses to be paid or incurred, directly or indirectly, in connection with the Restructuring transactions requiring the approvals requested herein, including the solicitation of proxies and other related matters, are estimated as follows:

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(50) 66 Fed. Reg. 49711 (Sept. 28, 2001).

Commission filing fee for the Form S-4 relating to the Restructuring.....*
Accountants' fees.....*
Legal fees and expenses relating to the Act.....*
Other legal fees and expenses.....*
Shareholder communication and proxy solicitation.....*
NYSE listing fees.....*
Exchanging, printing and engraving of stock certificates.....*
Financial advisory fees and expenses.....*
Consulting fees.....*

* To be filed by amendment.

ITEM 3. APPLICABLE STATUTORY PROVISIONS

The following sections of the Act are or may be directly or indirectly applicable to the Restructuring:

Section of the Act	Transactions to which Section or Rule is or may be applicable
Section 3(a)(1)	Exemption of New REI, Texas Holdings, Inc. and GP LLC
Sections 9 and 10	Acquisition by New REI of Utility Holding LLC, Texas Genco Holdings, Inc., GP LLC, Texas Genco LP, the T&D Utility and GasCo
Acquisition by New REI and Utility Holding LLC of Entex, Inc., Arkla, Inc. and Minnegasco, Inc.	

* * *

Section 9(a)(2) of the Act makes it unlawful, without approval of the Commission under Section 10, "for any person . . . to acquire, directly or indirectly, any security of any public-utility company, if such person is an affiliate... of such company and of any other public utility or holding company, or will by virtue of such acquisition become such an affiliate."(51) As set forth more fully below, the Restructuring complies with all of the applicable provisions of Section 10 of the Act and should therefore be approved by the Commission. Among other things:

(i) the Restructuring will not create detrimental interlocking relations or concentration of control;

(ii) the Restructuring will not result in an unduly complicated capital structure for the New REI group;

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(51) For purposes of Section 9(a)(2), an "affiliate" of a specified company means "any person that directly or indirectly owns, controls, or holds with power to vote, 5 per centum or more of the outstanding voting securities of such specified company." Act Section 2(a)(11)(A).

(iii) the Restructuring is in the public interest and the interests of investors and consumers;

(iv) the Restructuring is consistent with Sections 8 and 11 of the Act; and

(v) the Restructuring will comply with--and indeed is in large part driven by the need to comply with--all applicable state laws.

In considering this Application, the Commission should also recognize that the Restructuring involves no acquisition of additional utility systems or assets and no entry into new geographic areas or new businesses.

A. SECTION 10(b)

Section 10(b) of the Act provides that, if the requirements of Section 10(f) are satisfied, the Commission shall approve an acquisition under Section 9(a) unless the Commission finds that:

(1) such acquisition will tend towards interlocking relations or the concentration of control of public-utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers;

(2) in case of the acquisition of securities or utility assets, the consideration, including all fees, commissions, and other remuneration, to whomsoever paid, to be given, directly or indirectly, in connection with such acquisition is not reasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility assets to be acquired or the utility assets underlying the securities to be acquired; or

(3) such acquisition will unduly complicate the capital structure of the holding-company system of the applicant or will be detrimental to the public interest or the interest of investors or consumers or the proper functioning of such holding-company system.(52)

In this case, there is no basis for the Commission to make any adverse findings under Section 10(b).

1. Section 10(b)(1)

The Restructuring will not give rise to any of the abuses that Section 10(b)(1) was intended to prevent. The purpose of Section 10(b)(1) is to prohibit utility acquisitions that result in an undue concentration of economic power.(53) Although the Restructuring will reorganize the

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(52) Act Section 10(b).

(53) Section 10(b)(1) is intended to avoid "an excess of concentration and bigness" that results in a "huge, complex and irrational holding company systems." American Elec. Power Co.,

corporate relationships within the present REI system, it differs significantly from the vast majority of transactions analyzed under Section 10(b)(1) in that it will not involve the acquisition of additional utility systems or entry into new geographic markets and therefore will not involve any additional concentration of control of public-utility companies.

Further, the competitive effects of the Restructuring have been considered at length by the Texas Commission. Indeed, REI has undertaken the Restructuring in response to changes in Texas law designed to foster state competitive policy and further state regulatory oversight. Following the Restructuring, control of utility assets will not be more concentrated, but instead will be more diffused as a result of the competitive policy of the State of Texas. Moreover, it should be noted that the Restructuring involves no growth or extension of the REI system as there will be no acquisition of additional utility systems or assets. Nor does it create the potential for abuse in pricing or production. Indeed, the overall effect of the Restructuring is decidedly pro-competitive.

For these reasons, the Restructuring will not tend towards interlocking relations or the concentration of control of public-utility companies of a kind or to the extent detrimental to the public interest or the interests of investors or consumers.

2. Section 10(b)(2)

In the context of corporate restructurings, the Commission has found the requirements of Section 10(b)(2) satisfied where the proportion of each shareholder's interest in the underlying venture is unchanged as a result of the proposed transactions.(54) In this matter, the jurisdictional transactions, involving the reorganization of existing utility operations, do not affect the proportion of each shareholder's interest. Nor will the larger transaction, the separation of New REI and Reliant Resources, affect the proportion of each shareholder's interest. At the conclusion of the Restructuring, a shareholder with stock in REI will have stock, in the same proportions, in two companies (New REI and Reliant Resources). As a result, the consideration will be fair and reasonable under Commission precedent.

The overall fees, commissions and expenses that REI and New REI will incur in connection with the Restructuring, the amount of which will be filed by amendment, will be reasonable and fair in light of the size and complexity of the Restructuring and the anticipated benefits of the Restructuring to the public, investors and consumers. Further, they will be

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HCAR No. 20633, 46 SEC Docket 1299, 1309 (July 21, 1978). As such, Section 10(b)(1) is not concerned with a transaction such as the Restructuring which involves no acquisition of additional utility systems or assets, but is confined to the organization and relationships of integrated utilities.

(54) See Wisconsin Energy Corp., HCAR No. 24267, 1986 WL 626747 (Dec. 18, 1986) ("The proportion of each shareholder's ownership will be unchanged, and the consideration is fair and reasonable.") Accord SIGCORP, Inc., HCAR No. 26431, 1995 WL 759826 (Dec. 14, 1995); Niagara Mohawk Holdings, HCAR No. 26986, 1999 WL 114400 (March 4, 1999).

consistent with the percentages of such costs for previously approved, similar transactions.(55) Therefore, they will meet the standards of Section 10(b)(2).

3. Section 10(b)(3)

Section 10(b)(3) requires the Commission to determine whether the Restructuring will result in an unduly complicated New REI capital structure or would be detrimental to the public interest, the interests of investors or consumers, or the proper functioning of New REI's system.

It is contemplated that New REI will initially own 100% of the common equity of each of Texas Genco LP, the T&D Utility and GasCo (the "Utility Subsidiaries"). As noted above, to comply with Texas law, New REI plans to conduct an initial public offering of approximately 20% of its Texas Genco common stock or distribute such stock to its shareholders on or before June 30, 2002. Creation of a minority public ownership interest in Texas Genco is one of the methods prescribed in the Texas Act for the determination of stranded costs associated with REI's existing regulated generation assets in Texas, and so should not be deemed to create an unduly complicated capital structure within the meaning of Section 10(b)(3) of the Act.

New REI expects that both the gas and electric utility operations of New REI will maintain a minimum of 30% common equity capitalization and investment grade credit ratings from one or more Nationally Recognized Statistical Rating Organizations ("NRSROs"). Prior to the filing of this Application, New REI has received indicative investment grade debt ratings from Moody's (Baa2) and Standard & Poor's (BBB) for its senior unsecured debt. Further, New REI itself expects to maintain an investment grade credit rating from one or more NRSROs.(56)

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(55) Compare CP&L Energy, HCAR No. 27284, 2000 WL 1741681 (Nov. 27, 2000); NiSource, HCAR No. 27263, 2000 WL 1629977 (Oct. 30, 2000); Exelon Corp., HCAR No. 27256, 2000 WL 1671969 (Oct. 19, 2000); Cinergy Corp., HCAR No. 26146, 1994 WL 596377 (Oct. 21, 1994); Entergy Corp., HCAR No. 25952, 1993 WL 541317 (Dec. 17, 1993); Northeast Utilities, HCAR No. 25548, 1992 WL 129531 (June 3, 1992).

(56) It is appropriate for the Commission to consider credit ratings in determining whether a proposed transaction would be detrimental to the public interest or the interest of investors or consumers, or the proper functioning of the holding company system. NRSRO ratings are an important factor in many regulations. For example, the Commission requires investment grade status for a registrant seeking to register debt on Form S-3, and Investment Company Act Rule 3a-7 recognizes the role that NRSRO ratings play in the regulatory scheme where structured finance, special purpose vehicles are concerned. See 17 C.F.R. Section 270.3a-7 (concerning issues of asset-backed securities). The Commission commented in that context that "rating agency evaluations appear to address most of the [Investment Company] Act's concerns about abusive practices, such as self-dealing and overreaching by insiders, misvaluation of assets, and inadequate asset coverage." Exclusion from the Definition of Investment Company for Certain Structured Financings, ICAR No. 18736, 1992 WL 129535 at *9 (May 29, 1992).

Formal and informal recognition by the Commission of the importance of NRSRO determinations is a well-understood, established theme in the fabric of Commission regulation.

The investment grade ratings reflect certain underlying indicators of financial stability, including:

(i) a growing, stable customer rate base, which the New REI utilities have served for many years;

(ii) a state regulatory regime which has avoided the mistakes of other deregulation plans by allowing for a market adjustment of retail rates;

(iii) an abundance of power generation in Texas; and

(iv) the ability, under the Texas Commission orders, to securitize utility assets and to service the related structured finance obligations to the special purpose entity formed for that financing through transaction charges which are creatures of state law.

The investment grade rating also reflects the fact that the Restructuring will improve the "business risk profile"(57) of the regulated companies. The Restructuring will allow the market to distinguish between the risk profiles associated with REI's two most significant lines of business, a fact recognized by Standard & Poor's in its assessment of the business risk profile of REI currently and each of New REI and Reliant Resources following the Restructuring. Whereas Standard & Poor's currently has assigned REI a business risk profile of 5, it has assigned New REI a business risk profile of 3 (indicating a lower overall business risk) and Reliant Resources a business risk profile of 7 to 8.

Under the Restructuring, New REI will remain almost in its entirety a regulated business: (i) it will no longer be responsible for making retail electric sales to customers, as that role will be the responsibility of Reliant Resources's retail segment; (ii) the T&D Utility will be precluded by the Texas Act from selling electricity at retail; and (iii) unlike the regulated entity under most

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As Investment Company Act Rule 3a-7 demonstrates, the Commission has considerable authority to determine the extent to which it gives weight to the factors underlying these ratings.

(57) A "business risk profile" is a metric used by Standard & Poor's to analyze the strength of an individual company within a specific industry. In developing a business risk profile of a company, Standard & Poor's analyzes the characteristics of the particular industry in which that company is involved, as well as the competitive position of that company relative to other companies within the industry. The rating scales for business risk profiles differ depending on the industry. Utilities are rated on a scale from 1 to 10, with 1 representing the least degree of risk. Companies with low business risk profiles - - usually transmission/distribution companies - are scored 1 through 4 and are considered to have "well above average" to "above average" business positions relative to the utilities industry as a whole. Those companies facing greater competitive threats - typically, power generating companies - are scored between 7 to 10, and are considered to have "below average" to "well below average" business positions relative to others in the utilities industry. See Standard & Poor's, Corporate Ratings Criteria 17 (2000). Effectively, the plan in this matter allocates the business risks associated with the unregulated business to Reliant Resources and the lower risks associated with regulated business to New REI.

other deregulation schemes, the T&D Utility will have no obligation to serve as a provider of last resort and will only provide the wires and service to deliver the electricity from the generating company to the retail provider's customers. Nor will New REI retain the utility power sourcing obligation, which has traditionally been the origin of most risk for electric utilities. Generation will be the obligation of separate power generation companies, which incur the risks associated with obtaining fuel, constructing new generating capacity and selling power to the retail providers. Although New REI initially will retain the Texas Genco business as a separate subsidiary, it will not have an obligation to construct additional generation capacity, nor will it be responsible for sourcing power for retail customers.

Based upon the foregoing, the Commission should find that the standards of Section 10(b)(3) are satisfied.

B. SECTION 10(c)

Section 10(c) of the Act provides that, notwithstanding the provisions of Section 10(b), the Commission shall not approve:

(i) an acquisition of securities or utility assets, or of any other interest, which is unlawful under the provisions of section 8 or is detrimental to the carrying out of the provisions of section 11; or

(ii) the acquisition of securities or utility assets of a public-utility or holding company unless the Commission finds that such acquisition will serve the public interest by tending towards the economical and the efficient development of an integrated public-utility system.(58)

In the Restructuring, REI is simplifying its corporate structure for its regulated businesses and focusing on its core utility operations consistent with state-imposed utility restructuring legislation. Accordingly, the Commission should find that the standards of Section 10(c) are satisfied. While the Restructuring does not implicate the concerns toward which Section 10(c) is directed, the Applicants nevertheless provide the following discussion, which demonstrates compliance with the technical requirements of Sections 10(c), 8 and 11.

1. Section 10(c)(1)

Section 10(c)(1) requires consideration of provisions (Sections 8 and 11) that, by their terms, apply to registered holding companies and therefore are not directly applicable to the proposed New REI acquisitions. Nonetheless, the proposed acquisitions satisfy the requirements of Section 10(c)(1).

Section 10(c)(1) requires that an acquisition be lawful under Section 8 of the Act. Section 8 prohibits an acquisition by a registered holding company of an interest in an electric utility and a gas utility that serve substantially the same territory without the express approval of the state commission when that state's law prohibits or requires approval of the acquisition. In

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(58) Act Section 10(c).

the present case, Section 8 is not implicated because the Restructuring will not create any new situations of common ownership of combination systems within a given state. Following the Restructuring, New REI will continue to provide electric and gas utility services in the State of Texas. Because the Texas Act does not prohibit combination gas and electric utilities serving the same area, the Restructuring does not raise any issue under Section 8 or the first clause of Section 10(c)(1).

In addition, Section 10(c)(1) directs the Commission to disapprove an acquisition that would be detrimental to broad policies set forth in Section 11 of the Act. Section 11(b)(1) generally requires a registered holding company system to limit its operations "to a single integrated public-utility system [either gas or electric], and to such other businesses as are reasonably incidental, or economically necessary or appropriate to the operations of such integrated public-utility system."(59) The Commission has explained that "the limitation [set forth in Section 11(b)(1)] is intended to eliminate evils that Congress found to exist 'when the growth and extension of holding companies bears no relation to . . . the integration and coordination of related operating properties.'"(60) The particular evil at which Section 11(b)(1) is directed is not presented in this case, as the Restructuring does not involve any growth or extension of the REI system. For this reason, the Restructuring is not at all detrimental to the policy goals of Section 11(b)(1) of the Act.

The Commission consistently has recognized that strict compliance with the standards of Section 11 is not required where the resulting holding company is exempt under Section 3.(61) In this regard, the Commission has previously determined that a holding company may acquire utility assets that will not make up a single integrated system or comply fully with the (A)-(B)-(C) clauses of Section 11(b)(1), provided that there is a "de facto" integration of contiguous utility properties and the holding company will be exempt from registration under Section 3 of the Act following the acquisition.(62) The proposed Restructuring in this matter is fully consistent with the de facto integration standards of Section 10(c)(1) that the Commission has applied to exempt holding companies in a number of cases. As discussed below, the New REI electric and gas systems will each be an "integrated public-utility system" within the meaning of Section 2(a)(29) of the Act.(63) Further, there will continue to be de facto integration of the two in

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(59) Act Section 11(b)(1) (emphasis added).

(60) New Century Energies, HCAR No. 27212, 2000 WL 1160583 at n.27 (Aug. 16, 2000) (quoting Act Section 1(b)(4)) [hereinafter "2000 NCE Order"].

(61) See, e.g., Gaz Metropolitan, HCAR No. 26170, 1994 WL 666007 (Nov. 23, 1994).

(62) See, e.g., AES Corp., HCAR No. 27363, 2001 WL 286141 (Mar. 23, 2001) and cases cited therein.

(63) Section 2(a)(29) sets forth the definition of an "integrated public-utility system," as applied to electric and gas utility companies. Section 10(c)(2) of the Act prohibits the Commission from approving the acquisition of utility assets unless it finds that the acquisition will "[tend] towards the economical and the efficient development of an integrated public-utility system." The Commission regularly considers the integration requirement set forth in these two

that the service territories of the gas and electric systems overlap, and the gas and electric systems have been operated under common control since 1997 and, among other things, share corporate services.

(i) Integration of the electric utility operations

Section 2(a)(29)(A) of the Act defines the term "integrated public-utility system," as applied to electric utility properties, as:

> a system consisting of one or more units of generating plants and/or transmission lines and/or distributing facilities, whose utility assets, whether owned by one or more electric utility companies, are physically interconnected or capable of physical interconnection and which under normal conditions may be economically operated as a single interconnected and coordinated system confined in its operation to a single area or region, in one or more States, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation.(64)

Upon completion of the Electric Restructuring, the current assets of REI will be divided between Texas Genco and the T&D Utility. At present, the REI electric assets are all physically interconnected and are economically operated by a single entity as a single interconnected and coordinated system. The Commission, in other matters, has found a single integrated electric

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sections in a single integration analysis, and the Applicants do so here. See, e.g., CP&L Energy, HCAR No. 27284, 2000 WL 1741681 at *8-16; NiSource, HCAR No. 27263, 2000 WL 1629977 at *14; Exelon, HCAR No. 27256, 2000 WL 1671969 at *10; 2000 NCE Order, HCAR No. 27212, 2000 WL 1160583 at *9; New Centuries Energies, HCAR No. 26748, 1997 WL 429612 at *9 (Aug. 1, 1997).

(64) Act Section 2(a)(29)(A). On the basis of this statutory definition, the Commission has established four standards that must be met before it will find that an integrated public-utility system will result from a proposed acquisition of securities: (i) the utility assets of the system must be physically interconnected or capable of physical interconnection (the "interconnection requirement"); (ii) the utility assets, under normal conditions, must be economically operated as a single interconnected and coordinated system (the "economic and coordinated operation requirement"); (iii) the system must be confined in its operations to a single area or region (the "single area or region requirement"); and (iv) the system must not be so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation (the "no impairment requirement").

utility system where generating assets of an existing integrated system are transferred to a separate subsidiary.(65)

The system's operations are confined to the State of Texas, primarily a 5,000-square-mile area on the Texas Gulf Coast.(66) Further, the New REI customers will continue to enjoy the advantages of localized management, efficient operations, and effective state regulation. The Restructuring does not involve the acquisition or combination of any new utility assets. Accordingly, the Restructuring is consistent with the requirements of Section 10(c) with respect to REI's electric utility assets.

(ii) Integration of the gas utility operations

With respect to gas utility properties, the term "integrated public-utility system" is defined in Section 2(a)(29)(B) as:

> a system consisting of one or more gas utility companies which are so located and related that substantial economies may be effectuated by being operated as a single coordinated system confined in its operations to a single area or region, in one or more States, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation and the effectiveness of regulation: Provided, That gas utility companies deriving natural gas from a common source of supply may be deemed to be included in a single area or region.(67)

Each standard of Section 2(a)(29)(B) must be read in connection with the other provisions of the Section and in light of the facts under consideration.(68) In recent orders, the Commission has noted developments that have occurred in the gas industry, and has interpreted the Act and analyzed proposed transactions in light of these changing circumstances.(69)

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(65) See Allegheny Energy, Inc., HCAR No. 27399, 2001 WL 587981 (May 16, 2001); Allegheny Energy, Inc. HCAR No. 27205, 2000 WL 1074064 (July 31, 2000).

(66) A map of the REI electric system is included as Exhibit E-2 to this Application.

(67) Act Section 2(a)(29)(B).

(68) See NiSource, HCAR No. 27263, 2000 WL 1629977 at *15.

(69) Id. It should be noted that the Division has recommended that the Commission "respond realistically to the changes in the utility industry and interpret more flexibly each piece of the integration requirement." The 1995 Report of the Division of Investment Management on the Regulation of Public-Utility Holding Companies (the "1995 Report") at 71.

The GasCo system currently satisfies the criteria set forth in Section 2(a)(29)(B) and will continue to do so following the Restructuring.(70) The GasCo system has operated historically as an integrated system with one central management, both as a division of REI and prior to that as a stand-alone, publicly-traded company. While GasCo conducts its gas distribution operations through three unincorporated divisions, all significant management and administrative functions, such as supply planning and gas acquisition services, as well as financial, accounting, tax, purchasing and other essential management functions are performed by a central management located in Houston.

Further, the GasCo system also procures natural gas from a common source of supply and therefore is deemed under Section 2(a)(29)(B) to operate in a single area or region.(71) The Commission has stated that its consideration of "common source of supply" within the meaning of Section 2(a)(29)(B) is based on its understanding of the contemporary gas industry.(72) The Commission has stated that with respect to the concept of a common source of supply, the relevant inquiry today is whether the system utilities purchase substantial quantities of gas produced in the same supply basins and whether there is sufficient transportation capacity available in the marketplace to assure delivery on an economic and reliable basis.(73)

Minnegasco, Entex and Arkla have overlapping sources of gas supply. Currently, Energy Services sells gas to Minnegasco and Arkla. A majority of this gas is purchased from the Mid-continent region. The Koch Gateway pipeline supplies gas to each of Arkla and Entex. All of Entex, Arkla and Minnegasco purchase gas from Dynegy. In addition, because of the centralized way in which GasCo conducts its bidding process for gas supplies, the local distribution companies could receive supplies from other common suppliers at any time. The various divisions of GasCo utilize common transportation and storage facilities. The Commission has stated that the risk sought to be addressed by the "single area" or region requirement is the potential for "scatteration" -- the ownership of widely dispersed utility properties that do not lend themselves to efficient operation and effective state regulation.(74) In

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(70) A map of the GasCo system is included as Exhibit E-3 to this Application.

(71) The Commission has often previously found that systems separated by intervening service territories are in the same region if they procure gas from a common source of supply. See, e.g., NiSource, HCAR No. 27263, 2000 WL 1629977 at *17 (approving merger of two gas systems that were not contiguous); NIPSCO Indus., HCAR 26975, 1999 WL 61423 at *7 (Feb. 10, 1999) (citing cases).

(72) 2000 NCE Order, HCAR No. 27212, 2000 WL 1160583 at *18.

(73) 2000 NCE Order, HCAR No. 27212, 2000 WL 1160583 at *18 (citing NIPSCO Indus., HCAR No. 26975, 1999 WL 61423). Compare NiSource, HCAR No. 27263, 2000 WL 1629977 at *17.

(74) NiSource, HCAR No. 27263, 2000 WL 1629977 at *17. In this regard, the Commission has noted that the Act is particularly directed against the growth and extension of holding companies that bear no relation to the economy of management and operation or the integration

the present case, there is no such risk as GasCo will be managed, operated and regulated in the same manner both before and after the Restructuring. For these reasons, GasCo satisfies the "single area or region" requirement.

Finally, the GasCo Separation will not impair localized management, efficient operation, or effective regulation of GasCo. The local operations of GasCo will continue to be handled in the same manner as before the GasCo Separation, allowing managers to remain close to the gas operation and preserving the advantages of local management while reaping the benefits of scale in certain centralized functions such as gas procurement and operations support. Further, the same state regulatory bodies will continue to exercise regulatory authority over GasCo's gas operations. For these reasons, the Commission should conclude that the GasCo Separation will satisfy the integration requirements of Section 2(a)(29)(B) of the Act.

(iii) De facto integration of the gas and electric utility operations

There is currently de facto integration of REI's electric and gas utility systems and, post-Restructuring, there will continue to be de facto integration of the New REI electric and gas utility operations. Among other things, the entire 5,000+ square mile service territory of the T&D Utility overlaps the gas service territory of Entex. In terms of customers, approximately 925,000 of Entex's gas customers are also electric customers of HL&P.

In addition, the gas and electric systems have been operated under common control since 1997 and share, among other things, corporate services. The continued combination of these operations will not give rise to any of the abuses, such as ownership of scattered utility properties, inefficient operations, lack of local management or evasion of state regulation, that Section 11(b)(1) of the Act was intended to address. The proposed Restructuring will facilitate the ability of state ratemaking authorities to carry out their statutory duties.

(iv) The Restructuring will not result in an unduly complicated corporate structure

In addition, Section 11(b)(2) of the Act requires the Commission to ensure that "the corporate structure or continued existence of any company in the [registered] holding-company system does not unduly or unnecessarily complicate the structure, or unfairly or inequitably distribute voting power among security holders, of such holding-company system." In a number of recent matters involving registered holding companies, the Commission has deemed it appropriate to "look through" intermediate holding companies or to treat them as a single company for purposes of analysis under Section 11(b)(2).(75) The Commission reasoned

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and coordination of related operating properties and the lack of effective public regulation. Id. at n.33.

(75) National Grid, HCAR No. 27154, 2000 WL 279236; Exelon Corp., HCAR No. 27259, 2000 WL 1568770 (Oct. 20, 2000). See also West Penn Ry. Co., HCAR No. 953, 1938 WL 32259 (Jan. 3, 1938) (authorizing continued existence of intermediate holding company) and West Texas Util. Co., HCAR No. 4068, 1943 WL 30591 (Jan. 25, 1943) (reserving jurisdiction under section 11(b)(2) in connection with acquisition creating a "great-grandfather" company).

that the use of such intermediate holding companies does not implicate the abuses that Section 11(b)(2) was designed to address where, as here, the intermediate holding companies will have no outside security holders, lenders or customers. In this matter as in National Grid the Intermediate Holding Companies will not serve as a means by which New REI seeks to diffuse control of the Utility Subsidiaries. Rather, these companies will be created as special-purpose entities for the sole purpose of helping the parties to capture economic efficiencies that might otherwise be lost in the proposed Restructuring.(76)

For these reasons, the Commission should find that the standards of Section 10(c)(1) are satisfied.

2. Section 10(c)(2)

The Restructuring will tend toward the economical and efficient development of an integrated public-utility system, thereby serving the public interest, as required by Section 10(c)(2) of the Act. Among other things, the Restructuring will separate the riskier unregulated businesses from New REI's utility operations. Second, the Restructuring will facilitate the continued implementation of various administrative measures designed to ensure economical and efficient operation of New REI's utility operations. Following REI's acquisition of NorAm (GasCo), REI initiated efforts to centralize many of the activities and administrative functions of the gas and electric utility operations. Accounting and human resources have been centralized for Arkla, Entex and HL&P and preparations are underway for the inclusion of Minnegasco in that centralization. REI is also in the process of centralizing information systems, with that process to be completed in mid-2002. Other functions, such as meter reading, mapping and trenching for the gas and electric utilities, are being combined.

As noted above, the Commission has previously determined that structural changes, such as the formation of a holding company or the Restructuring at issue here, can provide advantages that will tend to produce economies and efficiencies in utility operations and benefit both utility ratepayers and investors.(77) Although some of the anticipated economies and efficiencies will be fully realizable only in the longer term, they are properly considered in determining whether the standards of Section 10(c)(2) have been met.(78) While some potential

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In National Grid, the Commission explained that: "These decisions rest upon our determination that the economic benefits associated with the additional corporate layers outweighed the potential for harm and the possibility that there could be a recurrence of the financial abuses that the Act was intended to eliminate." HCAR No. 25154, 2000 WL 279236 at n.70.

(76) The corporate structure of New REI as it will exist after completion of the Restructuring is included as Exhibit F-3 hereto. A discussion of such economic efficiencies is included as Exhibit G-5 hereto.

(77) See, e.g., National Grid, HCAR No. 27154, 2000 WL 279236.

(78) See American Elec. Power Co., HCAR No. 20633, 46 S.E.C. 1299.

benefits -- such as the reduction in business risk -- cannot be precisely estimated, they should be considered by the Commission.(79)

C. SECTION 10(f)

Section 10(f) of the Act provides that:

> The Commission shall not approve any acquisition as to which an application is made under this section unless it appears to the satisfaction of the Commission that such State laws as may apply in respect of such acquisition have been complied with, except where the Commission finds that compliance with such State laws would be detrimental to the carrying out of the provisions of section 11.(80)

As described in Item 4 of this Application, REI has obtained, or is in the process of obtaining, orders from the affected state commissions. The Applicants ask the Commission to reserve jurisdiction over the disaggregation of GasCo pending receipt of these orders.

D. SECTION 3(a)(1)

Section 3(a)(1) of the Act provides that the Commission

> shall exempt any holding company, and every subsidiary company thereof as such, from any provision or provisions of this title, unless and except insofar as it finds the exemption detrimental to the public interest or the interest of investors or consumers, if such holding company, and every subsidiary company thereof which is a public-utility company from which such holding company derives, directly or indirectly, any material part of its income, are predominantly intrastate in character and carry on their business substantially in a single State in which such holding company and every such subsidiary company thereof are organized.(81)

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(79) See Centerior Energy Corp., HCAR No. 24073, 1986 WL 626506 at *7 (Apr. 29, 1986) ("[S]pecific dollar forecasts of future savings are not necessarily required; a demonstrated potential for economies will suffice even when these are not precisely quantifiable.").

(80) Act Section 10(f).

(81) Act Section 3(a)(1).

When the Restructuring is completed, New REI, Texas Genco Holdings, Inc., GP LLC and each of New REI's material Utility Subsidiaries will be incorporated in Texas and be "predominantly intrastate in character and carry on their business substantially" in Texas.(82)

By way of background, it is important to note that REI has historically operated as an exempt holding company. As a result of the Electric Restructuring required by the State of Texas, New REI (as successor to REI) will no longer satisfy the objective standards for exemption under Section 3(a)(2). The Electric Restructuring will not, however, change the geographic scope or customer base of the utility operations. Nor will it involve the acquisition of additional utility systems or assets. Rather, the Electric Restructuring will reorganize the electric operations to comply with Texas law, and the GasCo Separation that follows will replace the divisional system with separate subsidiaries, thereby providing greater transparency and minimizing cost allocation concerns. Thus, the Restructuring will enhance the effectiveness of state regulation, consistent with the policies of the Act.

As noted above, REI currently would qualify for exemption pursuant to Section 3(a)(1). Going forward, the profile of the utility's revenues will change as the "retail" utility services - retail marketing and customer care services - are transferred to Reliant Resources. Applicants have prepared projections of the anticipated utility revenues for the New REI companies through 2003. While there are a number of factors that could cause actual results to differ, these projections represent management's best judgment based on certain identified assumptions.(83) Both Congress and the Commission, in other contexts, have recognized the importance of

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(82) Both Texas Genco Holdings, Inc. and GP LLC will be formed under the laws of Texas and operate exclusively in that state.

As discussed previously, for tax purposes, New REI will hold its subsidiaries through a Delaware limited liability company Utility Holding LLC. To achieve the increased economic efficiencies that are the basis for its existence, Utility Holding LLC must be a non-Texas entity and so would not technically qualify for exemption under Section 3(a)(1). It is important to understand that the Utility Holding LLC is not a means for dispersing control or otherwise giving rise to the types of problems that the Act was intended to prevent. Rather, it will be a special-purpose entity wholly-owned by New REI with no public or private institutional equity or debt holders. In National Grid, the Commission found it appropriate to "look through" intermediate holding companies that were formed for tax reasons and that did not engage in any other business HCAR No. 27154, 2000 WL 279236. Applicants submit that similar treatment is warranted here.

(83) The following list identifies some of the factors that could cause actual results to differ from those projected: state or federal legislative and regulatory developments, including deregulation, re-regulation and restructuring of the electric utility industry and changes in or application of environmental and other laws and regulations to which Applicants are subject; industrial, commercial and residential growth in the service territories; weather variations and other natural phenomena; and political, legal and economic conditions and developments.

forward-looking information in today's markets.(84) Further, Applicants will report, on an annual basis, the revenues of New REI and each of its utility subsidiary companies.

(i) Use of Net Utility Revenues

Although the statute speaks in terms of "income," the Commission has considered a variety of numerical indicators and traditionally placed the greatest reliance on a comparison of revenues. In its February 1999 NIPSCO order,(85) the Commission focused on net utility revenue (gross revenue less cost of gas for gas utilities or cost of fuel for electric utilities) in order to eliminate distortions between gas utility revenue and electric utility revenue. In the instant case, a focus on net utility revenue is even more appropriate. The T&D Utility will not have "gross operating revenues" (in the sense historically focused on by the Commission) because it will have no fuel cost component included in its revenues. Texas Genco's gross operating revenues are influenced to a large degree by its fuel costs, and GasCo's gross operating revenues are influenced to an even greater degree by its fuel costs, which are essentially a pass-through. Therefore, the Applicants respectfully submit that net revenues should be the relevant focus of the Commission's review in this instance.

(ii) NIPSCO provides precedent for the exemption

New REI will be incorporated in the State of Texas, as will its utility subsidiaries that are deemed "material" to New REI for purposes of Section 3(a)(1). In the February 1999 NIPSCO order, the Commission found that an out-of-state utility subsidiary which contributed the following percentages of the consolidated holding company figures, with a three-year average of 10.9%, would not be a material subsidiary for purposes of Section 3(a)(1):

PERCENTAGE OF GROSS OPERATING REVENUES	PERCENTAGE OF NET OPERATING REVENUES -
---- 16.0%	----
- 16.2%	----
10.8% -	----
11.2%	------- --

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(84) The Private Securities Litigation Reform Act of 1995 created a statutory safe harbor for certain forward-looking statements. Pub. L. No. 104-67, 109 Stat. 737. See Section 27A of the Securities Act of 1933. The legislation codified and expanded the Commission's long-standing administrative practice. See, e.g., SAR No. 6084 (June 25, 1979) (adopting Rule 175 under the Securities Act to provide a safe harbor for certain forward-looking statements made with a "reasonable basis" and in "good faith").

(85) NIPSCO Industries, Inc., HCAR No. 26975, 1999 WL 61423 (Feb. 10, 1999).

The pro forma amounts and percentages of gross operating revenues and net operating revenues for New REI and its utility subsidiary companies, based on actual revenues for the years 1998 through 2000, are as follows:

	GROSS OPERATING REVENUES AMOUNT ($MM)	GROSS OPERATING REVENUES PERCENTAGE	NET OPERATING REVENUES AMOUNT ($MM)	NET OPERATING REVENUES PERCENTAGE
REI (HL&P)				
1998	4,350.0	71.0%	2,894.9	80.8%
1999	4,250.8	70.5%	2,691.4	79.8%
2000	5,279.2	66.8%	2,867.3	79.9%
ENTEX				
1998	745.5	12.2%	306.4	8.5%
1999	736.4	12.2%	304.7	9.0%
2000	1,045.8	13.2%	326.9	9.1%
ARKLA				
1998	467.5	7.6%	189.1	5.3%
1999	457.1	7.6%	184.1	5.5%
2000	682.7	8.6%	188.2	5.3%
MINNEGASCO				
1998	560.6	9.2%	193.6	5.4%
1999	588.6	9.7%	191.4	5.7%
2000	891.7	11.3%	204.5	5.7%

On a historical basis, only REI (HL&P), which is incorporated in Texas and operates exclusively in Texas, would be a material utility subsidiary.(86)

The range of the pro forma projected percentages of gross operating revenues and net operating revenues for each of the Utility Subsidiaries for years 2001 through 2003 is set forth below:(87)

	PERCENTAGE OF GROSS

OPERATING PERCENTAGE OF NET OPERATING REVENUES REVENUES - ---------- ---------- -------- - ---------- ---------- ------ GENCO 0 - 26.5% 0 - 16.4% T&D UTILITY 30.1% - 69.9% 60.4% - 81.5% ENTEX 12.6% - 19.1% 9.1% - 12.0% ARKLA 7.5 % - 10.8% 5.1% - 6.5% MINNEGASCO 10.1% - 16.0% 4.2% - 5.4%

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(86) HL&P serves approximately 1.7 million customers, all within Texas. Attached hereto as Exhibit G-2 is a table detailing the geographic breakdown of gas-utility customers by business unit, by state, as of August, 2001.

(87) For 1998 through 2001, electric utility revenues (wires, retail sales and Texas generation sales) are reported on a consolidated basis.

Based on REI's post-Restructuring projections, both Arkla and Minnegasco would account for far less than the 10.8% to 11.2% of net utility revenues approved in NIPSCO and therefore these entities should not be deemed to be material Utility Subsidiaries. Both Texas Genco and the T&D Utility will be material Utility Subsidiaries. Consistent with the requirements of Section 3(a)(1), they will be incorporated, and operate exclusively, in Texas.

Entex will contribute a slightly higher percentage of net operating revenues than those approved in NIPSCO. The three-year average of the Entex projections is 10.9%, the same as the 10.9% three-year average accepted in NIPSCO. As the Commission noted in NIPSCO, "section 3(a)(1) has no specific numerical tests to guide a finding that a public-utility subsidiary is material."(88) The Commission emphasized that "factors other than mere percentages must be taken into consideration" in determining the application of the materiality standard of section 3(a)(1),(89) and cited the recommendation in the 1995 Report that the Commission adopt a more flexible standard "that would consider the facts and circumstances of each situation and take into account the ability of the affected state regulators to adequately protect the interests of utility consumers."(90)

The relative size of Entex's revenues will increase in this matter - not as a result of any growth or extension of Entex's operations - but rather because the overall amount of electric revenues will be decreased by the removal of the "retail" function pursuant to Texas law.

For the reasons stated above, Applicants believe that Entex will not be a material subsidiary company. In the alternative, even if the Commission were to deem Entex to be a material subsidiary, the conditions for exemption under Section 3(a)(1) are satisfied. New REI, Texas Genco, the T&D Utility and Entex will all be incorporated in Texas and be "predominantly intrastate and carry on their business substantially" in Texas.

In the NIPSCO order, the Commission found the "predominantly and substantially" standard satisfied where the out-of-state utility operations contributed the following percentages of total utility operations, with a three-year average of 13.2% out-of-state utility operations:

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(88) NIPSCO, HCAR No. 26975, 1999 WL 61423 at *13.

(89) Id., quoting Public Service Co. of Oklahoma, 8 S.E.C. 12, 17 (1940) ("The discussions of Section 3(a)(1) in the legislative reports make it clear that Congress was using the phrase 'material part' in the sense of an 'appreciable part.'").

(90) 1995 Report at 119-120.

PERCENTAGE OF GROSS PERCENTAGE OF NET OPERATING REVENUES REVENUES - ---------- -------- - ---------- ------
19.2%-19.8%
13.0%-13.7%

Under the language of the statute, the "predominantly and substantially" test must be applied both on a consolidated basis to the combined utility operations and on a corporate basis to each material Utility Subsidiary.

In the instant matter, the utility operations of both Texas Genco and the T&D Utility will be 100% within Texas. Texas Genco and the T&D utility therefore satisfy the "predominantly and substantially" test. The range of projected contributions of gross and net operating revenues from Entex's out-of-state operations for 2001 through 2003 is set forth below:

PERCENTAGE OF GROSS PERCENTAGE OF NET OPERATING REVENUES OPERATING REVENUES OUTSIDE OF TEXAS OUTSIDE OF TEXAS ---- ---------- ----- ---- ---------- ---- ENTEX
17.4% - 17.6%
15.6% - 15.8%

Although slightly higher than those approved in NIPSCO, as discussed below, the Entex "spill-over" is consistent with the plain meaning of the statute and well within the limits established in the Commission's precedent.

Further, on a historic basis, New REI is "predominantly and substantially" intrastate under the NIPSCO precedent. The pro forma amounts and percentages of gross operating revenues and net operating revenues for New REI's out-of-state utility operations, based on actual revenues for the years 1998 through 2000, are as follows:

GROSS OPERATING REVENUES NET OPERATING REVENUES OUTSIDE OF TEXAS OUTSIDE OF TEXAS ---- ---------- ---------- ---------- --- AMOUNT AMOUNT ($MM) PERCENTAGE ($MM) PERCENTAGE ------- -- -------- - ----- ----

------					
1998					
1,183.6					
19.3%					
438.3					
12.2%	1999				
1,197.2					
19.8%					
429.3					
12.7%	2000				
1,778.3					
22.5%					
442.0					
12.3%					

Although the projected contributions from New REI's out-of-state operations for 2001 through 2003 are, in some respects, higher than the percentages approved in NIPSCO, they

again are consistent with the plain meaning of the statute and the limits established in the Commission's 1997 order:

PERCENTAGE OF GROSS REVENUES OUTSIDE OF TEXAS	PERCENTAGE OF NET OPERATING REVENUES OUTSIDE OF TEXAS
--- New REI	19.8% - 30.1%
10.8% - 13.5%	

Further, the three year average of 12.6% out-of-state revenues in this matter is actually lower than the three-year average of 13.2% out-of-state revenues in NIPSCO.

The Act does not prescribe a particular standard or test for determining whether a holding company is "predominantly" and "substantially" intrastate. The plain meaning of the words, however, would accurately describe the concentration of New REI and Entex's utility operations in Texas. The Commission has construed "predominant" to mean "superior in power, influence, effectiveness, number or degree; having ascendancy or control; prevalent over others."(91) On a net basis, more than 80% of the companies' operating revenues will be from operations in Texas and so both Entex and New REI will be predominantly intrastate in character and operate substantially in a single state, within the ordinary understanding of those terms.

The "spill-over" of out-of-state operations is also well within the range established by the Commission's interpretation of similar language in Section 3(a)(2) of the Act. In a 1997 decision involving the predecessor to REI, the Commission found that an entity that was a public-utility company as well as a holding company and which received approximately one-third of its consolidated utility revenues from a subsidiary company was "predominantly" a public-utility company within the meaning of Section 3(a)(2) of the Act.(92) In this matter, in contrast, it is anticipated that less than 20% of the companies' net utility revenues will be from out-of-state operations.

The legislative history makes clear that a central purpose of the Act is "simply to provide a mechanism to create conditions under which effective Federal and State regulation will be possible."(93) The disaggregation of the electric utility operations in this matter is being

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(91) Northern States Power Co., HCAR No. 12655, 1954 WL 1361 (Sept. 16, 1954). In Northern States, the Commission stated that "[i]n determining the intent of Congress in the use of the word `predominantly,' we are required to construe the statute according to a fair interpretation of its terms. In the absence of some considerations apparent upon the fact of the statute or embodied in legislative history, unusual meanings of words must be avoided and ordinary definitions allowed..." Id. (quoting Union Elec. Co., 5 S.E.C. 252, 261 (1939)).

(92) Houston Indus., HCAR No. 26744, 1997 WL 414391. Section 3(a)(2) provides an exemption if, among other things, the holding company is "predominantly" a public-utility company.

(93) S. Rep. No. 74-621 at 11 (1935).

undertaken to comply with the requirements of Texas law while the GasCo Separation will provide greater transparency for the regulators of the company's gas utility operations. Further, the Commission has previously found REI to satisfy the requirements for exemption. It is appropriate for the Commission to find the formal requirements for exemption satisfied in a matter such as the instant one, which involves an internal reorganization intended to facilitate the effectiveness of state law.

(iii) The proposed exemption will not be detrimental to the public interest or the interest of investors or consumers

As noted above, notwithstanding an applicant's compliance with the objective requirements for exemption, the Commission can deny or condition an exemption "insofar as [the Commission] find the exemption detrimental to the public interest or the interest of investors or consumers." The 1995 Report discusses the background and administration of the Act's exemptive provisions and explains that: "Congress subjected holding companies to the requirements of the Act because meaningful state regulation of their abuses was often obstructed by their control of subsidiaries in several states and by the constitutional doctrines limiting state economic regulation."(94) The legislative history makes clear that exemptions from registration are available where the holding company is susceptible to effective state regulation or is otherwise not the type of company at which the Act was directed.(95)

Both of those factors are present in the instant matter. As noted above, the Restructuring has been or will be subject to review by the Texas Commission, the Arkansas Commission, the Louisiana Commission, the Mississippi Commission, the Oklahoma Commission and the Minnesota Commission, and cannot be fully implemented without the approval or consent of each of these commissions. The Commission has traditionally given great deference to the views of the affected state regulators.(96)

Further, the exemption of New REI will not give rise to any of the evils that the Act was intended to address. In the first instance, the Restructuring does not involve the acquisition of new operations or the growth and extension of a holding company system. To the contrary, it simply involves the reorganization of an existing exempt holding company along functional and

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(94) 1995 Report at 109, n.4.

(95) See S. Rep. No. 74-621 (1935).

(96) See, e.g., NIPSCO, HCAR No. 26975, 1999 WL 61423 ("The Commission has given weight to a state's judgment concerning the ability to exercise effective regulatory control."), citing Wisconsin Energy, HCAR No. 24267, 1986 WL 626747 ("[T]he judgment of a state's legislature and public service commission as to what will benefit their constituents is entitled to considerable deference when not in conflict with the policies of the Act."); see also Northern States, HCAR No. 12655, 1954 WL 5219 ("The considered conclusion of the local authorities, deriving their power from specific State legislation, should be given great weight in determining whether the public interest would in fact be adversely affected..."), cited with approval in Houston Indus., supra note 1.

geographic lines. The proposed Restructuring will not have an adverse effect on REI's existing gas and electric utility operations, or the way that those operations are regulated by the states but, instead, will facilitate regulation of New REI's utility operations by providing increased transparency and greater insulation for each of the Utility Subsidiaries.

(iv) To enable them to comply with the Texas Act while obtaining the necessary state approvals, Applicants seek an order of exemption under Section 3(a)(1) that is conditioned upon completion of the Restructuring within two years

In the recent AES order, the Commission granted the applicant an exemption from registration conditioned upon the company's divestiture of certain interests within two years of the date of consummation of the transaction.(97) Although there was a temporary variance from the standards for exemption, the Commission noted that it had, in other contexts, "relaxed the strict requirements of the Act and granted temporary relief, where the overall consequence...is to make nearer the ultimate goal of compliance."(98) Here, as in AES, the degree of state involvement will tend to ensure that there is no detriment to the protected interests during the interim period.

Specifically, Applicants ask the Commission to issue an order on or before November 15, 2001, authorizing New REI to acquire the securities of Texas Genco, the T&D Utility and GasCo and, in connection with such approval, to grant New REI an order of exemption under Section 3(a)(1) that is conditioned upon completion of the GasCo Separation within two years of the Initial Order.

ITEM 4. REGULATORY APPROVALS

Various aspects of the Restructuring have been or will be submitted for review and/or approval by (i) the Texas Commission; (ii) the Louisiana Commission; (iii) the Arkansas Commission; (iv) the Oklahoma Commission; (v) the Minnesota Commission; (vi) the Mississippi Commission; and (iv) the NRC.(99) Requisite filings have also been made with the Internal Revenue Service for appropriate rulings.

ITEM 5. PROCEDURE

The Applicants respectfully request that the Commission issue its Initial Order approving those aspects of the Restructuring for which the record has been completed and granting the other relief sought herein as quickly as possible, but in no event later than December 15, 2001. Applicants further request that the Commission reserve jurisdiction over the separation of GasCo into the Entex, Arkla and Minnegasco subsidiary companies, pending completion of the record.

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(97) AES Corp., HCAR No. 27363, 2001 WL 286141.

(98) Id. (quotations omitted).

(99) See supra Item 1.C.

The Applicants hereby waive a recommended decision by a hearing officer of the Commission and agree that the Division of Investment Management may assist in the preparation of the decision of the Commission.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS

Exhibits

Exhibit A: Constituent Instruments

A-1: Certificate of Incorporation of CenterPoint Energy, Inc. (previously filed with the Commission on Form S-4 of Reliant Energy Regco, Inc. (Registration No. 333-69502) on September 17, 2001 and incorporated by reference herein)

A-2: Articles of Incorporation of CenterPoint Energy, Inc., as amended (previously filed with the Commission on Form S-4 of Reliant Energy Regco, Inc. (Registration No. 333-69502) on September 17, 2001 and incorporated by reference herein)

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A-4: Articles of Merger merging Reliant Energy Regco, Inc. and CenterPoint Energy, Inc. with and into Reliant Energy New REI, Inc. (previously filed with the Commission on Form U-1 (File No. 070-09895) on October 26, 2001 and incorporated by reference herein)

Exhibit B: Intentionally omitted, not applicable

Exhibit C: Registration Statements

C-1: Amendment No. 8 to Registration Statement on Form S-1 of Reliant Resources, Inc. (Registration No. 333-48038), as amended (previously filed with the Commission on April 27, 2001 and incorporated by reference herein)

Exhibit D: Applications and Orders of Certain Commissions listed in Item 4

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D-2: Motion for Rehearing before the Texas Commission

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D-4: Business Separation Plan Update

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D-12: Application to the Oklahoma Commission

D-13: Order of the Oklahoma Commission (to be filed by amendment)

D-14: Application to the Minnesota Commission

D-15: Order of the Minnesota Commission (to be filed by amendment)

D-16: Application of STP Nuclear Operating Company to the Nuclear Regulatory Commission, dated May 31, 2001 (previously filed with the Commission on June 7, 2001 and incorporated by reference herein)

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G-6 Discussion of projections

G-7 CenterPoint Energy, Inc. capital structure chart

Financial Statements

1. Statement of Applicants

FS-1: Reference is made to the following documents, each of which is incorporated by reference herein: (i) Annual Report on Form 10-K of REI (Commission File Number 1-3187) and GasCo (Commission File Number 1-13265) for the fiscal year ended December 31, 2000, filed with the Commission on March 22, 2001; (ii) Quarterly Report on Form 10-Q of REI and GasCo for the quarterly period ended March 31, 2001, filed with the Commission on May 15, 2001; (iii) Quarterly Report on Form 10-Q of REI and GasCo for the quarterly period ended June 30, 2001, filed with the Commission on August 10, 2001; (iv) Quarterly Report on Form 10-Q of REI and Gasco for the quarterly period ended September 30, 2001, filed with the Commission on November 13, 2001; (v) Current Reports on Form 8-K of REI, filed with the Commission on January 26, 2001, April 16, 2001 and September 12, 2001; and Registration Statement on Form S-4 of CenterPoint Energy, Inc. (Commission File Number 333-69502), filed with the Commission on September 17, 2001.

FS-2: Financial statements for New REI and its public-utility subsidiary companies, on a pro-forma basis, for 1998 through 2000

FS-3: Financial statements for New REI and its public-utility subsidiary companies, on a pro-forma basis, for 2001 through 2003, and worksheets. (Confidential treatment requested)

2. Statement of Top Registered Holding Company

None

3. Statement of Company Whose Securities Are Being Acquired or Sold

Intentionally omitted, not applicable

4. Statement of Changes

None

ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS

The Restructuring, which is a corporate restructuring, neither involves a "major federal action" nor "significantly affects the quality of the human environment," as those terms are used in Section 102(2)(c) of the National Environmental Policy Act. Consummation of the Restructuring will not result in changes in the operations of the parties that would have any

impact on the environment. No federal agency is preparing an Environmental Impact Statement with respect to this matter.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, as amended, the Applicants have duly caused this Amendment No. 1 to Application/Declaration to be signed on their behalf by the undersigned thereunto duly authorized.

Date: November 20, 2001

RELIANT ENERGY, INCORPORATED

By: /s/ RUFUS S. SCOTT

Rufus S. Scott
Vice President, Deputy General Counsel
and Assistant Corporate Secretary

CENTERPOINT ENERGY, INC.

By: /s/ RUFUS S. SCOTT

Rufus S. Scott
Assistant Corporate Secretary

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EXHIBIT D-2

DOCKET NO. 21956

RELIANT ENERGY, INCORPORATED BUSINESS SEPARATION PLAN FILING PACKAGE	))))	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

MOTION FOR REHEARING

On April 10, 2001, the Public Utility Commission of Texas (Commission) filed the Final Order in the above-captioned proceeding. For the most part, the Final Order tracks the votes taken on the issues set forth on the Decision Point List (which is attached to the Final Order as Attachment A) and the record developed in the docket. However, the Final Order contains language which Reliant Energy, Incorporated ("Reliant Energy") believes to be mistaken or incomplete or which does not relate to issues contained on the Decision Point List. Reliant Energy respectfully requests the Commission to grant rehearing in this proceeding, correct certain errors and remove dicta unrelated to the issues decided in this docket.

1. One of the controversial issues raised by Amendment No. 1 was the proper role of intra-company debt. Under Amendment No. 1, the T&D Utility would have been an unincorporated division of the parent company. Financing would have been done at the parent company level and unregulated subsidiaries would have been provided funds in return for intra-company debt. Several parties, and the Commission itself, expressed concern about the possibility of unregulated affiliates defaulting on such debt and leaving the parent without adequate means for repayment. This concern was one of the reasons Reliant Energy decided not to pursue the plan set forth in Amendment No. 1. In reciting these facts, Finding of Fact No. 29 is written backwards. Thus, the Commission should correct Finding of Fact No. 29 to read as follows:

> Reliant's first amendment to its business separation plan ... also proposed significant intercompany debt that would have been owed by the UNREGULATED SUBSIDIARIES to THE UTILITY PARENT.

These revisions accurately reflect the proposal described in the first amendment to Reliant Energy's Business Separation Plan. See, e.g., Amendment No. 1 at C-30.

2. One of the advantages of Amendment No. 2 is that the T&D Utility ultimately will not be responsible for any debt other than utility debt. However, as pointed out in Amendment No. 2 (see, e.g., Amendment No. 2 at C-41), it will take some time to refinance at the REGCO level the debt now held by the FinanceCo subsidiaries of Reliant Energy, Incorporated (which will become the T&D Utility). Because this refinancing is not expected to be completed until the end of 2002, Finding of Fact No. 32 is not precisely correct. The Commission should thus correct the first sentence of Finding of Fact No. 32 to read:

> "UPON COMPLETION OF the Second Amended Plan, the TDU will not be primarily responsible for any debt not associated with utility assets."

3. If the Distribution Date takes place prior to the Choice Date, ERCOT GENCO would arguably fit the definition of a utility under PURA and thus would be required to have a tariff for its services. Finding of Fact No. 34 was intended to obviate the need for such a tariff but, as written, incorrectly describes Reliant Energy's request. The Commission should correct the second sentence of Finding of Fact No. 34 as follows:

> Reliant's request would (a) relieve HL&P from the requirement to seek competitive bids before agreeing to purchase power from ERCOT GENCO AND (b) RELIEVE ERCOT GENCO FROM THE REQUIREMENT TO HAVE A TARIFF FOR THIS SERVICE.

These revisions accurately reflect Reliant Energy's request regarding HL&P's purchases of power from ERCOT GENCO prior to the Choice Date. See, e.g., Amendment No. 2 at B-21; Amendment No. 2 Petition at 12.

4. The Final Order should reflect the term of certain services that UNREGCO will provide to ERCOT GENCO (fuel and energy management and environmental, safety and health, and technical services). Amendment No. 2 states that these services will be provided through 2005 unless REGCO's interest in ERCOT GENCO is earlier acquired by UNREGCO or sold to a third party. See, e.g., Amendment No. 2 at C-26; Amendment No. 2 Petition at 12-13; Schaeffer Rebuttal at 12. However, the Decision Point List (point 15(b)) and the Final Order both focus on the expiration of the ERCOT GENCO option. If for some reason the ERCOT GENCO option is not exercised and ERCOT GENCO is not sold to a third party, ERCOT GENCO will require some time to develop its own capability in this area. That is why the Term Sheets (Aligned Parties Ex. 3 (Direct Testimony of Douglas A. Oglesby), Ex. DAO-12) and the Second Amended Plan called for such services to continue through 2005. No party contested this issue. Accordingly, the Commission should revise Finding of Fact No. 57 as follows:

> Reliant also proposed that after the Choice Date continuing until the EARLIER OF (i) THE DATE UNREGCO EXERCISES ITS OPTION TO ACQUIRE ERCOT GENCO; (ii) IF THE OPTION IS NOT EXERCISED, THE DATE REGCO TRANSFERS ITS REMAINING SHARES OF ERCOT GENCO TO A THIRD PARTY; OR (iii) DECEMBER 31, 2005, UNREGCO would provide ERCOT GENCO with certain fuel and energy management services. After the Restructuring Date, UNREGCO would provide ERCOT GENCO with environmental, safety and health, and technical services until the EARLIER OF (i) THE DATE UNREGCO EXERCISES ITS OPTION TO ACQUIRE ERCOT GENCO; (ii) IF THE OPTION IS NOT EXERCISED, THE DATE REGCO TRANSFERS ITS REMAINING SHARES OF ERCOT GENCO TO A THIRD PARTY; OR (iii) DECEMBER 31, 2005.

Similar changes should be made to Conclusion of Law Nos. 18 and 19 and Ordering Paragraph Nos. 5 and 6.

5. In its deliberations on Amendment No. 2, the Commission voted to approve the accounting order requested by Reliant Energy. See, Tr. 163 (December 1, 2000); Decision Point List at 17. However, the final order language addressing the accounting order differs from what Reliant Energy requested in Amendment No. 2. See, Amendment No. 2 at B-21 and Reliant Ex. 9 (Specific Changes and Corrections to Business Separation Plan) at 26. In order to be consistent with the specific accounting language requested by Reliant Energy and approved by the Commission, Conclusion of Law No. 24 language should be corrected as follows:

> Issuance of an accounting order REQUESTED BY RELIANT ENERGY is consistent with PURA Section 39.262(d)(2). Approval of this method of accounting does not constitute approval of any costs or earnings.

Additionally, Ordering Paragraph 8 should be deleted in its entirety and replaced with the following language:

> THE ACCOUNTING ORDER REQUESTED BY RELIANT ENERGY IN AMENDMENT NO. 2 IS APPROVED.

6. Finally, the Commission should delete Finding of Fact No. 33. It does not address any issue set forth on the Decision Point List or discussed in the Business Separation Plan. Equally important, the language in this finding does not accurately characterize the full discussion between Mr. Schaeffer and the Commissioners during the hearing in this proceeding. In addition to other conditions and qualifications, Mr. Schaeffer's testimony assumed continuation of statutory mitigation through the 2004 true-up and did not anticipate that the Commission would seek to impose excess mitigation credits prior to the true-up.

PRAYER FOR RELIEF

Reliant Energy respectfully requests the Commission to grant rehearing in this docket and to revise the Final Order as described herein.

Respectfully submitted,

By:

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(713) 207-0141 (facsimile)

ATTORNEYS FOR RELIANT ENERGY, INCORPORATED

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been hand-delivered, sent overnight mail or U.S. mail to all parties of record on the ____ day of April 2001.

EXHIBIT D-3

PUC DOCKET NO. 21956

APPLICATION OF RELIANT ENERGY INCORPORATED FOR APPROVAL OF ITS BUSINESS SEPARATION PLAN	)))	PUBLIC UTILITY COMMISSION OF TEXAS

APPLICANT RELIANT ENERGY INCORPORATED'S
SECOND MOTION FOR REHEARING

Applicant Reliant Energy Incorporated ("Reliant Energy") files its Second Motion for Rehearing in response to the Order on Rehearing issued in this docket on May 29, 2001.

1. In the Order on Rehearing, the Commission made the following Finding of Fact No. 33 with respect to Reliant Energy's Business Separation Plan:

> During the November 8, 2000 hearing, Mr. Stephen C. Schaeffer, Senior Vice-President, Regulation, testified that Reliant would refund any excess market value of generation assets over the book value of the asset. Mr. Schaeffer stated that Reliant's position was that PURA only allowed a company to recover the book value of a generation asset if a company has engaged in mitigation. The Commission grants the waivers and authorizations set forth in findings of fact 34 through 39, in part, based upon Mr. Schaeffer's promise to refund any excess market value of generation assets over the book value of the asset.

This finding of fact is factually erroneous and unnecessary to resolve any issue in this proceeding.

2. As Reliant Energy explained in its April 30, 2001 Motion for Rehearing in this docket, the language in Finding of Fact No. 33 does not accurately reflect the comments that Mr. Schaeffer made during the November 8, 2000 hearing. Mr. Schaeffer's discussion assumed that statutory mitigation would continue and that no excess mitigation credits would be imposed before the 2004 true-up. It was under those circumstances that Mr. Schaeffer discussed a true-up in 2004 limited to book value. However, the Commission has now ordered Reliant Energy to reverse statutory mitigation efforts and has ordered a true-up in 2001 through excess mitigation

credits. In doing so, the Commission rejected Reliant Energy's proposal. Thus, Finding of Fact No. 33 is inaccurate and misleading.

3. Nor is Finding of Fact No. 33 relevant to resolve any disputed issue in Docket No. 21956. After Reliant Energy pointed out in its Motion for Rehearing that the disputed finding of fact does not address any issue set forth in the Decision Point List or discussed in the Business Separation Plan, the Commission added the following language to Finding of Fact No. 33:

> The Commission grants the waivers and authorizations set forth in findings of fact 34 through 39, in part, based upon Mr. Schaeffer's promise to refund any excess market value of generation assets over the book value of the asset.

Docket No. 21956, Order on Rehearing at 11. In fact, Findings of Fact 34 through 39 address undisputed items. Therefore, there is no basis for the Commission to rely on any purported commitment by Mr. Schaeffer in approving those findings. The added language compounds the erroneous nature of the original finding.

4. For these reasons, Reliant Energy prays that the Commission grant this Motion for Rehearing and delete Finding of Fact No. 33 from the Order on Rehearing. Reliant Energy further prays for any other relief to which it may be entitled.

Respectfully submitted,

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SCOTT E. ROZZELL
Executive Vice President and
General Counsel
State Bar No. 17359800

GEORGE W. SCHALLES, III
Managing Attorney
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(713) 207-0141 (facsimile)

CERTIFICATE OF SERVICE
SOAH Docket No. 473-00-0500
PUC Docket No. 21956

I hereby certify that a true and correct copy of the foregoing document was served by either hand delivery, electronic mail, overnight delivery or United States first class mail to all parties on this 18th day of June 2001.

Ron H. Moss

EXHIBIT D-4

DOCKET NO. _____

RELIANT ENERGY, INCORPORATED BUSINESS SEPARATION PLAN UPDATE	)	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

CONTACT: HARRIS LEVEN

(713) 207-7789

FAX: (713) 207-0141

OCTOBER 15, 2001

TABLE OF CONTENTS

DOCKET NO. _____

RELIANT ENERGY, INCORPORATED BUSINESS SEPARATION PLAN UPDATE	)))	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

RELIANT ENERGY, INCORPORATED
BUSINESS SEPARATION PLAN UPDATE

In accordance with the instructions for Section K of the Business Separation Plan Filing Package,(1) Reliant Energy, Incorporated ("Reliant Energy") hereby updates its Business Separation Plan to reflect developments since that plan was approved by the Public Utility Commission of Texas (the "Commission") on December 1, 2000 in Docket No. 21956.(2) In large part, the items identified in this update are the result of recent regulatory developments at the Securities and Exchange Commission ("SEC") and the Internal Revenue Service ("IRS") that may necessitate alterations in the timing and have changed the mechanism for implementing certain steps approved in the plan. More specifically, a delay in receiving necessary regulatory approvals may prevent full implementation of the plan by January 1, 2002. On a more positive note, developments at the SEC now make it possible for the REGCO holding company to qualify for an exemption from registration under the Public Utility Holding Company Act ("PUHCA") and thereby eliminate the need for a separate corporate services subsidiary. In addition, a complete split of the information technology systems will be accomplished sooner than anticipated. Finally, the forms of legal entities that will hold the generation and transmission

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(1) "This section shall list all proposed changes and shall describe in detail proposed significant changes to the plan after the plan is approved and before the plan is implemented. Utilities are obligated to make supplemental filings that shall note the proposed changes and address the effect of the proposed changes on each of the [other sections of the plan]. Any such filing shall be made no later than 45 days prior to the proposed date of implementation."

assets formerly owned by HL&P have been revised consistent with recent IRS guidance. These developments are more fully described below.

It should be stressed, however, that the fundamental components of the Business Separation Plan approved by the Commission remain unchanged. At the end of Reliant Energy's restructuring process, UNREGCO (Reliant Resources, Inc.) will hold the majority of Reliant Energy's unregulated businesses (including its retail electric providers) and the REGCO holding company (to be known as CenterPoint Energy following completion of this Business Separation Plan) will hold Reliant Energy's regulated businesses and certain other assets (including the Texas power generating company).

1. POTENTIAL DELAYS IN FULL IMPLEMENTATION NECESSITATED BY DELAY IN OBTAINING REGULATORY APPROVALS.

Reliant Energy is proceeding with the implementation of its Business Separation Plan as approved by the Commission and has already completed many of its key steps. For example, Reliant Energy has transferred the retail operations of Reliant Energy HL&P to an LLC subsidiary of UNREGCO, has contributed its interests in other subsidiaries to UNREGCO, and has conducted the initial public offering of 19% of the shares of UNREGCO. In addition, Reliant Energy is also complying with its Internal Code of Conduct that was approved based on a stipulation filed in its UCOS case.

However, the Business Separation Plan contemplated that the Restructuring Date (i.e., the date on which the REGCO holding company and its T&D Utility and ERCOT GENCO subsidiaries would be created) and the Distribution Date (i.e., the date on which Reliant Energy's remaining interest in UNREGCO would be distributed to Reliant Energy's shareholders) would occur prior to January 1, 2002 (the "Choice Date"). However, the Restructuring Date and the

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(2) The Commission issued a written order approving the Business Separation Plan on April 10, 2001 and later issued an Order on Rehearing on May 29, 2001.

Distribution Date cannot occur until Reliant Energy obtains all necessary regulatory approvals (specifically from the IRS, SEC, Nuclear Regulatory Commission, Federal Energy Regulatory Commission, and Louisiana Public Service Commission). If such approvals are not received in a timely manner, Reliant Energy may be unable to fully implement certain aspects of its Business Separation Plan by January 1, 2002.(3) Reliant Energy is working to obtain all such orders before January 1, 2002, but currently cannot be certain that all approvals will be received in time for an orderly restructuring as of that date. Although Reliant Energy will complete the restructuring as soon as practicable after all necessary approvals have been obtained, it is conceivable that the necessary rulings will not be obtained in a time frame that would avoid potentially delaying the Restructuring Date and the Distribution Date until January or February 2002. Even if the Restructuring and Distribution Dates occur after the Choice Date, the objectives of the unbundling requirements found in PURA will have been met. As of the Choice Date, the retail, generation and transmission and distribution components of the formerly integrated utility will each be operated separately. Reliant Energy's retail operations have already been transferred to a separate subsidiary of UNREGCO, and the former HL&P generation activities will be managed and operated completely separately from the former HL&P transmission and distribution assets. Compliance with Reliant Energy's Internal Code of Conduct will prevent the unauthorized flow of information between the T&D Utility and its competitive affiliates and the affiliate transaction rules will apply to prevent any cross-subsidization during this short time period prior to the final restructuring.

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(3) For the proposed business separation timeline set forth in Amendment No. 2 to the Business Separation Plan, please see Schedule B.2.b-1 (pages B-12 and B-13) of that document.

2. ELIMINATION OF CORPORATE SERVICE SUBSIDIARY.

In Section K of Amendment No. 2 to its Business Separation Plan, Reliant Energy indicated that SEC modification of the criteria for exemptions from PUHCA could result in modifications to its plan. When Reliant Energy filed Amendment No. 2 to its Business Separation Plan, it anticipated that REGCO would be required to register with the SEC as a public utility holding company under PUHCA. Consequently, Reliant Energy proposed a corporate structure modeled along the structures previously accepted for registered utility holding companies, including the creation of a corporate services subsidiary.(4) Since that time, based on recent decisions issued by the SEC and discussions between Reliant Energy and the SEC staff, Reliant Energy has determined that it can qualify for an exemption from registration as a public utility holding company under Section 3(a)(1) of PUHCA. To qualify for that exemption, Reliant Energy has committed to restructure its natural gas distribution utility operations into three separate corporate subsidiaries and to incorporate its corporate parent and all its material public utility subsidiaries in Texas. Reliant Energy's application for this exemption and for authority to complete its reorganization is currently pending before the SEC.

Based on these developments, it is no longer necessary for REGCO to create a corporate services subsidiary. As part of this decision-making process, Reliant Energy reviewed all of its corporate support functions and has decided that most support functions can be carried out at the parent holding company level. The elimination of the corporate services subsidiary will have no practical effect on the operations of the company after separation. Employees providing corporate support services will serve the same functions whether they be housed in a corporate services subsidiary, at the REGCO parent holding company, or at a REGCO

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(4) For a general discussion of REGCO's corporate support services and their proposed locations in the REGCO corporate structure after restructuring, please see Section H of Amendment No. 2 to the Business Separation Plan.

subsidiary. Conducting those functions at the parent holding company will provide the same benefits as a corporate services subsidiary. This revision will not affect the T&D Utility's cost of service as established in Reliant Energy's UCOS proceeding.

3. CORPORATE STRUCTURE OF T&D Utility and ERCOT GENCO.

As part of the implementation of its approved Business Separation Plan, Reliant Energy filed a private letter ruling request with the IRS seeking a determination that the spin-off of UNREGCO would be tax-free to Reliant Energy and its shareholders. In Section K of its Business Separation Plan, Reliant Energy indicated that, in order to obtain a favorable IRS ruling on this issue, certain features of the Business Separation Plan might need to be modified. Since the Commission approved its Business Separation Plan, Reliant Energy has received feedback from the IRS that has necessitated some modifications to the Business Separation Plan.

The major reason for these modifications is the IRS requirement that, in order for a spin-off to be tax-free, the company making the distribution (here, REGCO) and the controlled corporation (UNREGCO) must both be engaged in the active conduct of a trade or business. See Section 355(b) of the Internal Revenue Code of 1986, as amended (the "Code"). The business must have been conducted throughout the five year period ending on the date of distribution, and the corporations must remain in those businesses after the transaction. See Code Section 355(b)(2)(B). In its original ruling request, Reliant Energy identified REGCO's five year business as the ERCOT GENCO business. However, the current IRS reviewer, who was newly assigned to Reliant Energy's request this summer, has taken the position that, for certain technical reasons, the generating business would probably not qualify for this purpose. Thus, Reliant Energy has modified its ruling request to designate the T&D Utility as REGCO's five year business for purposes of the IRS analysis. However, in order for the T&D Utility business to be conducted through a subsidiary (which is necessary to satisfy separation concerns

expressed by the Commission) and still meet IRS requirements, the T&D Utility must be organized as a limited liability company (so that the IRS can treat it as part of the parent corporation for tax purposes, even though it will be separate for general corporate purposes). This represents a departure from the approved Business Separation Plan, where the T&D Utility was to be organized as a more conventional corporate subsidiary. This change to the structure described in the Business Separation Plan does not have any effect on the operations or capital structure of the T&D Utility after the restructuring is complete, nor will it affect the T&D Utility's cost of service as established in Reliant Energy's UCOS proceeding.

Addressing these concerns from the SEC and the IRS, along with other corporate structuring issues, has also led to minor changes in the organization of ERCOT GENCO.(5) In addition, company names can now be associated with the ERCOT GENCO entities. Under its revised reorganization plan, Reliant Energy will create a new intermediate limited liability company, to be known as Utility Holding, LLC, as a direct subsidiary of REGCO. Utility Holding serves as a pass-through entity between REGCO and the public utility subsidiaries. The presence of Utility Holding enables REGCO to create an efficient tax structure that is consistent with REGCO receiving an exemption under Section 3(a)(1) of PUHCA. The ERCOT generation assets and associated liabilities will be transferred to Texas Genco Holdings, Inc. Texas Genco Holdings, Inc. will contribute 1% of the ERCOT GENCO assets to Texas Genco GP, LLC and 99% of the ERCOT GENCO assets to Texas Genco LP, LLC. Both Texas Genco GP, LLC and Texas Genco LP, LLC will in turn contribute the ERCOT GENCO assets to Texas Genco LP, a Texas limited partnership. Under both the approved Business Separation Plan and the revised structure, the ERCOT generating assets will be held by Texas Genco LP, of which Texas Genco

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(5) For the proposed organization of ERCOT GENCO contained in Amendment No. 2 to the Business Separation Plan, please see Page C-18 of that document.

GP, LLC will be the 1% general partner and Texas Genco LP, LLC will be the 99% limited partner. The only difference between this form of organization and the one described in the approved Business Separation Plan is the addition of Texas Genco Holdings, Inc. as an intermediate entity between Utility Holding, LLC and Texas Genco GP, LLC and Texas Genco LP, LLC. The creation of this intermediate entity has no practical effect on the operations of the ERCOT generating assets and will facilitate the valuation of the former HL&P generating assets by an initial public offering of Texas Genco Holdings, Inc. under the partial stock valuation methodology set forth in PURA Section 39.262.

4. CHANGES TO INFORMATION TECHNOLOGY AND SYSTEMS.

Since the approval of the Business Separation Plan, UNREGCO management has decided to establish a new IT infrastructure that is physically separate from that of REGCO.(6) This means that on or before the Distribution Date, Reliant Energy's major business systems will be split into two sets of databases, networks, hardware and software that do not share any information. The current projected completion date for this split is January 21, 2002. This decision to completely sever the two IT systems provides even greater protection than the structure described in the approved Business Separation Plan (which involved the sharing of the systems and appropriate firewalls to prevent access to confidential information) and the requirements of the Code of Conduct will further ensure that employees of competitive affiliates in the UNREGCO family will not be able to access the T&D Utility's confidential customer information.

As part of this separation of IT infrastructure, Reliant Energy's SAP application will also be split into two separate systems. The split is currently anticipated to be complete as

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(6) For a description of the information technology structure proposed in Amendment No. 2 to the Business Separation Plan, please see Section F of that document.

of January 21, 2002. After this time, UNREGCO will communicate with REGCO in the same way as any other third party: through an external firewall in which authorizations are carefully checked and enforced. If the Distribution Date occurs after the Choice Date, access to both SAP systems will be required for a limited group of corporate support services employees who will be providing necessary services to both companies prior to the spin-off. For example, corporate accounting will need to prepare consolidated financial statements for Reliant Energy that include UNREGCO information until UNREGCO is no longer a part of Reliant Energy. No other employees will have access to both SAP systems during this time period. Such access is consistent with both the Commission's and the Company's approved Code of Conduct.

The limited number of corporate support services employees who will have access to both SAP systems will be obligated to comply with Reliant Energy's Internal Code of Conduct to insure that confidential information is not disclosed to any competitive affiliates. In addition, transmission and distribution operations will continue to use the existing legacy billing system to store customer data, which will safeguard restricted information regarding transmission and distribution operations and customer data. The T&D Utility will continue to use other SAP modules and, because they are behind the firewall, the user ID and password security measures described in the Business Separation Plan will still apply.

The company will endeavor to separate the IT infrastructures as soon as possible. However, in the event that it is not able to complete these modifications and reconfigurations by the Choice Date, Reliant Energy will rely on its Internal Code of Conduct and the procedural and transactional safeguards described above and in the approved Business Separation Plan to prevent any unauthorized flow of confidential information.

5. OTHER UPDATES TO AMENDMENT NO. 2.

In its approved Business Separation Plan, Reliant Energy indicated that it would create two retail electric providers - Reliant Energy Retail Services and Reliant Energy Solutions. Since that time, Reliant Energy has created an additional retail electric provider, StarEn Power, which has been certified by the Commission.

Reliant Energy has also named additional officers and directors since it filed Amendment No. 2 to the Business Separation Plan. Following is an updated list of executive officers and directors expected to serve for UNREGCO (Reliant Resources) and REGCO (CenterPoint Energy) following the separation of UNREGCO from REGCO as well as the officers of the Retail Electric Provider.

RELIANT RESOURCES, INC.

BOARD OF DIRECTORS

James A. Baker, III
Milton Carroll
R. Steve Letbetter
Lowry Mays
Phillip B. Miller
Laree E. Perez

OFFICERS

R. Steve Letbetter	Chairman, President and Chief Executive Officer
Stephen W. Naeve	Executive Vice President and Chief Financial Officer
Robert W. Harvey	Executive Vice President and Group President, Retail Group
Joe Bob Perkins	Executive Vice President and Group President, Wholesale Businesses
Hugh Rice Kelly	Senior Vice President, General Counsel and Corporate Secretary
Phillip J. Bazelides	Senior Vice President - Human Resources
Rex T. Clevenger	Senior Vice President - Finance and Treasurer
Bruce Gibson	Senior Vice President - Government and Regulatory Affairs
Mark D. Hendrix	Senior Vice President and Chief Information Officer
Brian Landrum	Senior Vice President - eBusiness
Mary P. Ricciardello	Senior Vice President and Chief Accounting Officer
Robert L. Waldrop	Senior Vice President - Communications

RETAIL ELECTRIC PROVIDER

Reliant Energy Retail Services

Waters S. Davis	President and Chief Operating Officer
James Burke	Vice President - Retail Marketing
Andrew C. Clark	Vice President - Mass-Market eBusiness
Gregg A. Hollenberg	Vice President - Business Services
Daniel W. Valentine	Vice President - Data Base Marketing

Reliant Energy Solutions

James A. Ajello	President and Chief Operating Officer
James R. Easter	Vice President - Transaction Development and Support
Raymond C. Ehmer	Vice President - Technical Services
Stephen Friedlander	Vice President - Finance Origination
David Roylance	Vice President - Energy Solutions
Collis G. Sanders	Vice President - Business Development
Mia T. Vu	Vice President - Structuring and Product Development
Jerry G. Winter, Jr.	Vice President - Major Account Sales
David M. Heitzer	Vice President - Process Industries

StarEn Power

Waters S. Davis	President
James A. Ajello	Vice President
Jim Burke	Vice President
Gregg Hollenberg	Vice President

REGCO (TO BE KNOWN AS CENTERPOINT ENERGY)

BOARD OF DIRECTORS

Richard E. Balzhiser
Milton Carroll
John T. Cater
O. Holcombe Crosswell
Robert J. Cruikshank
T. Milton Honea
R. Steve Letbetter
David M. McClanahan

OFFICERS

David M. McClanahan	President and Chief Executive Officer
Scott E. Rozzell	Executive Vice President, General Counsel and Corporate Secretary
Stephen C. Schaeffer	Executive Vice President
Gary L. Whitlock	Executive Vice President and Chief Financial Officer
James S. Brian	Senior Vice President and Chief Accounting Officer
Preston R. Johnson, Jr.	Senior Vice President - Human Resources
Ianne H. McCrea	Senior Vice President - Information Technology and Chief Information Officer

CONCLUSION

None of the changes described in this update materially alter Reliant Energy's approved Business Separation Plan, nor do they impact the T&D Utility's cost of service established in Reliant Energy's UCOS case. Moreover, the amended structure described in Sections 2 and 3 complies with the Commission's Substantive Rule 25.342(d)(2). This notice is being provided to comply with Section K of the Commission's Business Separation Plan filing instructions.

Respectfully submitted,

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ATTORNEYS FOR RELIANT ENERGY, INCORPORATED

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been hand-delivered, sent overnight mail or U.S. mail to all parties of record on the ____ day of October 2001.

DOCKET NO. 21956

RELIANT ENERGY, INCORPORATED BUSINESS SEPARATION PLAN FILING PACKAGE	)))	PUBLIC UTILITY COMMISSION OF TEXAS

ORDER ON REHEARING

This Order addresses the application of Reliant Energy, Incorporated (Reliant) for approval of its Second Amended Plan(1) to separate its business activities. Reliant modified this amended business-separation plan in filed rebuttal testimony and in live testimony at the hearing. The Commission approves in part and denies in part Reliant's business separation plan, as amended and modified, as discussed in this Order.

At the hearing on November 8, 2000, the parties presented the administrative law judge (ALJ) with a decision point list (DPL) for the Commission's convenience.(2) The DPL was organized in a matrix format and provided a summary of each party's position on the issues to be heard in this proceeding. On December 7, 2000, the Policy Development Division filed a version of the DPL that included summaries of the parties' post-hearing briefs and a section that memorialized the Commission's rulings. The DPL is attached to this Order as Attachment A to provide a summary of the parties' positions on the issues.

I. INTRODUCTION

An electric utility is required under PURA(3) Section 39.051 to file a plan with the Commission to separate its business activities from one another into the following units: a power generation company (PGC), a retail electric provider (REP), and a transmission and distribution utility (TDU).(4) Reliant Energy-HL&P (HL&P) is an unincorporated division of Reliant. HL&P owns

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(1) Amendment No. 2 to Reliant Energy's Business Separation Plan Filing Package (Aug. 9, 2000) (Second Amended Plan).

(2) Parties' Joint Exhibit 1 (Nov. 8, 2000).

(3) Public Utility Regulatory Act, TEX. UTIL. CODE ANN. Sections 11.001-64.158 (Vernon 1998 & Supp. 2001) (PURA).

(4) PURA Section 39.051(b).

and operates for compensation in Texas generation, transmission, and distribution facilities to sell and furnish electricity in Texas.(5)

In its Second Amended Plan. Reliant proposed to ultimately divide into two publicly traded corporations, REGCO and UNREGCO. REGCO would hold the TDU, the local gas distribution companies (Arkla, Entex, and Minnegasco), some other regulated natural gas operations, and at least initially, the PGC (ERCOT GENCO). REGCO would also hold limited unregulated domestic assets (Northwind Houston L.P. and Reliant Energy Thermal Systems) and certain Central and South American assets. UNREGCO would hold the REP and Reliant's unregulated domestic and European businesses, and would have the option to purchase ERCOT GENCO in January 2004 discussed below.

Reliant proposed to first create UNREGCO as a subsidiary and then transfer other subsidiary companies to it as described in the separation plan. The retail functions of HL&P would be transferred to UNREGCO (UNREGCO REP). Next, an initial public offering (IPO) of up to 20% of UNREGCO's common stock would be made; the remaining 80% would be held by Reliant. Reliant would then form REGCO and restructure its regulated business to cause REGCO to become the parent entity for Reliant, Reliant Energy Resources Corp., and the remaining subsidiaries (except certain financing subsidiaries) that were not transferred to UNREGCO, and to hold the remaining 80% of UNREGCO's stock. As part of this restructuring, the generating assets owned by Reliant that serve ERCOT(6) would be transferred to ERCOT GENCO, a new subsidiary of REGCO created to hold these assets. Reliant then functionally becomes only a TDU. The date on which this restructuring would be completed is referred to as the Restructuring Date and is projected to occur in mid-2001.

On or after the Restructuring Date, Reliant proposed that REGCO would distribute its remaining ownership interest in UNREGCO to REGCO's shareholders. The date on which this step would be completed is referred to as the Distribution Date and is projected to occur in mid-2001.

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(5) As used in this Order and denominated in the Second Amended Plan, HL&P refers to the former integrated utility. During the separation process, Reliant functionally becomes only a TDU.

(6) The Electric Reliability Council of Texas.

No later than June 30, 2002, an initial public offering of approximately 20% of ERCOT GENCO's common stock would be made. REGCO would retain at least an 80.1% equity interest in ERCOT GENCO, subject to UNREGCO's option to acquire this interest in 2004. If this option were exercised, REGCO would agree not to compete with UNREGCO in the generation of electricity in ERCOT for a period of at least five years.

A. AFFILIATION OF REGCO AND UNREGCO

Reliant proposed that REGCO would own at least 80.1% of the stock of UNREGCO prior to the Distribution Date. Due to this common stock ownership, no party contested the fact that UNREGCO and its subsidiaries would be affiliates of REGCO and its subsidiaries as defined in PURA Section 11.003(2) after the Restructuring Date and prior to the Distribution Date. The Commission concurs with the parties on this point.

Reliant and the parties disagreed, however, regarding whether REGCO and its subsidiaries would be considered affiliates of UNREGCO and its subsidiaries under PURA Sections 11.003(2) or 11.006 after the Distribution Date. Reliant argued that, after the Distribution Date, REGCO and UNREGCO would be separate, publicly traded companies. Initially, there would be three common directors of both REGCO and UNREGCO, and one of the common directors, R. Steve Letbetter, would serve as chairman of the board of directors of both companies. In addition, UNREGCO would hold an option to purchase all of REGCO's remaining ownership interest in ERCOT GENCO, which could be exercised in January 2004.

The Commission finds that these factors--the sharing of directors, the common chair, and the stock option--evidence control and the ability to exercise substantial influence over the policies and actions of the utility of a sufficient degree to support a determination of affiliation. Consequently, pursuant to PURA Section 11.006, the Commission finds that REGCO and its subsidiaries will be affiliates of UNREGCO and its subsidiaries after the Distribution Date. The Commission notes that the stock option has a limited life and that the sharing of directors may cease in the future. Accordingly, the Commission concludes that Reliant may request reconsideration of this finding based on a change in relevant circumstances.

B. PRICE TO BEAT

While the Commission decides in this Order that the issues related to the price to beat should be resolved in the Commission's rulemaking proceeding concerning the price to beat,(7) the Commission is sensitive to the potential impact to the proposed separation that could result from delaying a decision on this issue. Reliant proposed a price to beat adjustment mechanism that included a baseline for purchased power costs and adjustments to the baseline fuel factor twice per year by the same percentage as the change in purchased power prices from the baseline price. The Commission notes that, while the price to beat was intended to be a price cap, the adjustment mechanism in PURA Section 39.202(l) allows the cap to be pierced to reflect significant changes in the market price of natural gas or purchased power. Consequently, the Commission concludes that it was the Legislature's intent, in providing for this adjustment, to ensure that an affiliated REP would not be selling power below market costs. Because problems result from forcing a utility to sell power at a fixed price that is below market costs, it is readily apparent to this Commission that a market-based adjustment is necessary to ensure that the price to beat remains above wholesale costs. While such an approach cannot guarantee any minimum amount of headroom, it should preclude any affiliated REP from having to sell electricity at a legislatively mandated rate that is below the market price.

C. ERCOT GENCO STOCK OPTION

The Commission finds that Reliant's proposed separation meets the requirements of PURA Section 39.051 whether the option for UNREGCO to acquire REGCO's shares of the stock of ERCOT GENCO in January 2004 is exercised or allowed to lapse. An electric utility may accomplish the separation mandated by PURA Section 39.051 by having separate affiliated companies owned by a common holding company. Reliant proposes to go one step further by having separate corporations, and consequently, there is no need for the Commission to approve the stock option as a separate matter. The proposed stock option is an integral part of the Second Amended Plan, which the Commission finds in this Order meets the separation requirements in PURA Section 39.051.

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(7) At the time of hearing, Project No. 21409, relating to the Price to Beat, was pending. Subsequently, P.U.C. SUBST. R. 25.41 was approved at the February 22, 2001 open meeting.

The Commission's approval of Reliant's Second Amended Plan does not preclude a review in 2004 during the PURA Section 39.262 true-up proceeding of whether Reliant pursued commercially reasonable means to reduce its potential stranded costs, including good-faith efforts to renegotiate above-cost fuel and purchased power contracts or the exercise of prudent business practices to protect the value of its assets.

D. THE NUCLEAR DECOMMISSIONING TRUST

Reliant proposed that ERCOT GENCO would receive HL&P's 30.8% interest in the South Texas Project (STP) and the South Texas Project Nuclear Operating Company, as well as HL&P's interest in the qualified and non-qualified nuclear decommissioning trusts. Reliant proposed that ERCOT GENCO would share with the other owners of STP the obligation to decommission the nuclear facility as required by Nuclear Regulatory Commission rules. Reliant requested that the TDU indemnify ERCOT GENCO for any costs associated with decommissioning in excess of the amounts contained in the decommissioning trust.

Costs associated with nuclear decommissioning obligations will continue to be subject to cost of service regulation and will be included as a nonbypassable charge to retail customers.(8) Retail customers, therefore, will continue to be responsible for these costs and must pay these charges, as with all other nonbypassable charges, as a condition for receiving retail electric service. The TDU has an obligation to collect all nonbypassable charges, including these decommissioning charges. PURA Section 39.205 makes clear that these charges are for the benefit of ERCOT GENCO, or its successor in interest with respect to the STP, to meet its obligation in regards to decommissioning this nuclear plant. Accordingly, the Commission concludes that it is unnecessary for the TDU to indemnify ERCOT GENCO for any costs associated with nuclear decommissioning obligations.

II. FINDINGS OF FACT

APPLICANT AND THE APPLICATION

1. Reliant Energy-HL&P (HL&P) is an unincorporated division of Reliant Energy, Incorporated (Reliant), which is the applicant in this docket. HL&P owns and operates

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(8) See PURA Section 39.205.

for compensation in Texas generation, transmission, and distribution facilities to sell and furnish electricity in Texas.

2. Reliant seeks approval of its proposal to separate its business activities, including those of its subsidiaries, into a power generation company (PGC), a retail electric provider (REP), and a transmission and distribution utility (TDU), and certain other related requests as detailed in the application. This application does not seek to change any rates charged or received by an electric utility.

PROCEDURAL HISTORY

3. Reliant filed its initial business separation plan as required by PURA Section 39.051(e) on January 10, 2000.

4. On January 14, 2000, the competitive-energy-services portion of Reliant's business separation plan was severed from this docket and assigned Docket No. 2l985.(9)

5. Notice of Reliant's application for approval of its initial business separation plan was published in the Houston Chronicle on February 4 and February 11, 2000. Notice was also sent by first class mail to all persons and entities who were party to Reliant's last rate case and by e-mail to all parties in Commission Project No. 21083.(10) Notice was also provided in the Texas Register on January 28, 2000.(11)

6. On February 16, 2000, this case was referred to the State Office of Administrative Hearings (SOAH) to resolve prehearing matters, including discovery disputes and other issues. The Commission requested SOAH to return the docket to the Commission on March 7, 2000, for purposes of a hearing to be conducted by the Commission on March 13, 2000.

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(9) Competitive Energy Services Issues Severed from Reliant Energy, Inc. Business Separation Plan Filing Package, Docket No. 21956, Docket No. 21985 (Jun. 8, 2000).

(10) Cost Unbundling and Separation of Business Activities, Including Separation of Competitive Energy Services and Distributive Generation, Project No. 21083 (Feb. 9, 2000).

(11) See Tex. Reg. 626 (Jan. 28, 2000).

7. Intervenors in this proceeding are the Office of Public Utility Counsel (OPC), Enron Energy Services, Inc. (Enron), Texas Legal Services Center, Texas Ratepayers' Organization to Save Energy, PG&E Corporation (PG&E), the State of Texas, New Energy Texas, L.L.C., Rayburn Country Electric Cooperative, Inc., Texas Industrial Energy Consumers (TIEC), Commercial Ratepayer Coalition, Consumers Union, Public Citizen of Texas, City of Houston, South Texas Electric Cooperative (STEC), The Nautilus Energy Resources, Inc., Gulf Chemical and Metallurgical Corporation, Competitive Marketers Alliance (CMA), Shell Energy Services Co., L.L.C. (Shell), Competitive Power Advocates (CPA), and the Gulf Coast Coalition of Cities (GCCC).

8. Commission Staff participated as a party representing the public interest.

9. The following parties were denied Intervenor status: Central Power & Light Company, Fowler Energy Company, Southwestern Electric Power Company, West Texas Utilities Company, and TXU Electric Company--Retail.

10. On March 2, 2000, the SOAH ALJ granted the joint request of Reliant and Commission Staff to extend the procedural schedule to allow the parties time to review Reliant's first amendment to its business separation plan.(12)

11. On March 27, 2000, Reliant filed its first amendment to its business separation plan and a non-unanimous stipulation regarding the legal structure of the separated entities and inter-company debt issues.(13) The following parties were signatories to the stipulation: Reliant, Enron, STEC, CMA, PG&E, and Shell. The following three parties, while not signatories, represented that they did not oppose the stipulation: CPA, TIEC, and Commercial Ratepayers Coalition. Commission Staff and OPC objected to approval of the business separation plan as amended.

12. On May 3, 2000, Reliant filed a motion requesting that the hearing on the merits scheduled for May 4, 2000 be postponed to account for a proposed sale of two of

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(12) Amendment No. 1 to Reliant Energy's Business Separation Plan (Mar. 27, 2000).

(13) Nonunanimous Stipulation Regarding Legal Structure and Inter-Company Debt Issues (Mar. 27, 2000).

Reliant's local gas distribution companies, Arkla and Minnegasco. Commission Staff and OPC supported the motion. The Commission's ALJ denied the motion.

13. The Commission held a hearing on the merits of the first-amended plan on May 4, 2000. At the conclusion of the hearing, final action on the amended plan was deferred to allow the parties to engage in discussion and negotiation in an effort to reach a unanimous agreement on the plan.

14. The following parties were represented at the May 4, 2000 hearing: Reliant, Commission Staff, OPC, the State of Texas, Shell, and PG&E. The following exhibits were admitted into evidence: Reliant Exhibits 1-4 and OPC Exhibit 1.

15. On May 18, 2000, the parties filed a status report stating that they had been unable to come to agreement, and with one exception regarding inter-company debt, the parties maintained their positions on the non-unanimous stipulation and the amended business separation plan.

16. Reliant filed a supplement to its first-amended plan on May 24, 2000.

17. At the open meeting on May 31, 2000, Reliant advised the Commission that many issues were still outstanding, such as the possible sale of Arkla and Minnegasco, the timing of business separation, and issues regarding debt refinancing. The Commission directed Reliant to provide a status report in August 2000.

18. On June 8, 2000, the Commission entered a final order in Docket No. 21985 approving a unanimous settlement regarding competitive energy services.

19. At the June 29, 2000 open meeting, Reliant advised the Commission that it was working on an alternative approach to its business separation.

20. On August 9,2000, Reliant filed its Second Amended Plan.(14)

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(14) Amendment No. 2 to Reliant Energy's Business Separation Plan Filing Package (Aug. 9, 2000) (Second Amended Plan).

21. Notice of Reliant's Second Amended Plan was published in the Houston Chronicle on September 6, September 21, and September 25, 2000.

22. On October 23, 24, 26, and 27, 2000, Intervenors and Commission Staff filed direct testimony. On October 30, 2000, Reliant filed rebuttal testimony.

23. On November 8, 2000, the Commission held a hearing on the merits of the Second Amended Plan. The following parties were represented at the hearing: Reliant, the Commission Staff, OPC, the City of Houston, GCCC, and the Aligned Parties (consisting of Enron, CPA, and New Energy). The following exhibits were admitted into evidence: Reliant Energy Exhibits 5-9, Aligned Parties Exhibits 1-20, GCCC Exhibit 1, City of Houston Exhibits 1-4, OPC Exhibits 2-3, Staff Exhibit 1, and Joint Exhibit 1.

24. Parties filed post-hearing briefs on November 17, 2000 and reply briefs on November 22, 2000.

25. At the open meeting on December 1, 2000, the Commission held further discussions regarding the Second Amended Plan. The Commission decided all issues presented, except for Reliant's proposals regarding price to beat issues.

26. At the open meeting on January 11, 2001, the Commission rendered a decision on the price to beat issues.

BUSINESS SEPARATION PLAN

27. HL&P is an unincorporated division of Reliant and is currently an integrated electric utility.

28. Reliant's initial plan proposed separating HL&P into three unincorporated divisions of Reliant: a PGC, a REP, and a TDU.

29. Reliant's first amendment to its business separation plan proposed the creation of new first or second tier corporate subsidiaries of Reliant for the PGC and the REP, and called for the TDU to be an unincorporated division of Reliant. This plan also proposed significant intercompany debt that would have been owed by the unregulated subsidiaries to the utility parent.

30. The Second Amended Plan would divide Reliant into two publicly traded corporations. One corporation (REGCO) would hold the TDU, the local gas distribution companies (Arkla, Entex, and Minnegasco), certain other regulated natural gas operations, and, at least initially, the PGC (ERCOT GENCO). REGCO would also hold limited unregulated domestic assets (Northwind Houston, L.P. and Reliant Energy Thermal Systems) and certain Central and South American assets. The second corporation (UNREGCO) would hold Reliant's currently unregulated domestic and European businesses, including the REP. In addition, UNREGCO would have the option to purchase ERCOT GENCO in January 2004.

31. Under the Second Amended Plan, Reliant proposed to separate UNREGCO and REGCO in the following series of steps, which are more fully described in the Second Amended Plan. Following approval of the plan, UNREGCO would conduct an IPO of up to 20% of its common stock. Reliant would then restructure its regulated business to cause REGCO to become the parent entity for Reliant, Reliant Energy Resources Corp., and the other subsidiaries (except certain financing subsidiaries) that were not transferred to UNREGCO, and to convey the ERCOT generating assets owned by HL&P to ERCOT GENCO. The date on which this restructuring would be completed is referred to as the Restructuring Date and is projected to occur in mid-2001. On or after the Restructuring Date, Reliant proposed that REGCO would distribute its remaining ownership interest in UNREGCO to its shareholders. The date on which this step would be completed is referred to as the Distribution Date and is projected to occur in mid-2001.

32. Upon completion of the Second Amended Plan, the TDU will not be primarily responsible for any debt not associated with utility assets. In addition, there will be no significant refinancing costs resulting from the proposed restructuring.

IMPACT OF PLAN ON VALUATION OF ASSETS FOR PURPOSES OF DETERMINING STRANDED COSTS

33. During the November 8, 2000 hearing, Mr. Stephen C. Schaeffer, Senior Vice President, Regulation, testified that Reliant would refund any excess market value of generation assets over the book value of the asset.(15) Mr. Shaeffer stated that Reliant's position was

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(15) Tr. at 390-91, 393-95 (Nov. 8, 2000).

that PURA only allowed a company to recover the book value of a generation asset if a company has engaged in mitigation.(16) The Commission grants the waivers and authorizations set forth in findings of fact 34 through 39, in part, based upon Mr. Schaeffer's promise to refund any excess market value of generation assets over the book value of the asset.

WAIVERS AND AUTHORIZATIONS

34. Reliant requested that the Commission authorize HL&P to purchase its capacity and energy needs from ERCOT GENCO at cost and without competitive bidding(17) during the period between the Restructuring Date and Choice Date.(18) Reliant's request would relieve HL&P from the requirement to seek competitive bids before agreeing to purchase power from ERCOT GENCO and relieve ERCOT GENCO from the requirement to have a tariff for this service. No party contested this request.

35. Reliant requested a waiver of P.U.C. SUBST. R. 25.272 and 25.273, which are related to the relationships and conduct between affiliates, for HL&P's purchases of power from ERCOT GENCO between the Restructuring Date and the Choice Date. No party contested this request.

36. Reliant requested that the Commission treat HL&P and ERCOT GENCO as if they were still part of the same integrated utility during the period between the Restructuring Date and the Choice Date for purposes of any fuel reconciliations, annual reports, and Federal Energy Regulatory Commission Form 1. No party contested this request.

37. Although Reliant is not required by PURA to separate its business activities until the Choice Date, under its proposed plan, separation will begin prior to that date. Under the plan, HL&P's generation assets will be transferred to ERCOT GENCO on the Restructuring Date, but HL&P will continue to be obligated to serve its existing customers until the Choice Date. The progressive unbundling proposed by Reliant would

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(16) Id. at 394-95.

(17) As required by P.U.C. SUBST. R. 25.272 and 25.273.

(18) The Choice Date is the date on which full, electric retail competition begins or January 1, 2002, unless the Commission exercises its discretion to delay customer choice pursuant to PURA Section 39.103.

place unnecessary burdens on the company unless it is allowed to continue to act, for these limited purposes and over this limited time period, as an integrated utility. Accordingly, the Commission finds that the requested waivers as described in findings of fact 34 through 36 are reasonable and should be approved, provided that no purchase agreements for capacity or energy may extend past the Choice Date.

38. A part of the Second Amended Plan, customer care functions would be retail functions that would be transferred to UNREGCO in 2001. During the period between the Distribution Date and the Choice Date, UNREGCO customer-care employees would provide services that involve access to utility-customer information only to the REGCO utilities that serve those customers. Reliant requested a waiver of the following affiliate transaction rules for the period prior to the Choice Date to allow UNREGCO to provide customer care services to HL&P, so long as customer care employees comply with the Code of Conduct as if they were utility employees: P.U.C. SUBST. R. 25.272(d)(2) (sharing of employees, facilities, or other resources), 25.272(d)(3) (sharing of officers and directors, property, equipment, computer systems, information systems, and corporate support services, 25.272(d)(5) (sharing of office space), 25.272(e)(2) (transactions with competitive affiliates), and 25.272(g)(1) (proprietary customer information). No party contested this request.

39. The Commission finds that the arrangement discussed in finding of fact 38 will allow HL&P to continue to provide quality service to its customers while it moves forward with its proposed separation. Compliance with the Code of Conduct provisions will limit, if not eliminate, any competitive advantage UNREGCO might gain by having access to customer information. Accordingly, the Commission finds that the requested waivers as described in finding of fact 38 are reasonable and should be approved.

AFFILIATED RETAIL ELECTRIC PROVIDER

40. Under Chapter 39 of PURA, an affiliated REP is afforded certain benefits and subjected to certain obligations. PURA Section 39.051 provides that an electric utility may unbundle into "separate nonaffiliated companies or separate affiliated companies owned by a common holding company or through the sale of assets to a third party." An affiliated REP is

defined by PURA Section 31.002(2) as being either an affiliate or a successor in interest of the electric utility certificated to serve the area. HL&P, which is the electric utility certificated to serve the subject area, proposed to ultimately separate its REP into a subsidiary of UNREGCO. The Commission agrees with the parties and finds that the UNREGCO REP will be the successor in interest to the retail component of HL&P. Accordingly, the Commission finds the UNREGCO REP is an affiliated REP within the meaning of PURA Section 31.002(2).

AFFILIATION OF REGCO AND UNREGCO

41. Reliant proposed that REGCO own at least 80% of the stock of UNREGCO prior to the Distribution Date. UNREGCO and its subsidiaries would be affiliates of REGCO and its subsidiaries pursuant to PURA Section 11.003(2) after the Restructuring Date and prior to the Distribution Date. No party contested this issue. The Commission finds that the ownership of 80% of UNREGCO's shares by REGCO brings them and their affiliates within the definition of affiliate in PURA Section 11.003(2).

42. Reliant proposed that after the Distribution Date, REGCO and UNREGCO would be separate, publicly traded companies. Initially there would be three common directors of both REGCO and UNREGCO and one of the common directors, R. Steve Letbetter, would serve as chairman of both Boards of Directors during a transition period. The Commission finds that UNREGCO and its subsidiaries will be affiliates of REGCO and its subsidiaries pursuant to PURA Sections 11.003(2) and 11.006 after the Distribution Date because REGCO and UNREGCO will have a common chairman and common directors and UNREGCO will hold an option to purchase 80% of ERCOT GENCO's stock, which will initially be held by REGCO. The Commission also finds that Reliant may request reconsideration of this finding based on a change in circumstances.

ERCOT GENCO CAPACITY AUCTION

43. Reliant originally proposed to auction up to 100% of the capacity of ERCOT GENCO in the capacity auctions required by PURA Section 39.153. Under the Second Amended Plan, Reliant proposed that, beginning with the first capacity auction through January 1, 2007, ERCOT GENCO would auction 50% of its capacity in the capacity auctions held

pursuant to the Commission's rule. As part of this proposal, Reliant requested that the REP be allowed to participate in the capacity auctions. Reliant further proposed that the UNREGCO REP have the option to purchase the remaining 50% of the ERCOT GENCO's capacity at the price(s) established at the auction.

44. In the rebuttal testimony of Charles S. Griffey filed on October 30, 2000, Reliant modified its proposal in the Second Amended Plan regarding the auctioning and sale of the PGC's capacity.(19) As modified, Reliant proposed that ERCOT GENCO would auction entitlements to 15% of its capacity according to the Commission's rules and that UNREGCO would not participate in the auction or purchase this 15%.(20) In addition, ERCOT GENCO would auction the remaining 85% of its capacity in a separate, open auction in which UNREGCO could participate. Reliant also sought a determination that this proposal was reasonable and satisfies the requirements of PURA Section 39.262.

45. PURA Section 39.153(a) requires certain utilities to sell entitlements to at least 15% of its generation capacity. PURA Section 39.153(c) precludes an affiliated REP from purchasing any entitlements from its affiliate's auction. The Commission finds that Reliant's modified proposal as described in finding of fact 44 satisfies the 15% requirement and the proscription on affiliate participation in PURA.

46. The Commission finds that it is not necessary to consider ERCOT GENCO's disposition of its remaining capacity in the context of ruling on the adequacy of its proposed separation under PURA Section 39.051. Further, the Commission makes no finding concerning whether Reliant's proposal concerning the capacity auction satisfies any requirements found in PURA Section 39.262.

PRICE TO BEAT

47. One component of the price to beat will be the fuel factor established under PURA Section 39.202(b). This fuel-factor component may be adjusted up to twice per year to reflect significant changes in the market price of natural gas and purchased power. In its initial

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(19) Rebuttal Testimony of Charles S. Griffey at 9-10 (Oct. 30, 2000).

(20) At the time of hearing, Project No. 21405, relating to Capacity Auctions, was pending. Subsequently, P.U.C. SUBST. R. 25.381 was adopted at the December 1, 2000 open meeting.

plan, Reliant proposed adjustments tied to the capacity auction. This proposal was modified in the Second Amended Plan. The proposal was further modified in Reliant's rebuttal testimony.

48. The Commission is considering a proposed rule regarding the price to beat. When adopted, this rule will specify the manner in which the price to beat will be established and adjusted.(21)

49. The Commission concludes that a separate decision on price-to-beat issues should not be made in this docket. Consequently, the Commission finds that it is appropriate that all issues related to the price to beat, including the initial fuel factor and any adjustments to the fuel factor, be considered in Project No. 21409.

50. Reliant's affiliated REP will be subject to the Commission's final rule on price to beat and will be required to adopt a price to beat and an adjustment mechanism in accordance with that rule.

THE ERCOT GENCO STOCK OPTION TRANSACTION

51. As part of the separation of its business activities, Reliant proposed to grant UNREGCO an option to purchase all of REGCO's capital stock in ERCOT GENCO. This stock option could be exercised between January 10, 2004 and January 24, 2004. The exercise price for the option would be calculated with an equation that uses a market valuation formula based on the partial stock valuation method currently contained in PURA Section 39.263(h)(3). If a control premium is included in the valuation determination made by the Commission under PURA Section 39.262(h)(3), the exercise price paid by UNREGCO under the stock option would be adjusted in the same amount as the premium, up to a maximum of 10%.

52. The Commission finds that Reliant's proposed separation meets the requirements of PURA Section 39.051 whether the stock option is exercised or allowed to lapse. Consequently, there is no need for the Commission to approve the stock option as a separate matter.

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(21) As previously noted, at the time of hearing, Project No. 21409, relating to the Price to Beat, was pending. Subsequently, P.U.C. SUBST. R. 25.41 was approved at the February 22, 2001 open meeting.

The proposed stock option is an integral part of the Second Amended Plan, which the Commission finds in this Order meets the separation requirements in PURA Section 39.051.

53. The Commission's approval of Reliant's Second Amended Plan does not preclude a review in the 2004 true-up proceeding of whether Reliant pursued reasonable means to reduce its potential stranded costs, including good-faith efforts to renegotiate above-cost fuel and purchased power contracts or the exercise of normal business practices to protect the value of its assets.

54. The Commission finds that the granting of the stock option and the transfer of the stock of ERCOT GENCO to UNREGCO, if the option is exercised, would be part of the unbundling required by PURA Section 39.051. Accordingly, the transfer would not be subject to PURA Sections 14.101, 35.034, 35.035, or 39.158.

55. The Commission finds that due to the complexity of the option for ERCOT GENCO's stock, good cause exists to waive P.U.C. SUBST. R. 25.342(d)(4), to the extent applicable.

OPERATION OF ERCOT GENCO

56. Reliant proposed that ERCOT GENCO would use operations, maintenance, and management personnel from HL&P until the Choice Date. The Commission finds that this is reasonable for purposes of PURA Section 39.262 and should not be subject to reexamination in the 2004 true-up proceeding pursuant to PURA Section 39.262(c).

57. Reliant also proposed that after the Choice Date and continuing until the earlier of (i) the date UNREGCO exercises its option to acquire ERCOT GENCO; (ii) if the option is not exercised, the date REGCO transfers its remaining shares to ERCOT GENCO to a third party; or (iii) December 31, 2005, UNREGCO would provide ERCOT GENCO with certain fuel and energy management services. After the Restructuring Date, UNREGCO would provide ERCOT GENCO with environmental, safety and health, and technical services, until the earlier of (i) the date UNREGCO exercises its option to acquire ERCOT GENCO; (ii) if the option is not exercised, the date REGCO transfers its remaining shares to ERCOT GENCO to a third party; or (iii) December 31, 2005. The Commission finds that it is reasonable for ERCOT GENCO to rely upon UNREGCO to

provide these services for purposes of PURA Section 39.262. The Commission further finds that the decision to obtain these services should not be subject to re-examination in the 2004 true-up proceeding pursuant to PURA Section 39.262(c). The Commission finds that such approval does not create any exemption from any fuel reconciliations conducted pursuant to the Commission's rules and that this decision does not make any predetermined findings regarding typical fuel reconciliation issues.

THE NUCLEAR DECOMMISSIONING TRUST

58. Reliant proposed that ERCOT GENCO would receive HL&P's 30.8% interest in the South Texas Project (STP) and the South Texas Project Nuclear Operating Company, as well as HL&P's interest in the qualified and non-qualified nuclear decommissioning trusts. Reliant proposed that ERCOT GENCO would share with the other owners of STP the obligation to decommission the nuclear facility as required by Nuclear Regulatory Commission rules. The Commission finds that Reliant's proposal is reasonable and should be approved.

59. The Commission finds that any costs associated with nuclear decommissioning obligations will continue to be subject to cost of service rate regulation and will be included as a nonbypassable charge to retail customers. The Commission further finds that the TDU will collect decommissioning charges on behalf of ERCOT GENCO for the amounts required to be paid by ratepayers.

60. Reliant requested that the TDU indemnify ERCOT GENCO for any costs associated with decommissioning in excess of the amounts contained in the decommissioning trust. The Commission finds that it is not necessary to approve the indemnity requested by Reliant.

AGREEMENTS NOT REDUCED TO WRITING

61. As part of its application, Reliant requested that the Commission approve several agreements relating to the ERCOT GENCO capacity purchase option, the ERCOT GENCO stock purchase option, and the various service agreements between UNREGCO and REGCO. None of these agreements have been finalized and reduced to writing.

62. It is not appropriate for the Commission to approve any agreements that are part of the Second Amended Plan but that have not been finalized and reduced to writing, including those relating to the ERCOT GENCO capacity purchase option, the ERCOT GENCO stock purchase option, and the various service agreements between UNREGCO and REGCO.

ADDITIONAL REVIEW OF AFFILIATE TRANSACTIONS

63. Several parties urged that Commission approval of the Second Amended Plan be conditioned upon further review of transactions between the TDU and its affiliates. The Commission concludes that existing requirements regarding affiliate transaction are adequate and that approval of the Second Amended Plan should not be conditioned upon additional review of affiliate transactions.

ACCOUNTING ORDER

64. Reliant requested an accounting order that tracks the provisions of PURA Section 39.262(d)(2).

65. PURA Section 39.262(d)(2) provides that the difference between the price of power obtained through the capacity auctions under PURA Sections 39.153 and 39.156 and the projected price of power used in the ECOM model to estimate stranded costs under PURA Section 39.201 will be reconciled and credited or billed to the TDU. The Commission finds that it is reasonable to track the difference between actual and projected costs on a monthly basis.

III. CONCLUSIONS OF LAW

1. HL&P is a public utility, as defined in PURA Section 11.004, and an electric utility, as defined in PURA Section 31.002(b).

2. This application does not constitute a major rate proceeding as defined by P.U.C. PROC. R. 22.2.

3. Reliant is required to separate its business activities into a PGC, a REP, and a TDU under PURA Section 39.051(a) and to file a plan to accomplish this separation under PURA Section 39.051(c).

4. The Commission has jurisdiction and authority over Reliant's business separation plan under PURA Section 39.051.

5. Notice of Reliant's business separation plan was provided in compliance with the Administrative Procedure Act(22) and P.U.C. PROC. R. 22.55.

6. Reliant's Second Amended Plan complies with the requirement of PURA Section 39.051 that Reliant separate HL&P's business activities from one another into a PGC, a REP, and a TDU.

7. Good cause exists to waive the applicable portions of P.U.C. SUBST. R. 25.272 and 25.273 to allow HL&P to purchase its capacity and energy needs from ERCOT GENCO at costs without a tariff for this service or without seeking competitive bids as described in findings of fact 34 and 35, provided that no purchase agreements for capacity or energy may extend past the Choice Date.

8. The Commission finds that Reliant's request to treat HL&P and ERCOT GENCO as if they were still part of the same integrated utility during the period between the Restructuring Date and the Choice Date for purposes of any fuel reconciliations, annual reports, and Federal Energy Regulatory Commission Form 1 is in the public interested and should be granted.

9. Good cause exist to waive the following portions of P.U.C. SUBST. R. 25.272 to allow UNREGCO to provide customer care services to HL&P as described in findings of fact 38 and 39: P.U.C. SUBST. R. 25.272(d)(2) (sharing of employees, facilities, or other resources), 25.272(d)(3) (sharing of officers and directors, property, equipment, computer systems, information systems, and corporate support services, 25.272(d)(5) (sharing of office space), 25.272(e)(2) (transactions with competitive affiliates), and 25.272(g)(l) (proprietary customer information).

10. As the successor in interest to the retail functions formerly performed by HL&P, UNREGCO REP will be an affiliated REP as defined in PURA Section 31.002.

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(22) TEX. GOV'T CODE ANN. Section 2001.001-901 (Vernon 2000 & Supp. 2001).

11. Prior to the Distribution Date, UNREGCO and its subsidiaries and affiliates will be affiliates of REGCO and its subsidiaries and affiliates as defined in PURA Sections 11.003(2).

12. After the Distribution Date, the subsidiaries and affiliates of REGCO and UNREGCO will be affiliates due to the ability to exercise substantial influence and common control as provided by PURA Section 11.006.

13. ERCOT GENCO's auction of entitlements to 15% of its capacity meets the requirements of PURA Section 39.153(a). UNREGCO REP is proscribed by PURA Section 39.153(c) from participating in the purchase of entitlements through the auction required by PURA Section 39.153(a).

14. It is reasonable to consider all issues related to the price to beat in the Commission's rulemaking proceeding instead of this docket.

15. If UNREGCO exercises its option for the stock of ERCOT GENCO, the transfer of that stock is part of the business separation required by PURA Section 39.051 and is not subject to PURA Sections 39.158, 14.101, 35.034, or 35.035.

16. Good cause exists to waive P.U.C. SUBST. R. 25.342(d)(4), to the extent applicable, with respect to the option for the stock of ERCOT GENCO.

17. The decision to use operations, maintenance, and management personnel from HL&P to provide these functions for ERCOT GENCO until the Choice Date is not subject to review in the 2004 true-up proceeding pursuant to PURA Section 39.262(c).

18. The decision to use UNREGCO to provide ERCOT GENCO with certain fuel and energy management service between the Choice Date and the expiration of UNREGCO's option on ERCOT GENCO stock is not subject to review in the 2004 true-up proceeding pursuant to PURA Section 39.262(c).

19. The decision to use UNREGCO to provide ERCOT GENCO with environmental, safety and health, and technical services between the Restructuring Date and the expiration of UNREGCO's option on ERCOT GENCO stock is found reasonable and not subject to review in the 2004 true-up proceeding pursuant to PURA Section 39.262(c).

20. The Commission's approval of Reliant's Second Amended Plan does not preclude a review in 2004 during the PURA Section 39.262 true-up proceeding of whether Reliant pursued commercially reasonable means to reduce its potential stranded costs, including good-faith efforts to renegotiate above-cost fuel and purchased power contracts or the exercise of normal business practices to protect the value of its assets.

21. The Commission declines to approve agreements that are part of the Second Amended Plan that have not been finalized and reduced to writing.

22. Pursuant to PURA Section 39.205, any remaining costs associated with Reliant's share of nuclear decommissioning obligations for the STP continue to be subject to cost of service rate regulation and shall be included as a nonbypassable charge to retail customers by the TDU on behalf of ERCOT GENCO.

23. No additional review of Reliant's TDU affiliate transactions is required beyond what is set forth in PURA and Commission rules.

24. Issuance of an accounting order as described in findings of fact 64 and 65 is consistent with PURA Section 39.262(d)(2). Approval of this method of accounting does not constitute approval of any costs or earnings.

IV. ORDERING PARAGRAPHS

Based upon the record, the findings of fact and conclusions of law set forth herein, and for the reasons stated above, the Commission orders:

1. Reliant's requests for waivers, as described in findings of fact 34 through 39, are granted.

2. The subsidiaries and affiliates of REGCO and UNREGCO are affiliates under PURA Section 11.006 and shall comply with all requirements applicable to affiliates. Reliant may request that the Commission re-evaluate this determination when circumstances on which the decision is based change.

3. ERCOT GENCO shall auction at least 15% of its capacity pursuant to PURA Section 39.153 and P.U.C. SUBST. R. 25.381.

4. The decision to use operations, maintenance, and management personnel from HL&P to provide these functions for ERCOT GENCO until the Choice Date shall not be further reviewed in the PURA Section 39.262 true-up proceeding.

5. The decision to use UNREGCO to provide ERCOT GENCO with certain fuel and energy management service between the Choice Date and the expiration of UNREGCO's option on ERCOT GENCO stock shall not be further reviewed in the 2004 true-up proceeding pursuant to PURA Section 39.262(c).

6. The decision to use UNREGCO to provide ERCOT GENCO with environmental, safety and health, and technical services between the Restructuring Date and the expiration of UNREGCO's option on ERCOT GENCO stock shall not be further reviewed in the 2004 true-up proceeding pursuant to PURA Section 39.262(c).

7. HL&P prior to the Choice Date and the TDU thereafter are directed to collect the decommissioning costs for the 30.8% interest in the STP, and to transfer all such funds to the owner of that interest or to the decommissioning trust for the benefit of such owner.

8. Reliant shall account for the difference between the price of power obtained in the capacity auction and the projections for the cost of power that were used in the ECOM model on a monthly basis.

9. Except as otherwise specifically addressed in this order, Reliant's Second Amended Plan, as amended and modified, is approved and adopted.

10. All relief not specifically granted in this Order is denied for lack of merit.

SIGNED AT AUSTIN, TEXAS the 25th day of May 2001.

PUBLIC UTILITY COMMISSION OF TEXAS

/s/ PAT WOOD, III

PAT WOOD, III, CHAIRMAN

/s/ BRETT A. PERLMAN

BRETT A. PERLMAN, COMMISSIONER

EXHIBIT D-6

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF RELIANT ENERGY ARKLA, A DIVISION OF RELIANT ENERGY RESOURCES CORP., FOR APPROVAL OF VARIOUS ASPECTS OF A CORPORATE RESTRUCTURING	)	DOCKET NO. _____

APPLICATION

COMES NOW Reliant Energy Arkla, a division of Reliant Energy Resources Corp. ("Arkla" or "Applicant"), pursuant to the provisions of Ark. Code Ann. Sections 23-3-102 and 23-3-201, and advises the Commission that there will be a corporate restructuring of the holding company system of which Arkla is a part. Applicant requests that the Commission issue an order granting such consents, approvals, and authorizations as may be required by Ark. Code Ann. Sections 23-3-101, -102 and -201 and the Commission's rules and regulations, to permit consummation of the transactions contemplated as part of the restructuring. In support of its Application, Applicant states as follows:

THE APPLICANT

1. (a) Arkla is a natural gas distribution division of Reliant Energy Resources Corp. ("RERC"), operating over 11,600 miles of distribution main and serving approximately 448,000 residential, commercial, and industrial customers through facilities located in the State of Arkansas. As such, Arkla is a public utility within the meaning of Ark. Code. Ann. Section 23-1-101, and is subject to the jurisdiction of the Commission. Arkla's principal place of business and headquarters are located in Little Rock, Arkansas, and Houston, Texas, respectively. A certified copy of RERC's Articles of Incorporation, with amendments, is on file with the Commission.

(b) Arkla's full name and address are:

Reliant Energy Arkla, a division of Reliant Energy Resources Corp.
401 West Capitol Avenue
Post Office Box 751
Little Rock, AR 72203

(c) The names, addresses, and telephone numbers of Arkla's attorneys are:

Kathleen D. Alexander
Senior Vice President of Regulatory, Legislative and Legal Affairs
Reliant Energy Arkla, a division of Reliant Energy Resources Corp.
401 West Capitol Avenue
P. O. Box 751
Little Rock, AR 72203
(501) 377-4858

Kenny W. Henderson
Senior Counsel
Reliant Energy Arkla, a division of Reliant Energy Resources Corp.
401 West Capitol Avenue
P. O. Box 751
Little Rock, AR 72203
(501) 377-4850

(d) An Annual Report to Shareholders and 10-K of Reliant Energy, Incorporated, Arkla's ultimate parent, are attached to this Application as Exhibits A and B, respectively.

THE PROPOSED RESTRUCTURING

2. RERC is a wholly-owned subsidiary of Reliant Energy, Incorporated ("REI"). REI is a Texas holding company, exempt from registration under the Public Utility Holding Company Act of 1935 (the "Act") pursuant to Section 3(a)(2) of the Act, 15 USCA Section 79c(a)(2). REI currently provides electric generation, transmission, and distribution service to customers in Texas through its unincorporated Reliant Energy HL&P division. In connection with the restructuring of the electric industry in Texas, REI is proposing a corporate restructuring, including the formation of a new, exempt holding company, to be called CenterPoint Energy, Inc. ("Regco") over REI's existing electric and gas utility operations, and the reorganization of

the utility operations along functional and geographic lines. As part of that reorganization, Arkla will ultimately become a stand-alone corporation. Each of the other two divisions of RERC that operate as natural gas utilities in other states(1) will also become stand-alone corporations. For tax purposes, Regco will hold Arkla and the other two utilities through a single-member limited liability company, Utility Holding, LLC. These restructurings are described in detail in the Form U-1/A Amendment No. 1 filed with the Securities and Exchange Commission on October 26, 2001, attached as Exhibit C, and the Master Separation Agreement attached as Exhibit D.

3. The corporate restructuring is being undertaken to comply with the requirements of Texas law that electric utilities separate their generation, transmission and distribution, and retail activities, in preparation for full retail competition in the electric industry in Texas beginning January 1, 2002. The corporate restructuring will be accomplished in a manner that will, after completion of the restructuring, permit Regco to be an exempt holding company under Section 3(a)(1) of the Act.

4. REI has formed Regco as a wholly-owned subsidiary. After conveying its electric assets to a new wholly-owned limited partnership subsidiary, REI will merge with a newly formed subsidiary of Regco, and Regco will then be the holding company for the regulated businesses, including RERC. REI will then provide only electric transmission and distribution service and will be a regulated utility in Texas.

5. After obtaining the approvals necessary from this Commission, and from the other state commissions having jurisdiction over the other natural gas utility divisions of RERC, the second step of the restructuring -- the separation of the three divisions of RERC into separate entities -- will occur. Two new Delaware corporations, CenterPoint Arkla, Inc. ("New Co.") and

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(1) Minnegasco provides natural gas service in Minnesota, and Entex provides service in Texas, Louisiana, and Mississippi.

CenterPoint Minnegasco, Inc., will be formed. Those two new companies will issue stock, all of which will be owned by Utility Holding, LLC, whose stock will, in turn, be owned by Regco. The issuance of stock by New Co. will not create a lien on, or otherwise encumber, any assets in Arkansas. The RERC assets that are currently used by Arkla and Minnegasco, and the business of each of the companies, will be contributed to New Co. and CenterPoint Minnegasco, Inc., respectively.

6. After the assets and business of Arkla and Minnegasco are contributed to the two newly organized companies, the assets remaining in RERC will be those of Entex. RERC will be renamed "Entex" and will be reincorporated as a Texas corporation.

7. The existing debt will be retained by RERC in order to avoid refinancing costs; the debt of New Co. will therefore be established through intercompany borrowings. New Co.'s capital structure will be substantially the same as that used by this Commission in Arkla's last rate case.

8. The administrative functions that are now provided to Arkla and the other divisions of RERC by REI or RERC will continue to be provided on a centralized basis. The corporate allocations for those functions will not change as a result of the restructuring, and therefore the costs to Arkla of those administrative services will not increase.

REQUESTED AUTHORIZATIONS AND APPROVALS

9. In order to consummate the restructuring, the Applicant is, or may be, required to obtain consents, approvals, and authorizations from the Commission pursuant to Ark. Code Ann. Section 23-3-101, -102, and -201, and the Commission's rules and regulations.

10. The proposed restructuring is consistent with the public interest and should be approved under Ark. Code Ann. Section 23-3-101. The proposed transaction will have no detrimental effect on the Commission's jurisdiction over Arkla or on its ability to regulate Arkla's operations.

The proposed transaction, which will result in Arkla being a stand-alone company, will give the Commission a clearly defined corporate entity over which to exercise jurisdiction. In addition, the proposed transaction will have no effect on, and will be transparent to, Arkla's customers. The proposed transaction will not result in any material change in Arkla's policies or operations, and will have no adverse effect on Arkla's continued ability to provide reliable and adequate service. New Co. will be managed in the same manner after the restructuring as Arkla is now, and Arkla's employees will continue to be employed by New Co. New Co. will adopt Arkla's tariffs, and the transaction will not, in and of itself, result in an increase in rates to customers. New Co. will maintain its books in accordance with the Commission's requirements and will provide access to its books and records as required under the public utilities statutes.

11. The transfer of Arkla's property to New Co. is consistent with the public interest and should be approved under Ark. Code Ann. Section 23-3-102. As stated in paragraph 10 above, the transfer of property to New Co. and the operation of the property will have no effect on the service or rates to customers.

12. Once the restructuring is complete, New Co. will be a public utility in Arkansas, operating equipment and facilities for supplying natural gas service. Because New Co. will operate with the same facilities and personnel as are now used by Arkla to provide natural gas utility service, New Co. should be granted a certificate of public convenience and necessity under Ark. Code Ann. Section 23-3-201 to operate those facilities.

WHEREFORE, Applicant respectfully requests that the Commission issue an order approving the various aspects of the proposed transaction as set forth in this Application.

Respectfully submitted,

RELIANT ENERGY ARKLA,
a division of Reliant Energy Resources Corp.

By:

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Arkansas Bar #78057
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and

Paul Ruxin
Jones, Day Reavis & Pogue
77 West Wacker, 35th Floor
Chicago, Illinois 60601-1692
(312) 269-1546

Its Attorney

EXHIBIT D-10

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSISSIPPI

IN THE MATTER OF THE JOINT APPLICATION OF RELIANT ENERGY ENTEX, A DIVISION OF RELIANT ENERGY RESOURCES CORP.; RELIANT ENERGY RESOURCES CORP.; AND RELIANT ENERGY, INCORPORATED; FOR APPROVAL OF VARIOUS ASPECTS OF A CORPORATE RESTRUCTURING

DOCKET NO. ----------

JOINT APPLICATION

COMES NOW Reliant Energy Entex, a division of Reliant Energy Resources Corp. ("Entex"); Reliant Energy Resources Corp. ("RERC"); and Reliant Energy, Incorporated ("REI"); collectively hereafter referred to as the "Parties," pursuant to the provisions of Miss. Code Ann. Sections 77-3-23 (2000) and Rule 8 of the Rules of Practice and Procedure of the Mississippi Public Service Commission ("MPSC"), and advises the MPSC that there will be a corporate restructuring of the holding company system of which Entex is a part. The Parties request that the MPSC issue an order granting such consents, approvals, and authorizations as may be required by Mississippi law, including Miss. Code Ann. Sections 77-3-23 (2000) and Rule 8 of the MPSC's rules and regulations, to permit consummation of the transactions contemplated as part of the restructuring. In support of their Joint Application, the Parties state as follows:

THE PARTIES

1. Entex, a natural gas distribution division of RERC, operates a natural gas distribution business in Louisiana, Mississippi and Texas. Within Mississippi and through this division, RERC serves approximately 120,000 residential, commercial, and industrial customers. As such, RERC is a public utility within the meaning of Miss. Code. Ann. Section 77-3-3(d)(ii)(2000),

and is subject to the jurisdiction of the MPSC. RERC is a corporation organized and existing under the laws of the State of Delaware and is duly authorized to do business in the State of Mississippi. The principal office of RERC is in Houston, Texas. There is a division office of RERC at 216 South Woodgate Drive, Brandon, Mississippi 39042. True and correct copies of RERC's Articles of Incorporation, with amendments, are on file with the MPSC and are made a part hereof by reference. Likewise, a full legal description of all of RERC's existing service areas in the State of Mississippi are set out in the various orders of the MPSC wherein RERC was granted certificates of public convenience and necessity to serve those areas. All of said orders are made a part hereof by reference.

2. RERC is a wholly owned subsidiary of REI. The names and addresses of the Board of Directors and officers of RERC are attached hereto as Exhibit "A".

3. REI is a Texas holding company, exempt from registration under the Public Utility Holding Company Act of 1935 (the "Act") pursuant to Section 3(a)(2) of the Act, 15 USCA Section 79c(a)(2). REI currently provides electric generation, transmission, and distribution service to customers in Texas through its unincorporated Reliant Energy HL&P division. An Annual Report to Shareholders and a 10-K of REI, Entex's ultimate parent, are attached to this Joint Application as Exhibits "B" and "C", respectively.

THE PROPOSED RESTRUCTURING

4. In connection with the restructuring of the electric industry in Texas, REI is proposing a corporate restructuring, including the formation of a new, exempt holding company to be called CenterPoint Energy, Inc. ("Regco") over REI's existing electric and gas utility operations, and the reorganization of the utility operations along functional and geographic lines. As part of that reorganization, Entex will ultimately become a stand-alone corporation. The

other two divisions of RERC that operate as natural gas utilities in other states(1) will also become stand-alone corporations. For tax purposes, Regco will hold Entex and the other two utilities through a single-member limited liability company, Utility Holding, LLC. These restructurings are described in detail in the Form U-1/A Amendment No. 1 filed with the Securities and Exchange Commission on October 26, 2001, attached as Exhibit "D", and the Master Separation Agreement attached as Exhibit "E".

5. The corporate restructuring is being undertaken to comply with the requirements of Texas law that electric utilities separate their generation, transmission and distribution, and retail activities, in preparation for full retail competition in the electric industry in Texas beginning January 1, 2002. The corporate restructuring will be accomplished in a manner that will, after completion of the restructuring, permit Regco to be an exempt holding company under Section 3(a)(1) of the Act.

6. REI has formed Regco as a wholly-owned subsidiary. After conveying its electric assets to a new wholly-owned limited partnership subsidiary, REI will merge with a newly formed subsidiary of Regco, and Regco will then be the holding company for the regulated businesses, including RERC. REI will then provide only electric transmission and distribution service and will be a regulated utility in Texas.

7. After obtaining the approvals necessary from the MPSC, and from the other state commissions having jurisdiction over the other natural gas utility divisions of RERC, the second step of the restructuring -- the separation of the three divisions of RERC into separate entities -- will occur. Two new Delaware corporations, CenterPoint Arkla, Inc. and CenterPoint Minnegasco, Inc., will be formed. Those two new companies will issue stock, all of which will

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(1) Minnegasco provides natural gas service in Minnesota, and Arkla provides service in Texas, Louisiana, Arkansas and Oklahoma.

be owned by Utility Holding, LLC, whose stock will, in turn, be owned by Regco. The RERC assets that are currently used by Arkla and Minnegasco, and the business of each of the companies, will be contributed to CenterPoint Arkla, Inc. and CenterPoint Minnegasco, Inc., respectively.

8. After the assets and business of Arkla and Minnegasco are contributed to the two newly organized companies, the assets remaining in RERC will be those of Entex. RERC will be renamed "CenterPoint Entex, Inc." and will be reincorporated as a Texas corporation.

9. The existing debt will be retained by RERC in order to avoid refinancing costs; the debt of CenterPoint Entex, Inc. will therefore be established through intercompany borrowings. CenterPoint Entex, Inc.'s capital structure will be the same as that used by this Commission in Entex's last rate case.

10. The administrative functions that are now provided to Entex and the other divisions of RERC by REI or RERC will continue to be provided on a centralized basis. The corporate allocations for those functions will not change as a result of the restructuring, and therefore the costs to Entex, Inc. of those administrative services will not increase.

REQUESTED AUTHORIZATIONS AND APPROVALS

11. The Parties seek the MPSC's approval of the restructuring, as set forth in Exhibits "D" and "E" attached hereto, and the renaming and reincorporating of RERC.

12. The proposed restructuring is in good faith and is consistent with the public interest and should be approved by the MPSC. The proposed transaction will have no detrimental effect on the Commission's jurisdiction over RERC or on its ability to regulate RERC's Mississippi operations. The proposed transaction, which will result in Entex being a stand-alone company, will give the MPSC a clearly defined corporate entity over which to exercise jurisdiction. In addition, the proposed transaction will have no effect on, and will be

transparent to, RERC's customers. The proposed transaction will not result in any material change in RERC's policies or operations, and will have no adverse effect on RERC's continued ability to provide reliable and adequate service. CenterPoint Entex, Inc. will be managed in the same manner after the restructuring as RERC is now, and RERC's employees will continue to be employed by CenterPoint Entex, Inc. CenterPoint Entex, Inc. will adopt RERC's tariffs, and the transaction will not, in and of itself, result in an increase in rates to customers. CenterPoint Entex, Inc. will maintain its books in accordance with the MPSC's requirements and will provide access to its books and records as required under the public utilities statutes.

13. The renaming of RERC to CenterPoint Entex, Inc., its reincorporation in Texas, and the holding of property and certificates by CenterPoint Entex, Inc., are consistent with the public interest and should be approved by the MPSC. As stated above, the restructuring will have no effect on the service or rates to customers.

14. Once the restructuring is complete, CenterPoint Entex, Inc. will be a public utility in Mississippi, operating equipment and facilities for supplying natural gas service. Because CenterPoint Entex, Inc. will operate with the same facilities and personnel as are now used by RERC to provide natural gas utility service, the MPSC should approve the transfer of the property and certificates of public convenience and necessity presently held by RERC as part of the restructuring. CenterPoint Entex, Inc., after the restructuring, will be fit and able to properly perform the public utility services authorized by such certificates, and will comply with the lawful rules, regulations, and requirements of the MPSC.

WHEREFORE, PREMISES CONSIDERED, the Parties respectfully request that the Commission issue an order

(a) approving the corporate restructuring as set out in Exhibits "D" and "E" attached hereto;

(b) approving the renaming of Reliant Energy Resources Corp. to CenterPoint Entex, Inc., and the reincorporating of that company in Texas effective with the restructuring set out in Exhibits "D" and "E";

(c) approving, effective with the renaming and reincorporating set forth in (b) above, the transfer of the property and certificates of public convenience and necessity to CenterPoint Entex, Inc., a Texas corporation; and

(d) authorizing CenterPoint Entex, Inc., a Texas corporation, from and after consummation of the restructuring, to operate as a public utility in Reliant Energy Resources Corp.'s certificated areas in Mississippi pursuant to the terms, conditions, and rates previously approved by the MPSC.

The Parties pray for such general relief as may be appropriate in the premises.

Respectfully submitted, this the 13th day of November, 2001.

RELIANT ENERGY ENTEX, A DIVISION OF RELIANT ENERGY RESOURCES CORP., RELIANT ENERGY RESOURCES CORP., RELIANT ENERGY INCORPORATED

BY:

JAMES L. HALFORD,
One of their Attorneys

OF COUNSEL:

JAMES L. HALFORD
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Jackson, Mississippi 39205-0119
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Facsimile (601) 960-6902

VERIFICATION

STATE OF MISSISSIPPI

COUNTY OF HINDS

PERSONALLY appeared before me, the undersigned authority in and for the jurisdiction aforesaid, the within named James L. Halford, who being by me first duly sworn, stated on oath that he is one of the attorneys for Reliant Energy Entex, a division of Reliant Energy Resources Corp., Reliant Energy Resources Corp., and Reliant Energy Incorporated in this cause, and that the matters and things set forth in the above and foregoing pleadings are true and correct as therein stated to the best of his knowledge, information and belief.

James L. Halford

SWORN TO AND SUBSCRIBED BEFORE ME, this the day __ of November, 2001.

NOTARY PUBLIC

My Commission Expires:

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CERTIFICATE OF SERVICE

I, James L. Halford, one of the attorneys for Reliant Energy Entex, a division of Reliant Energy Resources Corp., Reliant Energy Resources Corp., and Reliant Energy Incorporated, in the above-styled and numbered cause, certify that I have this day caused to be hand delivered the original and fourteen (14) copies of the foregoing Application with the Executive Secretary,

Mississippi Public Service Commission, 19th Floor, Walter Sillers State Office Building, Jackson, Mississippi.

This the __ day of November, 2001.

James L. Halford

EXHIBIT D-12

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF RELIANT ENERGY ARKLA, A DIVISION OF RELIANT ENERGY RESOURCES CORP., FOR APPROVAL OF A TRANSFER OF PROPERTY AS PART OF A CORPORATE RESTRUCTURING	)	CAUSE NO. PUD_____

APPLICATION

COMES NOW Reliant Energy Arkla, a division of Reliant Energy Resources Corp. ("Arkla" or "Applicant"), pursuant to the provisions of Oklahoma Administrative Code Section 165:45-3-5, and advises the Commission that there will be a corporate restructuring of the holding company system of which Arkla is a part. Applicant requests that the Commission issue an order granting such consents, approvals, and authorizations as may be required by the Commission's rules and regulations, to permit consummation of the transactions contemplated as part of the restructuring. In support of its Application, Applicant states as follows:

THE APPLICANT

1. (a) Arkla is a natural gas distribution division of Reliant Energy Resources Corp. ("RERC"), operating over 2,738 miles of distribution main and serving approximately 111,000 residential, commercial, and industrial customers through facilities located in the State of Oklahoma. As such, Arkla is a public utility within the meaning of Okla. Stat. Ann. tit. 17 Section 151, and is subject to the jurisdiction of the Commission. Arkla's principal place of business and headquarters are located in Lawton, Oklahoma, and Houston, Texas, respectively. A certified copy of its Articles of Incorporation, with amendments, is on file with the Commission.

(b) Arkla's full name and address are:

Reliant Energy Arkla, a division of
Reliant Energy Resources Corp.
401 West Capitol Avenue
Post Office Box 751
Little Rock, AR 72203

(c) The names, addresses, and telephone numbers of Arkla's attorneys are:

Kenny W. Henderson
Senior Counsel
Reliant Energy Arkla, a division of
Reliant Energy Resources Corp.
401 West Capitol Avenue
P. O. Box 751
Little Rock, AR 72203
(501) 377-4850

Jack P. Fite
White, Coffey, Galt & Fite, P.C.
6520 North Western, Suite 300
Oklahoma City, OK 73116
(405) 842-7545

(d) An Annual Report to Shareholders and Form 10-K of Reliant Energy, Incorporated, Arkla's ultimate parent, are attached to this Application as Exhibits A and B, respectively.

ALLEGATION OF FACTS

2. RERC is a wholly-owned subsidiary of Reliant Energy, Incorporated ("REI"). REI is a Texas holding company, exempt from registration under the Public Utility Holding Company Act of 1935 (the "Act") pursuant to Section 3(a)(2) of the Act, 15 USCA Section 79c(a)(2). REI currently provides electric generation, transmission, and distribution service to customers in Texas through its unincorporated Reliant Energy HL&P division. In connection with the restructuring of the electric industry in Texas, REI is proposing a corporate restructuring, including the formation of a new, exempt holding company, to be called CenterPoint Energy, Inc. ("Regco") over REI's existing electric and gas utility operations, and the reorganization of

the utility operations along functional and geographic lines. As part of that reorganization, it is proposed that Arkla will become a stand alone corporation. Each of the other two divisions of RERC that operate as natural gas utilities in other states(1) will also become stand alone corporations. For tax purposes, Regco will hold Arkla and the other two utilities through a single-member limited liability company, Utility Holding, LLC. These restructurings are described in detail in the Form U-1/A Amendment No. 1 filed with the Securities and Exchange Commission on October 26, 2001, attached as Exhibit C, and the Master Separation Agreement attached as Exhibit D.

3. The corporate restructuring is being undertaken to comply with the requirements of Texas law that electric utilities separate their generation, transmission and distribution, and retail activities, in preparation for full retail competition in the electric industry in Texas beginning January 1, 2002. The corporate restructuring will be accomplished in a manner that will, after completion of the restructuring, permit Regco to be an exempt holding company under Section 3(a)(1) of the Act.

4. REI has formed Regco as a wholly-owned subsidiary. After conveying its electric assets to a new wholly-owned limited partnership subsidiary, REI will merge with a newly formed subsidiary of Regco, and Regco will then be the holding company for the regulated businesses, including RERC. REI will then provide only electric transmission and distribution service and will be a regulated utility in Texas.

5. After obtaining the approvals necessary from this Commission, and from the other state commissions having jurisdiction over the other natural gas utility divisions of RERC, the second step of the restructuring -- the separation of the three divisions of RERC into separate

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(1) Minnegasco provides natural gas service in Minnesota, and Entex provides service in Texas, Louisiana, and Mississippi.

entities -- will occur. Two new Delaware corporations, CenterPoint Arkla, Inc. ("New Co.") and CenterPoint Minnegasco, Inc., will be formed. Those two new companies will issue stock, all of which will be owned by Utility Holding, LLC, whose stock will, in turn, be owned by Regco. New Co.'s issuance of stock will not create a lien on, or otherwise encumber, any utility assets in Oklahoma. The RERC assets that are currently used by Arkla and Minnegasco, and the business of each of the companies, will be contributed to New Co. and CenterPoint Minnegasco, Inc., respectively.

6. After the assets and business of Arkla and Minnegasco are contributed to the two newly organized companies, the assets remaining in RERC will be those of Entex. RERC will be renamed "Entex" and will be reincorporated as a Texas corporation.

7. The existing debt will be retained by RERC in order to avoid refinancing costs; the debt of New Co. will therefore be established through intercompany borrowings. New Co.'s capital structure will be substantially the same as that used by this Commission in Arkla's last rate case.

8. The administrative functions that are now provided to Arkla and the other divisions of RERC by REI or RERC will continue to be provided on a centralized basis. The corporate allocations for those functions will not change as a result of the restructuring, and therefore the costs to Arkla of those administrative services will not increase.

LEGAL AUTHORITY

9. In order to consummate the restructuring, the Applicant is, or may be, required to obtain consents, approvals, and authorizations from the Commission pursuant to OAC Section 165:45-3-5.

10. The transfer of Arkla's property to New Co. is consistent with the public interest and should be approved under OAC Section 165:45-3-5. The proposed transaction will have no

detrimental effect on the Commission's jurisdiction over Arkla or on its ability to regulate Arkla's operations. The proposed transaction, which will result in Arkla being a stand alone company, will give the Commission a clearly defined corporate entity over which to exercise jurisdiction. In addition, the proposed transaction will have no effect on, and will be transparent to, Arkla's customers. The proposed transaction will not result in any material change in Arkla's policies or operations, and will have no adverse effect on Arkla's continued ability to provide reliable and adequate service. New Co. will be managed in the same manner after the restructuring as Arkla is now, and Arkla's employees will continue to be employed by New Co. New Co. will adopt Arkla's tariffs, and the transaction will not, in and of itself, result in an increase in rates to customers. New Co. will maintain its books in accordance with the Commission's requirements, and will provide access to its books and records as required under the public utilities statutes.

11. In accordance with OAC Section 165:45-3-5, a file-stamped copy of this Application will be provided to the Commission's Pipeline Safety Department.

12. Given that the restructuring will be transparent to consumers, Arkla requests that the Commission waive a hearing and grant this Application expedited treatment.

RELIEF SOUGHT

WHEREFORE, Applicant respectfully requests that the Commission issue an order approving the various aspects of the proposed transaction as set forth in this Application.

Respectfully submitted,

RELIANT ENERGY ARKLA,
a division of Reliant Energy Resources Corp.

By:

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and

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Oklahoma City, OK 73116
(405) 842-7545

Its Attorney

EXHIBIT D-14

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chairman
Edward A. Garvey	Commissioner
Phyllis Rhea	Commissioner
R. Marshall Johnson	Commissioner
LeRoy Koppendrayer	Commissioner

In the Matter of a Petition by Minnegasco, a Division of Reliant Energy Resources Corp., for Approval of Various Aspects of a Corporate Restructuring	MPUC Docket No. _____ ORIGINAL FILING

Pursuant to Minn. Stat. Section 216B.50 (1996) and related Minnesota Rules, Minnegasco, a Division of Reliant Energy Resources Corp., requests approval from the Minnesota Public Utilities Commission ("Commission") of various aspects of a corporate restructuring as described in the accompanying Petition. Minnegasco is a Minnesota natural gas public utility affected by the transactions.

In support of this Petition, the following information is provided, as required by Minn. R. 7829.1300 (3) (1995):

Name, address, and telephone number of the utility:	Minnegasco, a Division of Reliant Energy Resources Corp. 800 LaSalle Avenue, Floor 11 Minneapolis, Minnesota 55402 Telephone: (612) 321-4405
Name, address and telephone number of the utility's attorneys:	Brenda A. Bjorklund Minnegasco, a Division of Reliant Energy Resources Corp. 800 LaSalle Avenue, Floor 11 Minneapolis, Minnesota 55402 Telephone: (612) 321-4976 Facsimile: (612) 321-4699 Paul T. Ruxin Jones, Day, Reavis & Pogue 77 West Wacker Chicago, Illinois 60601-1692 Telephone: (312) 782-3939 Facsimile: (312) 782-8585

Date of filing and the date the proposed restructuring will be completed:	The date of the filing is November 13, 2001 and the Commission's Order approving the transactions is requested to allow the earliest possible completion of the restructuring.
Controlling statute for time in processing the filing:	There is no controlling statutory period. Minnegasco requests that the Commission promptly review and approve the Petition.
Correspondence, pleadings, and notices should be sent to the following people:	Brenda A. Bjorklund Minnegasco, a Division of Reliant Energy Resources Corp. 800 LaSalle Avenue, Floor 11 Minneapolis, Minnesota 55402 Telephone: (612) 321-4976 Facsimile: (612) 321-4699 Jeffrey A. Daugherty Minnegasco, a Division of Reliant Energy Resources Corp. 800 LaSalle Avenue, Floor 11 Minneapolis, Minnesota 55402 Telephone: (612) 321-5070 Facsimile: (612) 321-4699 Paul T. Ruxin Jones, Day, Reavis & Pogue 77 West Wacker Chicago, Illinois 60601-1692 Telephone: (312) 782-3939 Facsimile: (312) 782-8585
Signature and title of the utility employee responsible for the filing:	Phillip R. Hammond, Vice President, Supply Management, Regulatory Services and Government Relations. His signature is provided below.

All additional information required by the applicable Minnesota Rules is contained in the remainder of this Petition.

If any additional information is required, please contact Jeff Daugherty or Brenda Bjorklund at the addresses and telephone numbers listed above.

Dated: November 13, 2001 Respectfully submitted,

By

Phillip R. Hammond
Vice President, Supply Management,
Regulatory Services and Government Relations
Minnegasco, a Division of Reliant Energy
Resources Corp.
800 LaSalle Avenue, Floor 11
Minneapolis, Minnesota 55402
Telephone: (612) 321-4809

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chairman
Edward A. Garvey	Commissioner
Phyllis Rhea	Commissioner
R. Marshall Johnson	Commissioner
LeRoy Koppendrayer	Commissioner

In the Matter of a Petition by Minnegasco, a Division of Reliant Energy Resources Corp., for Approval of Various Aspects of a Corporate Restructuring	MPUC Docket No. _____ SUMMARY OF FILING

Pursuant to Minn. Stat. Section 216B.50 (1996) and related Minnesota Rules, Minnegasco, a Division of Reliant Energy Resources Corp. ("Minnegasco"), requests approval from the Commission of various aspects of a corporate restructuring. Minnegasco is a Minnesota natural gas public utility affected by the restructuring. As demonstrated in the Petition, the corporate restructuring meets the standards established in Minnesota law and rules and is consistent with the public interest. Interested parties wanting a copy of the Petition may obtain a copy by contacting Minnegasco.

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chairman
Edward A. Garvey	Commissioner
Phyllis Rhea	Commissioner
R. Marshall Johnson	Commissioner
LeRoy Koppendrayer	Commissioner

In the Matter of a Petition by Minnegasco, a Division of Reliant Energy Resources Corp., for Approval of Various Aspects of a Corporate Restructuring	MPUC Docket No. _____ PETITION FOR APPROVAL

I. INTRODUCTION AND SUMMARY

Pursuant to Minn. Stat. Section 216B.50 (1996) and related Minnesota Rules, Minnegasco, a Division of Reliant Energy Resources Corp. ("Minnegasco"), requests approval from the Commission of various aspects of a corporate restructuring as explained in this Petition. As demonstrated in this Petition, this restructuring fully meets the standards established by Minnesota law and rules.

The impetus for this corporate restructuring is the restructuring of the electric industry in Texas. The corporate restructuring is being undertaken in a manner that will permit the new holding company formed as part of the restructuring to be exempt under Section 3(a)(1) of the Public Utility Holding Company Act of 1935 (the "Act"). Section 3(a)(1) of the Act provides an exemption from registration if a holding company and every "material" public utility company subsidiary of that holding company is predominantly intrastate in character. After the completion of the restructuring, and the separation of the divisions of Reliant Energy Resources Corp. ("RERC") into three separate corporate entities, the Securities and Exchange Commission ("SEC") will be able to conclude that none of the three entities provides a "material" part of the

holding company's utility revenues and that the holding company does not derive a "material" part of its utility revenues from outside Texas.

As a result of the restructuring, RERC will contribute Minnegasco's assets and business to a new Delaware corporation, [new corporate name] Minnegasco ("New Co."), in exchange for stock that will be issued by New Co. to New Co.'s parent company. New Co. will then be a separate corporate entity that will operate as a natural gas public utility in Minnesota. Attached as Exhibit 1 are organizational charts showing the current structure of the holding company and the corporate structure that will exist after each of the two steps of the restructuring described below.

The proposed transaction will have no effect on the Commission's jurisdiction over Minnegasco or on its ability to regulate Minnegasco's operations. The proposed transaction, which will result in Minnegasco being a separate corporate entity, will give the Commission a clearly defined corporate entity over which to exercise jurisdiction.

The transaction will be transparent to Minnegasco's customers. The proposed transaction will not result in any material change in Minnegasco's policies or operations, and will have no adverse effect on Minnegasco's continued ability to provide safe and reliable natural gas service. New Co. will be managed in the same manner after the restructuring as Minnegasco is now, and Minnegasco's employees will continue to be employed by New Co. New Co. will adopt Minnegasco's tariffs, and the transaction will not result in an increase in rates to customers.

New Co. will comply with the commitments made by Minnegasco in Docket No. G-008/PA-96-950, the 1996 case in which the Commission approved the merger of NorAm into Houston Industries (now Reliant Energy, Incorporated). New Co. and the new holding company will provide access to their books and records as required under the public utilities statutes,

centralized services that are currently provided to Minnegasco by RERC and Reliant Energy, Incorporated ("REI") generally will continue to be provided in the same manner to New Co., and Minnegasco will continue its commitment not to seek recovery of either old merger or new restructuring transaction costs.

Minnegasco respectfully requests the following Commission action on the Petition:

- approval of the transfer of assets from RERC, of which Minnegasco is now a division, to New Co. pursuant to Minn. Stat. Section 216B.50 (1996) and related Minnesota Rules;

- approval of New Co.'s capital structure, to the extent required pursuant to Minn. R. 7825.1700 and .1800 (1995), and deferral of an examination of capital structure issues, if any, to the company's next rate proceeding; and

- such other relief as is deemed necessary and appropriate to accomplish the purpose of the corporate restructuring and to carry out the restructuring as described in this Petition.

In support of its Petition, Minnegasco represents the following:

II. THE LEGAL STANDARD FOR REVIEW

Minn. Stat. Section 216B.50 (1996) governs the Commission's review of this Petition. This statute provides, in relevant part:

> Upon the filing of an application for the approval and consent of the commission thereto the commission shall investigate, with or without public hearing, and in case of a public hearing, upon such notice as the commission may require, and if it shall find that the proposed action is consistent with the public interest it shall give its consent and approval by order in writing.

Thus, if the Commission finds that the transaction is "consistent with the public interest," it must approve the Petition.

The Commission has applied this standard in a number of cases, including Docket No. G-008/PA-90-604. In that case, the Commission found that the public interest standard "does not require an affirmative finding of public benefit, just a finding that the transaction is compatible

with the public interest." (Order Approving Merger and Adopting Amended Stipulation with Modifications, dated November 27, 1990, at 4.)

To test a proposed transaction's consistency with this standard, the Commission typically applies a "net-benefit" test. Under this test, the benefits of the transaction (if any) are compared to the negative aspects (if any). Provided there is no net harm after applying this test, the transaction meets the public interest standard.

In this Petition, the Parties demonstrate that the transactions fully comply with the requirements of Minn. Stat. Section 216B.50 (1996) and are consistent with the public interest. As previously stated, this restructuring is being undertaken (a) in order to meet the requirements of the Texas law regarding the restructuring of the electric industry, and (b) in a manner that will maintain the holding company as an exempt holding company under the Act. While the restructuring will not create any affirmative public benefits, neither will it cause any harm to the public. The restructuring will not affect any aspect of utility service or rates. Thus, the public interest standard is met, and Minnegasco will demonstrate that no additional actions are required to ensure compliance with the standard. For example, the Commission need not make any investigation of capital structure issues in this case, but rather, as it did in Docket No. G-008/PA-96-950, should defer its examination of those issues to the company's next rate case.

III. THE RESTRUCTURING

RERC is a wholly-owned subsidiary of REI. REI is a Texas holding company, exempt from registration under the Public Utility Holding Company Act of 1935 (the "Act") pursuant to Section 3(a)(2) of the Act, 15 USCA Section 79c(a)(2). REI currently provides electric generation, transmission, and distribution service to customers in Texas through its unincorporated Reliant Energy HL&P division. In connection with the Texas electric restructuring, REI is proposing a corporate restructuring, including the formation of a new, exempt holding company ("Regco")

over REI's existing electric and gas utility operations, and the reorganization of the utility operations along functional and geographic lines. As part of that reorganization, it is proposed that Minnegasco will become a separate corporation. Each of the other two divisions of RERC that operate as natural gas utilities in other states(1) will also become separate corporations. Regco will hold Minnegasco and the other two natural gas utilities through a single-shareholder limited liability company, Utility Holding, LLC.

As part of the first step of the restructuring, REI has formed Regco as a wholly-owned subsidiary. After conveying its Texas electric assets to a new wholly-owned limited partnership subsidiary, REI will merge with a newly formed subsidiary of Regco, and Regco will then be the holding company for the regulated businesses, including RERC. REI will then change its name to [Wires Co.] and will provide only electric transmission and distribution service as a regulated utility in Texas.

After obtaining the approvals necessary from this Commission, and from the other state commissions having jurisdiction over the other natural gas utility divisions of RERC, the second step of the restructuring -- the separation of the three divisions of RERC into separate entities -- will occur. Two new Delaware corporations, New Co. and [new corporate name] Arkla will be formed. Those two new companies will issue stock, all of which will be owned by Utility Holding, LLC, whose stock will, in turn, be owned by Regco. New Co.'s issuance of stock will not create a lien on, or otherwise encumber, any utility assets in Minnesota. The RERC assets that are currently used by Minnegasco and Arkla, and the businesses of each, will be contributed to New Co. and [new corporate name] Arkla, respectively. After the assets and business of Minnegasco and Arkla are contributed to the two newly organized companies, the assets

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(1) Arkla provides natural gas service in Arkansas, Louisiana, Oklahoma, and Texas; Entex provides natural gas service in Louisiana, Mississippi, and Texas.

remaining in RERC will be those of Entex. RERC will be renamed "Entex" and will be reincorporated as a Texas corporation.

The existing third-party debt will be retained by RERC in order to avoid refinancing costs; the debt of New Co. will therefore be established through intercompany borrowings and will be the same as currently exists for Minnegasco. New Co.'s actual capital structure ratios will be consistent with the capital structure used by this Commission in Minnegasco's last rate case.

Centralized services that are currently provided to Minnegasco by REI and RERC generally will continue to be provided in the same manner.

A copy of the Amended Form U-1 Application/Declaration filed by REI with the SEC on October 26, 2001, which describes the restructuring in detail, is attached as Exhibit 2(2).

IV. REASONS FOR THE TRANSACTION

The corporate restructuring will be undertaken to comply with the requirements of Texas law that electric utilities separate their generation, transmission and distribution, and retail activities in preparation for full retail competition in the electric industry in Texas beginning January 1, 2002. The corporate restructuring is being undertaken in a manner that will, after completion of the restructuring, permit Regco to be an exempt holding company under Section 3(a)(1) of the Act.

V. IMPACT ON MINNEGASCO AND ITS CUSTOMERS

The restructuring will not change the operations of Minnegasco or the provision of natural gas service to Minnesota customers. The employees, facilities, and policies of the utility

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(2) This restructuring is also described in the document Master Separation Agreement Between Reliant Energy, Incorporated and Reliant Resources, Inc., dated December 31, 2000.

will remain the same, and thus the customers will see no operational changes as a result of the restructuring.

The asset transfer itself will have no impact on the rates or other tariffs of Minnegasco on file with and approved by the Commission. New Co.'s actual capital structure will be consistent with the capital structure used in Minnegasco's last rate case, and the centralized services that are currently provided to Minnegasco by REI and RERC generally will continue to be provided in the same manner. The most significant aspect of the restructuring, from the Commission's point of view, should be that Minnegasco will be a separate corporate entity, giving the Commission a clearly defined corporate entity over which to exercise jurisdiction.

Because New Co. will acquire Minnegasco's assets, the information required by Minn. R. 7825.1400, to the extent it is currently available, is attached as Exhibit 3. In Docket No. G-008/PA-96-950, Minnegasco agreed that in its next rate proceeding it would provide testimony and supporting schedules or workpapers on capital structure and cost of capital issues, and New Co. will honor all of those commitments. Because this Petition seeks Commission approval of the transfer of Minnegasco's assets to a new entity that will simply continue to operate and provide service as Minnegasco now does, there is no need to examine capital structure in this proceeding. Minnegasco requests that the Commission again defer its examination of capital structure issues to the next rate case.

VI. APPLICATION OF THE LEGAL STANDARD

From the information provided in this Petition, the Commission can apply the legal standard to the asset transfer to determine its consistency with the public interest. As discussed above, the restructuring will have no detrimental effects on Minnegasco's customers. Consequently, the Commission should approve the asset transfer, finding that it fully meets the public interest standard of Minn. Stat. Section 216B.50 (1996).

VII. REQUESTED COMMISSION ACTION

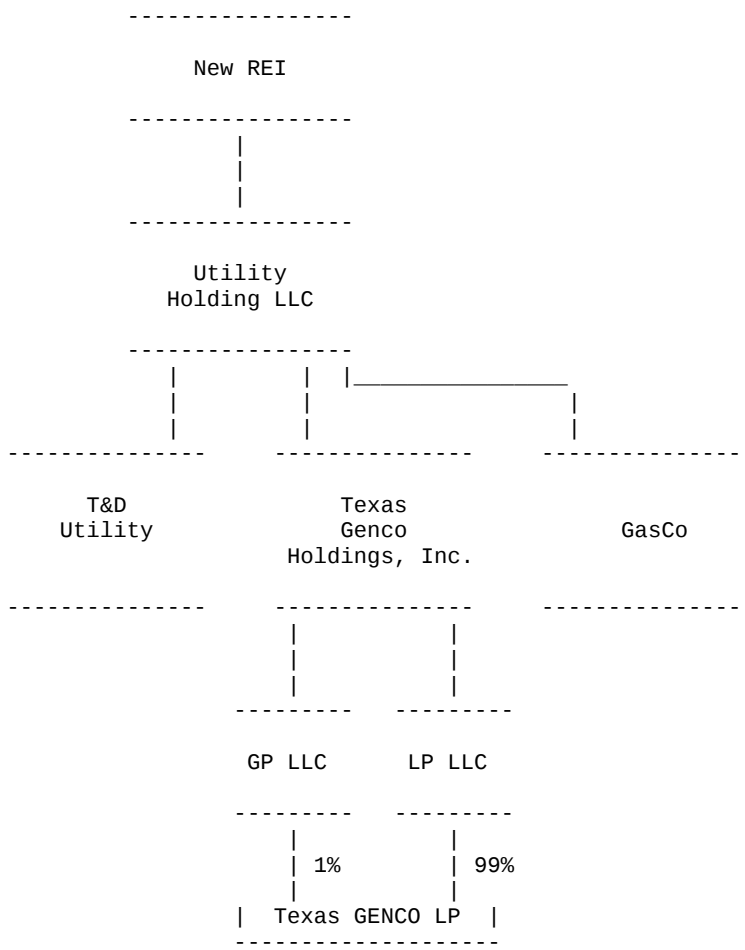
Based on all of the information provided in this Petition, the Commission should find that the transfer of assets is consistent with the public interest and should be approved. Because the restructuring will be transparent to customers, and will have no effect on the operations or policies of the utility, Minnegasco requests that the Commission promptly review and approve this Petition.

Respectfully submitted,

Phillip R. Hammond, Vice President,
Supply Management, Regulatory Services and
Government Relations
Minnegasco, a Division of Reliant Energy
Resources Corp.
800 LaSalle Avenue, Floor 11
Minneapolis, Minnesota 55402

EXHIBIT F-2

UPON COMPLETION OF ELECTRIC RESTRUCTURING



UPON COMPLETION OF GASCO SEPARATION

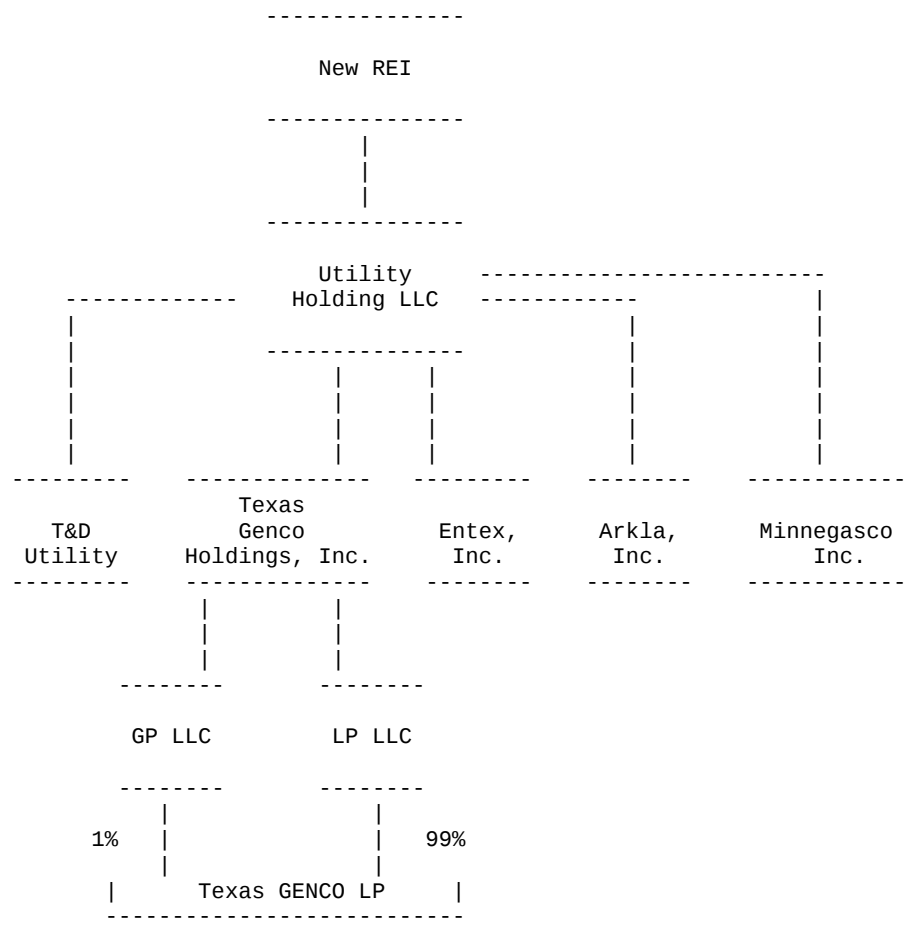


EXHIBIT F-2

In 2002, Texas GENCO, Inc. issues 20% of its stock in an initial public offering. Alternatively, Utility Holding LLC may distribute 20% of the Texas GENCO, Inc. stock to New REI, and New REI in turn may distribute 20% of the Texas GENCO, Inc. stock to New REI's shareholders.

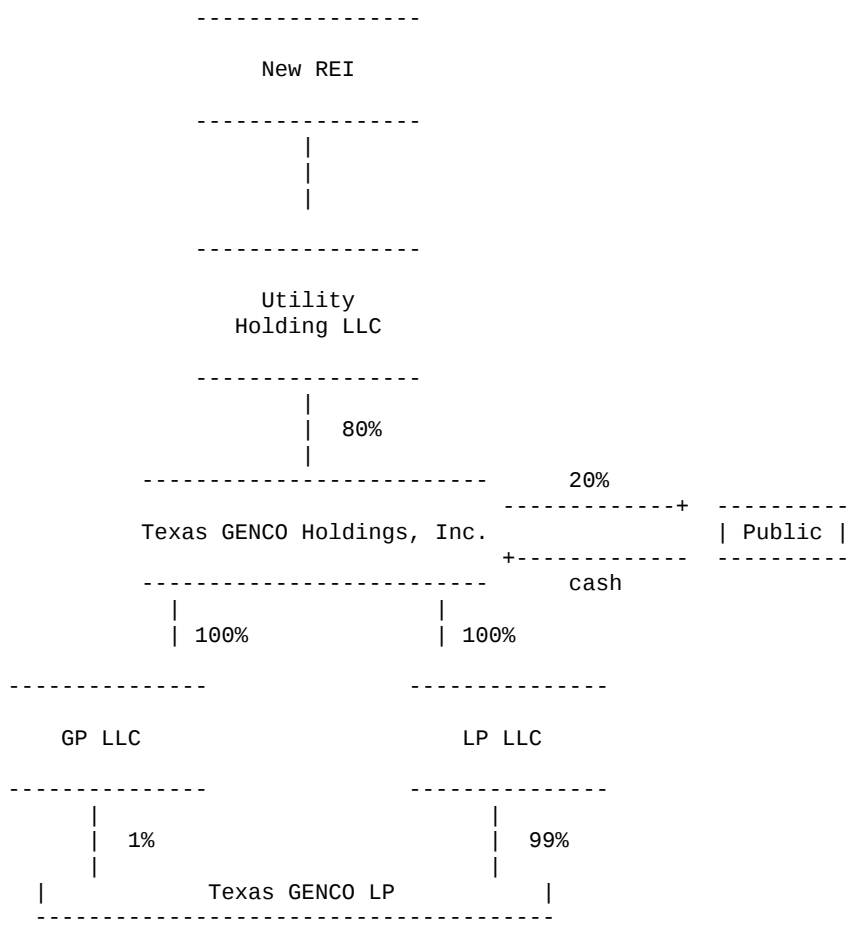


EXHIBIT G-6

[BAKER BOTTS L.L.P. LETTERHEAD]

November 15, 2001

MEMORANDUM

TO: Catherine A. Fisher

FROM: James R. Doty and Joanne C. Rutkowski

RE: Projections

Introduction

We have provided the Staff with three years of projected revenues from the Regco utility business. These projections are supported by a detailed set of assumptions. The Applicants' 5 year planning process is rigorous and supportable. REI's plans and budgets have been relied upon historically by regulators for setting rates in many jurisdictions, including Texas, Oklahoma, Arkansas and Louisiana. Forecasts and budgets for the traditional regulated distribution companies are generally more reliable than those for unregulated businesses, due to the known facts such as unit rates and historical system usage patterns and growth rates. While significant deviations may sometimes occur as a result of extreme weather, these are generally infrequent.

REI and GasCo have operated these businesses for over 100 years and thus have substantial experience in anticipating and forecasting the costs associated with the operation of these longstanding businesses. In addition, due to the regulated nature of these businesses, the cost of service, including operating costs associated with the plant assets, is heavily scrutinized and compared to the efficiencies of other like businesses.

The forecast process involves detailed budgeting of expenses around a rigorous plan for each business. The most volatile imputs, demand and usage, are constructed using various scenarios of customer demand and usage. Putting aside extremely unusual weather conditions, or some unknown change in regulation or legislation, the Applicants can predict with reasonable certainty their financial results.

While there are a number of assumptions that could cause actual results to differ, these projections represent management's best judgment based on a set of conservative assumptions as explained below.1

Assumptions Underlying Projections

GasCo Projections

The GasCo operations will be largely unaffected by the Electric Restructuring and the subsequent GasCo Separation. The local distribution companies ("LDCs") have operated for many years, and projections of their revenues are based on historical trends in business growth. The projections do not reflect abnormal years with unusual weather or significant gas pricing swings. Over the next few years, no significant change from cost-of-service ratemaking is expected in any of the jurisdictions in which the LDCs operate, nor are there other anticipated events that would modify past trends. The projections also reflect anticipated economic conditions in each of the service areas, which will influence not only the level of overall consumption but also the level of consumption per customer. Changes in those conditions can cause actual results to vary from the projections, as can unusual weather conditions. In particular, unusually hot or cold winters can result in dramatic year to year revenue changes.

Fuel cost projections have been based on estimates of gas costs expected for each of the LDC systems. These systems are located in different geographic areas, with differences in proximity to multiple gas sources and different storage and transportation arrangements. It follows that gas costs are not uniform among the systems, and estimates will vary between the systems as a result of these various considerations. Arkla and Entex, which are located along the Gulf Coast in close proximity to significant gas production and transportation facilities, enjoy the benefits of significant competition among suppliers. Minnegasco has fewer pipeline supply options and is farther away from production ing fields. Also, Minnegasco maintains relatively high-cost propane injection facilities to respond to the significant winter peaks that its very cold service territory can generate.

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(1) The Application identifies state or federal legislative and regulatory developments, including deregulation, re-regulation and restructuring of the electric utility industry and changes in or application of environmental and other laws and regulations to which Applicants are subject; industrial, commercial and residential growth in the service territories; weather variations and other natural phenomena; and political, legal and economic conditions and developments.

Finally, gas cost and revenue projections do not necessarily track one another from year to year due to the timing and cost differences that can be experienced over the winter heating season. Gas normally is purchased for injection into storage in advance of the heating season but consumed throughout the ensuing year so gas-cost recovery generally lags fuel procurement costs. Although the precise mechanisms for gas cost recovery vary somewhat from jurisdiction to jurisdiction, it is assumed that in all jurisdictions the LDCs will be allowed to recover changes in gas costs on a relatively current basis so that net revenues ultimately should not be affected by changes in gas prices.

Arkla:

Arkla revenues assume a customer growth rate of 2.5% per year in Arkansas and 1.5% in Louisiana. Customer growth is assumed to be flat in Oklahoma and Texarkana. The Arkla distribution system is mostly rural, with Little Rock (where the majority of the growth is) and Shreveport being the two major metropolitan areas. Arkla's customer base is heavily residential, with commercial and industrial customers most prevalent near the larger cities and towns.

Entex:

Assumptions regarding Entex are based on a growth rate exceeding 1.5% in Texas (and more than 2% in the Houston/Texas Gulf Coast area, which represents two-thirds of Entex's customer base). Customer growth is approximately 1% in Mississippi and is flat in Louisiana. The Entex territory includes several large metropolitan areas, including Houston, Beaumont, Tyler and Laredo, Texas; Biloxi, Mississippi and Lake Charles, Louisiana.

Minnegasco:

Revenue projections are based on a customer growth rate in excess of 2% in metropolitan Minneapolis.

Texas Genco and the T&D Utility Projections

REI has historically operated as a vertically-integrated electric utility company. Past revenues have been based primarily on retail sales to end use customers. REI has generated most of its power from its own resources, rather than buying from third parties. The wholesale power market that has existed to date is not representative of the market that will exist under deregulation.

On or about January 1, 2002, REI's existing electric utility operations will be separated into three businesses: generation, transmission and distribution, and retail sales, as required by Texas law. Under the plan approved by the Texas Commission, Unregco will be the successor to REI as the retail electric provider ("REP") to customers in the Houston metropolitan area when the Texas market opens to competition in January 2002.2 The T&D Utility will be a subsidiary of Regco, and will retain its existing transmission and distribution businesses, which will remain subject to traditional utility rate regulation. Regco will also hold REI's Texas generation assets in Texas Genco LP ("Texas Genco"), a newly-formed indirect subsidiary. Both the T&D Utility and Texas Genco will be "electric utility companies" within the meaning of the Act; the REPs will not.

The T&D Utility

The T&D Utility will continue to be subject to cost-of-service rate regulation. By order dated October 4, 2001, the Texas Commission established rates for the restructured transmission and distribution business. Revenue projections for that business are based on those rates and assume a 2% annual customer growth and 3% annual load growth, based on past experience at REI. REI serves a compact service territory with large commercial and industrial loads, in addition to the residential load of a major metropolitan area. While the T&D Utility will not be responsible for the sale of power to these customers, virtually all of the power purchased by these customers -- regardless of source -- will be transported over the T&D Utility's transmission and distribution facilities and hence will produce revenues for the T&D Utility. Thus we anticipate that projections for the TDU business are reasonably accurate, based on stable rates and stable customer growth and assuming average weather.

Texas Genco

To facilitate a competitive market, each power generator, such as Texas Genco, that is affiliated with a transmission and distribution utility will be required to sell at auction 15% of the output of its installed generating capacity. The obligation continues until January 1, 2007, unless before that date the Texas Commission determines that at least 40% of the quantity of

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(2) Unregco will provide these services through one or more subsidiary REPs. The REPs will be power marketers. They will not be 1935 Act-jurisdictional electric utility companies because they do not own or operate physical facilities that are used for the generation, transmission or distribution of electric energy for sale. See Enron Power Marketing, SEC No-Action Letter (Jan. 5, 1994). See also Holding Co. Act Rule 58(b)(1)(v) (exempting investments in certain non-utility companies, including companies that derive substantially all of their revenues from the brokering and marketing of energy commodities).

electric power consumed in 2000 by residential and small commercial customers in the utility's service area is being served by REPs not affiliated with the incumbent utility.

The price of electricity is not regulated and so may be subject to change depending on, among other things, the supply of generating capacity available within Texas and the recent volatility in natural gas prices. Prices received in the initial auctions have been lower than originally anticipated. Those prices are reflected in the Texas Genco projections. Power price projections beyond the initial bid prices are based on the forward price curves for natural gas that REI uses for its internal planning purposes. The cost of Natural Gas and Fuel Purchased is based on a detailed model of the costs associated with the level of energy needed for the revenue forecast. Net revenues will not be materially impacted by our assumptions related to future gas costs.

The Texas Act provides a mechanism that nominally ensures a cost-based type of rate of return for Regco until 2004. Briefly stated, Section 39.251(a) of the Texas Act establishes the right of a Texas utility to recover "all of its net, verifiable, nonmitigatable stranded costs incurred in purchasing power and providing electric generation service." The Texas Act contemplates that Regco will use certain statutory tools to mitigated "excess costs over market" ("ECOM") until 2004 when the Texas Genco and the T&D Utility will jointly file to finalize their "stranded costs."

Prior to 2004, Section 39.262 authorizes an affiliated power generation company such as Texas Genco to "reconcile, and either credit or bill" the T&D Utility for "any difference between the price of power obtained through the capacity auctions . . . and the power cost projections that were employed for the same time period in the ECOM model to estimate stranded costs."

To paraphrase, during this interim period, there will be accounting entries to compensate Regco for any difference between the regulated return predicted by the Texas Commission's ECOM model and actual market prices. Low market prices, as determined through the Texas Commission-mandated auctions, will result in higher allowances for the T&D Utility under this accounting approach. Conversely, higher market prices for power will reduce the amount of this accounting entry at the T&D Utility. The result for the period from 2002 to 2004 will be a regulated-type return on the Texas Genco and T&D Utility assets, even though market prices may be low. The difference between actual revenues and the amounts determined pursuant to the ECOM model will be recoverable by the T&D Utility in the stranded cost recovery process in 2004. It is anticipated that these costs will be recaptured pursuant to a securitization order of the Texas Commission.

Use of Projections

Both Congress and the Commission have recognized the importance of forward-looking information in today's markets.(3) Particularly with respect to matters arising under the Act, the Commission has historically relied upon reasonable, good-faith projections as the basis for its findings under certain provisions:

- Section 7(d)(2) requires the Commission to consider whether a security is "reasonably adapted to the earning power of the declarant"(4)

- Section 10(c)(2) requires a showing of "economies and efficiencies" as the result of an acquisition(5)

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(3) The Private Securities Litigation Reform Act of 1995 created a statutory safe harbor for certain forward-looking statements. Pub. L. No. 104-67, 109 Stat. 737. See Section 27A of the Securities Act of 1933. The legislation codified and expanded the Commission's long-standing administrative practice. See, e.g., SAR No. 6084 (June 25, 1979) (adopting Rule 175 under the Securities Act to provide a safe harbor for certain forward-looking statements made with a "reasonable basis" and in "good faith"). Most recently, Chairman Pitt has noted that it is often necessary to move beyond traditional cost-based accounting to provide meaningful information for investors. See Remarks Before the AICPA Governing Council, Miami Beach, Florida (October 22, 2001).

The disclosure of the underlying assumptions in this matter, and the conservative nature of those assumptions, establish that these are not the type of "smoke and mirrors" pro forma statements criticized recently by Commissioner Hunt. See Accountants as Gatekeepers - Adding Security and Value to the Financial Reporting System, Arlington, Virginia (Oct. 26, 2001). Further, Applicants will report, on an annual basis, the revenues of Regco and each of its utility subsidiary companies.

(4) See, e.g., Utah Power & Light Company, Holding Co. Act Release No. 4716 (Nov. 30, 1943) ("In considering the issues raised by Section 7(d)(2), it should be noted that, before Federal income taxes, it can be expected that gross income, during the immediate five post-war years as assumed by the company will average 2.35 times bond interest requirement and 1.91 times total debt interest requirements.") (emphasis added).

(5) In American Electric Power Company, Holding Co. Act Release No. 20633 (July 21, 1978), the Commission discussed the use of projections:

- Section 11(b)(1)(A) requires a threshold showing of a loss of "substantial economies" by a registered holding company seeking to retain an additional integrated public-utility system.

The Commission has also relied on projections in other contexts, including exemption under Section 3(a) of the Act, in which it was impossible or impractical to use historic figures. Thus, for example, in cases involving a start-up or newly-privatized utility for which there was no "track record" of revenues, the Commission has relied on projections.6

The question is not the propriety of relying on assumptions but rather whether there is a good-faith basis for those projections.7 For the reasons set forth above, although the Applicants cannot predict with mathematical certitude the actual results, they have attempted to forecast with reasonable accuracy these financial results.8

Conclusion

As explained more fully in the Application, the Electric Restructuring will fundamentally alter the way in which electric utility operations are conducted in that state. Because of these changes, which are required by Texas law, it is necessary to rely on projections, as well as historical financial statements, in assessing the ability of Regco to comply with the standards of Section 3(a)(1). For the reasons set forth above, we believe it is appropriate for the Commission to rely on Applicants' assumptions in this matter. If you have any questions, please call Jim at (202) 639-7792 or Joanne at (202) 639-7785.

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Traditionally, the required determination regarding a tendency toward efficiency and economy has been approached by attempting both to indentify the opportunities for savings

(6) See, e.g., MCN Corporation, Memorandum Opinion and Order, Holding Co. Act Release No. 26576 (Sept. 17, 1996)

(7) See, e.g., Southwestern Gas and Electric Company, Holding Co. Act Release No. 1931 (Feb. 13, 1940) (Commissioner Frank, concurring) (citing reliance on "reasonably foreseeable earnings" while noting that "foreseeable reductions in the rate base must be taken into account, since such reductions may reduce future earnings").

(8) See Electric Power & Light Corporation, Holding Co. Act Release No. 8889 (March 2, 1949) ("At best, in appraising the earnings to be expected a "prediction as to what will occur in the future, an estimate, as distinguished from mathematical certitude, is all that can be made."), quoting Consolidated Rock Products Co. v. Du Bois, 312 U.S. 510, 526 (1941).

CENTERPOINT ENERGY
CAPITALIZATION
(MILLIONS)

	REI RERC 12/31/01		CENTERPOINT ENERGY GASCO TDU TEXAS GENCO 12/31/02						ARKLA ENTEX MINNEGASCO 12/31/02			
	$	%	$	%	$	%	$	%	$	%	$	%
Debt	8,581	48.1%	2,424	54.1%	9,090	73.0%	2,327	50.9%	1,920	38.3%	271	8.8%
Securitization Debt	747	4.2%	--	0.0%	Trust Preferred	715	4.0%	--	0.0%	Common Equity	7,793	43.7%
2,059	45.9%	-	-	-	-	-	-	-	-	-	-	-
Total Capitalization	17,836		4,483									
Securitization Debt	732	5.9%	--	0.0%	732	14.6%	--	0.0%	Minority Interest (2)	0.0%	--	0.0%
--	0.0%	--	0.0%	Trust Preferred	710	5.7%	--	0.0%	--	0.0%	Common Equity	1,920
15.4%	2,246	49.1%	2,365	47.1%	2,829	91.2%	-	-	-	-	-	-
Total Capitalization	12,450		4,573		5,016		3,101					
Debt	434											

50.0% 648
50.0% 502
50.0% Common
Equity 434
50.0% 648
50.0% 502
50.0% ------
------ -----
Total
Capitalization
867 1,296
1,004 ======
====== =====