UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to _______________

Commission file number 1-3187

RELIANT ENERGY, INCORPORATED
(Exact name of registrant as specified in its charter)

Texas	74-0694415
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1111 Louisiana Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(713) 207-3000
(Registrant's telephone number, including area code)

Commission file number 1-13265

RELIANT ENERGY RESOURCES CORP.
(Exact name of registrant as specified in its charter)

Delaware	76-0511406
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1111 Louisiana Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(713) 207-3000
(Registrant's telephone number, including area code)

RELIANT ENERGY RESOURCES CORP. MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM 10-Q WITH THE REDUCED DISCLOSURE FORMAT.

Indicate by check mark whether the registrants: (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes X No

As of November 3, 2000, Reliant Energy, Incorporated had 294,749,996 shares of common stock outstanding, including 8,748,889 ESOP shares not deemed outstanding for financial statement purposes and excluding 4,811,193 shares held as treasury stock. As of November 3, 2000, all 1,000 shares of Reliant Energy Resources Corp. common stock were held by Reliant Energy, Incorporated.

THIS COMBINED QUARTERLY REPORT ON FORM 10-Q IS SEPARATELY FILED BY RELIANT ENERGY, INCORPORATED (RELIANT ENERGY) AND RELIANT ENERGY RESOURCES CORP. (RERC). INFORMATION CONTAINED HEREIN RELATING TO RERC IS FILED BY RELIANT ENERGY AND SEPARATELY BY RERC ON ITS OWN BEHALF. RERC MAKES NO REPRESENTATION AS TO INFORMATION RELATING TO RELIANT ENERGY (EXCEPT AS IT MAY RELATE TO RERC AND ITS SUBSIDIARIES) OR ANY OTHER AFFILIATE OR SUBSIDIARY OF RELIANT ENERGY.

RELIANT ENERGY, INCORPORATED
AND RELIANT ENERGY RESOURCES CORP.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2000

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PART I. FINANCIAL INFORMATION

RELIANT ENERGY, INCORPORATED AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED OPERATIONS
(THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
REVENUES	$ 9,522,727	$ 4,947,192	$ 19,521,316	$ 11,247,924
EXPENSES:				
Fuel and cost of gas sold	3,901,470	1,564,652	9,176,654	4,634,247
Purchased power	3,808,783	2,062,679	6,001,305	3,315,667
Operation and maintenance	595,423	454,587	1,641,063	1,278,798
Taxes other than income taxes	144,898	113,643	372,124	340,800
Depreciation and amortization	295,174	257,343	712,644	705,337
Total	8,745,748	4,452,904	17,903,790	10,274,849
OPERATING INCOME	776,979	494,288	1,617,526	973,075
OTHER INCOME (EXPENSE):				
Unrealized gain on Time Warner investment	40,000	1,816,105	242,928	1,816,105
Unrealized (loss) gain on indexed debt securities	(40,000)	406,717	(242,870)	6,778
Other, net	37,762	12,667	87,334	38,695
Total	37,762	2,235,489	87,392	1,861,578
INTEREST AND OTHER CHARGES:				
Interest	186,289	116,176	536,780	368,759
Distribution on trust preferred securities	13,754	14,652	40,458	38,433
Total	200,043	130,828	577,238	407,192
INCOME BEFORE INCOME TAXES, EXTRAORDINARY ITEM AND PREFERRED DIVIDENDS	614,698	2,598,949	1,127,680	2,427,461
Income Tax Expense	225,635	908,862	388,978	872,304
INCOME BEFORE EXTRAORDINARY ITEM AND PREFERRED DIVIDENDS	389,063	1,690,087	738,702	1,555,157
Extraordinary Item, net of tax	--	--	7,445	--
INCOME BEFORE PREFERRED DIVIDENDS	389,063	1,690,087	746,147	1,555,157
Preferred Dividends	97	97	292	292
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 388,966	$ 1,689,990	$ 745,855	$ 1,554,865
BASIC EARNINGS PER SHARE	$ 1.36	$ 5.92	$ 2.62	$ 5.45
DILUTED EARNINGS PER SHARE	$ 1.34	$ 5.90	$ 2.60	$ 5.43

See Notes to the Company's Interim Financial Statements

RELIANT ENERGY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS)
(UNAUDITED)

ASSETS

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 246,186	$ 89,078
Investment in Time Warner common stock	1,344,721	3,979,461
Accounts receivable, net	1,742,306	1,104,640
Accrued unbilled revenues	217,632	172,629
Fuel stock and petroleum products	254,705	152,292
Materials and supplies, at average cost	262,604	188,167
Price risk management assets	1,917,680	722,429
Prepayments and other current assets	270,026	131,666
Total current assets	6,255,860	6,540,362
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment	21,953,430	20,126,330
Less accumulated depreciation and amortization	7,129,042	6,866,325
Property, plant and equipment, net	14,824,388	13,260,005
OTHER ASSETS:		
Goodwill and other intangibles, net	3,126,894	3,041,751
Equity investments and advances to unconsolidated subsidiaries	1,025,526	1,022,210
Regulatory assets	1,928,817	1,739,507
Price risk management assets	615,883	173,590
Other	861,707	755,472
Total other assets	7,558,827	6,732,530
Total Assets	$28,639,075	$26,532,897

See Notes to the Company's Interim Financial Statements

RELIANT ENERGY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - (CONTINUED)
(THOUSANDS OF DOLLARS)
(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
CURRENT LIABILITIES:		
Short-term borrowings	$ 5,176,092	$ 2,879,211
Current portion of long-term debt	1,567,903	4,382,136
Accounts payable	1,647,083	1,036,839
Taxes accrued	508,696	227,058
Interest accrued	133,001	116,274
Dividends declared	110,676	110,811
Price risk management liabilities	1,880,983	718,228
Accumulated deferred income taxes	331,480	415,591
Business purchase obligation	--	431,570
Other	603,384	360,109
Total current liabilities	11,959,298	10,677,827
DEFERRED CREDITS AND OTHER LIABILITIES:		
Accumulated deferred income taxes	2,246,731	2,451,619
Unamortized investment tax credits	270,319	270,243
Price risk management liabilities	592,658	142,305
Benefit obligations	376,422	400,849
Business purchase obligation	--	596,303
Other	1,260,731	1,020,837
Total deferred credits and other liabilities	4,746,861	4,882,156
LONG-TERM DEBT	5,461,073	4,961,310
COMMITMENTS AND CONTINGENCIES (NOTES 1 AND 11)		
COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY	705,244	705,272
STOCKHOLDERS' EQUITY:		
Cumulative preferred stock	9,740	9,740
Common stock	3,236,609	3,182,751
Treasury stock	(120,856)	(93,296)
Unearned ESOP stock	(165,617)	(199,226)
Retained earnings	2,926,569	2,500,181
Accumulated other comprehensive loss	(119,846)	(93,818)
Total stockholders' equity	5,766,599	5,306,332
Total Liabilities and Stockholders' Equity	$ 28,639,075	$ 26,532,897

See Notes to the Company's Interim Financial Statements

RELIANT ENERGY, INCORPORATED AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CASH FLOWS
(THOUSANDS OF DOLLARS)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income attributable to common stockholders	$ 745,855	$ 1,554,865
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	712,644	705,337
Deferred income taxes	(131,680)	606,786
Investment tax credits	(13,748)	(54,552)
Unrealized gain on Time Warner investment	(242,928)	(1,816,105)
Unrealized loss (gain) on indexed debt securities	242,870	(6,778)
Undistributed net loss of unconsolidated subsidiaries	876	65,401
Impairment of marketable equity securities	26,504	--
Extraordinary item	(7,445)	--
Changes in other assets and liabilities:		
Accounts receivable, net	(654,643)	(91,348)
Inventories	(101,734)	(12,026)
Accounts payable	602,186	91,442
Federal tax refund	52,817	--
Fuel cost under-recovery	(506,439)	(95,453)
Restricted deposits	(109,032)	(73,371)
Accrued interest and taxes	299,866	(44,821)
Other current assets	(115,590)	(589)
Other current liabilities	229,218	122,936
Other, net	(77,908)	174,665
Net cash provided by operating activities	951,689	1,126,389
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,244,091)	(708,542)
Proceeds from sale-leaseback transactions	1,000,000	--
Investment in Time Warner securities	--	(537,055)
Business acquisitions	(3,101,456)	--
Investments and advances to unconsolidated subsidiaries	(64,708)	(97,080)
Proceeds from sale of debt securities	123,428	--
Proceeds from foreign currency exchange contract, net	99,251	--
Other, net	9,712	35,422
Net cash used in investing activities	(3,177,864)	(1,307,255)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of indexed debt securities	--	980,000
Proceeds from sale of trust preferred securities, net	--	362,994
Proceeds from long-term debt, net	467,285	284,102
Increase (decrease) in short-term borrowing, net	2,870,646	(153,835)
Restricted deposit for bond redemption	--	(70,315)
Payments of long-term debt	(659,033)	(407,678)
Payment of common stock dividends	(319,467)	(320,461)
Purchase of treasury stock	(27,561)	(38,757)
Other, net	41,732	5,021
Net cash provided by financing activities	2,373,602	641,071
EFFECT OF EXCHANGE RATE CHANGES ON CASH	9,681	--
NET INCREASE IN CASH AND CASH EQUIVALENTS	157,108	460,205
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	89,078	29,673
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 246,186	$ 489,878
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Payments:		
Interest (net of amounts capitalized)	$ 560,922	$ 364,664
Income taxes	266,841	277,725

See Notes to the Company's Interim Financial Statements

RELIANT ENERGY, INCORPORATED AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

Included in this combined Quarterly Report on Form 10-Q (Form 10-Q) for Reliant Energy, Incorporated (Reliant Energy), together with its subsidiaries (the Company), and for Reliant Energy Resources Corp. (RERC) and its subsidiaries (collectively, RER) are Reliant Energy's and RERC's consolidated interim financial statements and notes (Interim Financial Statements) including these companies' wholly owned and majority owned subsidiaries. The Interim Financial Statements are unaudited, omit certain financial statement disclosures and should be read with the combined Annual Report on Form 10-K of Reliant Energy (Reliant Energy Form 10-K) and RERC (RERC Form 10-K) for the year ended December 31, 1999 and the combined First Quarter Report and combined Second Quarter Report on Form 10-Q of Reliant Energy (Reliant Energy First and Second Quarter 10-Q, respectively) and RERC (RERC First and Second Quarter 10-Q, respectively) for the quarters ended March 31, 2000 and June 30, 2000, respectively.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company's Interim Financial Statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods. Amounts reported in the Company's Statements of Consolidated Operations are not necessarily indicative of amounts expected for a full year period due to the effects of, among other things, (a) seasonal variations in energy consumption, (b) timing of maintenance and other expenditures and (c) acquisitions and dispositions of businesses, assets and other interests. In addition, certain amounts from the prior year have been reclassified to conform to the Company's presentation of financial statements in the current year. These reclassifications do not affect the earnings of the Company.

The following notes to the consolidated financial statements in the Reliant Energy Form 10-K relate to certain contingencies. These notes, as updated herein, are incorporated herein by reference:

Notes to Consolidated Financial Statements of Reliant Energy (Reliant Energy 10-K Notes): Note 1(d) (Regulatory Assets), Note 1(m) (Foreign Currency Adjustments), Note 2 (Business Acquisitions), Note 3 (Texas Electric Choice Plan and Discontinuance of SFAS No. 71 for Electric Generation Operations), Note 4 (Transition Plan), Note 5 (Derivative Financial Instruments), Note 6 (Jointly Owned Electric Utility Plant), Note 7 (Equity Investments and Advances to Unconsolidated Subsidiaries), Note 8 (Indexed Debt Securities (ACES and ZENS) and Time Warner Securities) and Note 14 (Commitments and Contingencies).

For information regarding certain legal, tax and regulatory proceedings and environmental matters, see Note 11.

The Company recognizes repair and maintenance costs incurred in connection with planned major maintenance, such as turbine and generator overhauls, control system upgrades and air-conditioner replacements, under the "accrual in advance" method for its non-rate regulated power generation operations. Planned major maintenance cycles primarily range from two to ten years. Under the accrual in advance method, the Company estimates the costs of planned major maintenance and accrues the related expense over the maintenance cycle. As of September 30, 2000 and December 31, 1999, the Company's maintenance reserve included in current and long-term other liabilities in its Consolidated Balance Sheets was $141 million and $84 million, respectively.

(2) BUSINESS SEPARATION

On August 9, 2000, Reliant Energy filed an amended business separation plan with the Public Utility Commission of Texas (PUC) under which it would divide into two publicly traded companies in order to separate its

unregulated businesses from its regulated businesses. For additional information regarding Reliant Energy's amended business separation plan, see the Reliant Energy and RERC combined current report on Form 8-K dated July 27, 2000, which information is incorporated herein by reference. The amended business separation plan that was actually filed follows the proposed plan described in the Form 8-K except that the provision for the cash payment that the unregulated company was to receive from the regulated company in 2004 was deleted from the plan. The amended business separation plan is subject to PUC approval. The Company anticipates receiving a PUC approval during December 2000.

On October 17, 2000, a wholly owned subsidiary of the Company, Reliant Resources, Inc. (RRI), filed a registration statement on Form S-1 with the Securities and Exchange Commission for the initial public offering of approximately 20% of the common stock of RRI.

(3) TEXAS ELECTRIC CHOICE PLAN AND DISCONTINUANCE OF SFAS NO. 71 FOR ELECTRIC GENERATION OPERATIONS

In June 1999, the Texas legislature adopted the Texas Electric Choice Plan (Legislation). The Legislation substantially amends the regulatory structure governing electric utilities in Texas in order to allow retail competition. In June 2001, retail competition pilot projects for 5% of each utility's combined load of all customer classes will begin under the Legislation. Retail competition for all other customers will begin on January 1, 2002. In preparation for that competition, the Company expects to make significant changes in the electric utility operations conducted through Reliant Energy HL&P, an unincorporated division of Reliant Energy. By January 1, 2002, electric utilities in Texas such as Reliant Energy HL&P will restructure their businesses in order to separate power generation, transmission and distribution (T&D), and retail activities into different units. Pursuant to the Legislation, on August 9, 2000, the Company submitted an amended business separation plan with the PUC to accomplish the required separation of its regulated operations into separate units. See Note 2 for further information regarding the filing of the amended business separation plan. In addition, the Legislation requires the PUC to issue a number of new rules and determinations in implementing the Legislation. For additional information on the Legislation, see Note 3 of the Reliant Energy 10-K Notes.

Historically, Reliant Energy HL&P has applied the accounting policies established in Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71) to its electric generation and T&D operations. The Company believes that the Legislation provides sufficient detail regarding the deregulation of the Company's electric generation operations to require it to discontinue the use of SFAS No. 71 for those operations. Effective June 30, 1999, the Company discontinued SFAS No. 71 for its electric generation operations. For additional information on the effect on the Company's consolidated financial statements due to the discontinuance of SFAS No. 71 for electric generation operations, see Notes 1(d), 1(g) and 3 of the Reliant Energy 10-K Notes.

The T&D business of Reliant Energy HL&P will continue to be subject to cost-of-service rate regulation and will be responsible for the delivery of electricity to retail customers. Pursuant to the Legislation, on March 31, 2000, Reliant Energy HL&P filed proposed tariffs with the PUC, which are to be effective on January 1, 2002 for its T&D operations. The final phase of the Company's T&D rate case is scheduled to be heard beginning January 2001 and a final appealable order is not expected until the third quarter of 2001.

(4) ACQUISITIONS AND DIVESTITURES

On August 8, 2000, Reliant Energy International, Inc. (Reliant Energy International) and Reliant Energy Salvador Holding Company Ltd. (Salvador Holding) entered into an agreement with a third party to sell its interests in Salvador Holding. For further information, see Note 13.

On May 12, 2000, a subsidiary of the Company purchased entities owning electric power generating assets and development sites located in Pennsylvania, New Jersey and Maryland having an aggregate net generating capacity of approximately 4,262 megawatts (MW). With the exception of development entities that were sold to another subsidiary of the Company in July 2000, the assets of the entities acquired are held by Reliant Energy Mid-Atlantic Power Holdings, LLC or its subsidiaries (collectively, REMA), which are all indirect subsidiaries of Reliant Energy. The purchase price for the May 2000 transaction was approximately $2.1 billion. The Company accounted for the acquisition as a purchase with assets and liabilities of REMA reflected at their estimated fair values. On a preliminary basis, the Company's fair value adjustments related to the acquisition primarily included adjustments in property, plant and equipment, air emissions regulatory allowances, materials and supplies inventory, major maintenance reserves, environmental reserves and related deferred taxes. The air emissions regulatory allowances

of $150 million are being amortized on a units-of-production basis as utilized. The excess of the purchase price over the fair value of net assets acquired of approximately $58 million was recorded as goodwill and is being amortized over 35 years. The Company expects to finalize these fair value adjustments no later than May 2001, based on valuation reports for property, plant and equipment and intangible assets and analysis of contingent liabilities that will be finalized by May 2001. Funds for the acquisition were made available through issuances of commercial paper supported by two bank facilities, one in the amount of $1.0 billion and another in the amount of $1.15 billion.

In August 2000, the Company sold to and leased back from each of three owner lessors in separate lease transactions the Company's respective interests in three REMA generation stations acquired in connection with the REMA acquisition. As lessee, the Company leases an interest in each of these facilities from each owner lessor under a facility lease agreement. The equity interests in all the subsidiaries of REMA are pledged as collateral for REMA's lease obligations. In addition, the subsidiaries have guaranteed the lease obligations. The lease documents contain some restrictive covenants that restrict REMA's ability to, among other things, make dividend distributions unless REMA satisfies certain conditions. The covenant restricting dividends would be suspended if the direct or indirect parent of REMA, meeting certain criteria, guarantees the lease obligations. As consideration for the sale of the Company's interest in the facilities, the Company received $1.0 billion in cash. The Company used the $1.0 billion of sale proceeds to repay commercial paper supported by the $1.0 billion bank facility discussed above. The following table sets forth the Company's payment obligation under these long-term operating leases (in millions):

November 1, 2000 to December 31, 2000..	$ 1
2001	259
2002	137
2003	77
2004	84
2005 and beyond	1,262
	$1,820

The Company's results of operations include the results of REMA only for the period beginning May 12, 2000. The following table presents certain pro forma information for the third quarter and first nine months of 2000, as if the acquisition had occurred on January 1, 2000. Pro forma information has not been presented for REMA for the third quarter and first nine months of 1999 due to the fact that the acquired assets and related operations did not constitute a business prior to November 24, 1999. Prior to November 24, 1999, the acquired entities' operations were fully integrated with, and their results of operations were consolidated into, the regulated electric utility operations of the former owner of the facilities. In addition, prior to November 24, 1999, the electric output of the facilities was sold based on rates set by regulatory authorities and those rates are not indicative of REMA's future results. Pro forma amounts also give effect to the sale-leaseback transactions described above.

PRO FORMA COMBINED RESULTS OF OPERATIONS

	SEPTEMBER 30, 2000	
	THREE MONTHS ENDED	NINE MONTHS ENDED
	(IN MILLIONS, EXCEPT PER SHARE DATA)	
Revenues	$ 9,523	$ 19,688
Net income before extraordinary item	391	716
Net income attributable to common stockholders	391	723
Basic earnings before extraordinary item per share ...	1.37	2.52
Diluted earnings before extraordinary item per share..	1.35	2.49
Basic earnings per share	1.37	2.55
Diluted earnings per share	1.35	2.52

These pro forma results, based on assumptions deemed appropriate by the Company's management, have been prepared for informational purposes only and are not necessarily indicative of the amounts that would have resulted had the acquisition of the REMA entities occurred on January 1, 2000. Purchase-related adjustments to the results of operations include the effects on depreciation, amortization, interest expense and income taxes.

On March 1, 2000, the Company funded the remaining N. V. UNA (UNA) purchase obligation for $982 million. At December 31, 1999, the Company recorded the business purchase obligation in the Company's

Combined Balance Sheet based on the December 31, 1999 exchange rate of 2.19 Dutch guilders (NLG) per U.S. dollar. The Company accounted for the acquisition of UNA as a purchase with assets and liabilities reflected at their estimated fair values. The excess of the purchase price over the fair value of net assets acquired of approximately $835 million was recorded as goodwill and will be amortized over 30 years. The Company's fair value adjustments related to the acquisition of UNA primarily included increases in property, plant and equipment, long-term debt, major maintenance reserves, plant dismantling reserves and related deferred taxes. The Company finalized these fair value adjustments during September 2000. There were no material adjustments made to the purchase allocation subsequent to December 31, 1999. Purchase related adjustments to results of operations include amortization of goodwill, interest expense and the effects on depreciation and amortization of the assessed fair value of some of UNA's net assets and liabilities. The Company finalized a severance plan in connection with the UNA acquisition in September 2000, the commitment date and, in accordance with Emerging Issues Task Force Issue 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination," recorded this liability of $24 million in the September 2000 financial statements. For additional information regarding the acquisition of UNA, see Note 2 of the Reliant Energy 10-K Notes. The Company's results of operations incorporate UNA's results of operations only from October 1, 1999.

(5) DEPRECIATION AND AMORTIZATION

The Company's depreciation expense for the third quarter and first nine months of 2000 was $106 million and $297 million, respectively, compared to $92 million and $458 million for the same periods in 1999. Goodwill amortization related to acquisitions was $41 million and $85 million for the third quarter and first nine months of 2000, respectively, compared to $14 million and $42 million for the same periods in 1999. Other amortization expense, including amortization of regulatory assets, was $148 million and $331 million for the third quarter and first nine months of 2000, respectively, compared to $151 million and $205 million for the same periods in 1999.

In June 1998, the PUC issued an order approving a transition to competition plan (Transition Plan) filed by Reliant Energy HL&P in December 1997. Pursuant to the Transition Plan, the Company recorded $89 million of additional depreciation for the first six months of 1999 and redirected $102 million of T&D depreciation to generation assets for the first six months of 1999. For information regarding the additional depreciation of electric utility generating assets and the redirection of T&D depreciation to generation assets under the Transition Plan, see Note 1(g) of the Reliant Energy 10-K Notes. The Legislation provides that depreciation expense for T&D related assets may be redirected to generation assets from 1999 through 2001 for regulatory purposes. Because the electric generation operations portion of Reliant Energy HL&P discontinued application of SFAS No. 71 effective June 30, 1999, such operations can no longer record additional or redirected depreciation for financial reporting purposes. However, for regulatory purposes, the Company continues to redirect T&D depreciation to generation assets. As of September 30, 2000 and December 31, 1999, the cumulative amount of redirected depreciation for regulatory purposes was $555 million and $393 million, respectively.

In connection with the discontinuation of SFAS No. 71 in June 1999, the Company reassessed the economic lives of Reliant Energy HL&P's generation plant and equipment. Certain prospective depreciation rates were revised as a result of the Legislation. These changes in depreciation rates reduced depreciation expense for Reliant Energy HL&P's generation plant and equipment by $36 million for the first nine months of 2000. The effect on both basic and diluted earnings per share for the first nine months of 2000 was $0.08.

In 1999, the Company determined that approximately $800 million of Reliant Energy HL&P's electric generation assets were impaired. The Legislation provides for recovery of this impairment through regulated cash flows. Therefore, a regulatory asset was recorded for an amount equal to the impairment in the Company's Consolidated Balance Sheets. The Company amortizes this regulatory asset as it is recovered from regulated cash flows. During the third quarter and first nine months of 2000, the Company recorded $135 million and $282 million, respectively, of amortization expense related to the recoverable impaired plant costs and other deferred debits created from discontinuing SFAS No. 71. During the third quarter and first nine months of 1999, the Company recorded $144 million in both periods of amortization expense related to the recoverable impaired plant costs and other deferred debits created from the discontinuation of SFAS No. 71.

Pursuant to the Legislation, through securitization, the Company is allowed to recover generation-related regulatory asset and liability balances as reported in the December 31, 1998 Reliant Energy Form 10-K. On May

31, 2000, the PUC issued a financing order to the Company authorizing the issuance of transition bonds in an amount not to exceed $740 million plus actual up-front qualified costs. The Company has discontinued amortizing certain generation-related regulatory assets effective January 1, 1999. For additional information regarding the discontinuance of SFAS No. 71 for electric generation operations, see Notes 1(d) and 3 of the Reliant Energy 10-K Notes.

(6) COMPREHENSIVE INCOME

The following table summarizes the components of total comprehensive income.

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS)			
Net income	$ 389	$ 1,690	$ 746	$ 1,555
Other comprehensive income (loss):				
Foreign currency translation adjustments	(10)	(23)	(43)	(66)
Unrealized loss on available for sale securities	(2)	(2)	--	(1)
Plus: Reclassification adjustment for impairment loss on available for sale securities realized in net income	3	--	17	--
Comprehensive income	$ 380	$ 1,665	$ 720	$ 1,488

(7) LONG-TERM DEBT AND SHORT-TERM BORROWINGS

(a) Short-term Borrowings.

As of September 30, 2000, the Company had credit facilities, which included the facilities of several financing subsidiaries, UNA, RERC and Reliant Energy International that provided for an aggregate of $7.1 billion in committed credit (including the Euro 600 million facility discussed below) of which $1.0 billion was unused. Interest rates on borrowings are based on the London interbank offered rate (LIBOR) plus a margin, Euro interbank deposits (EURIBOR) plus a margin, a base rate or at a rate determined through a bidding process. Credit facilities aggregating $1.6 billion are unsecured. The credit facilities contain covenants and requirements which must be met to borrow funds and issue letters of credit, as applicable. Such covenants are not anticipated to materially restrict the Company from borrowing funds or issuing letters of credit, as applicable, under such facilities. One of the credit facilities includes a $65 million sub-facility under which letters of credit may be obtained. Letters of credit under this sub-facility aggregate $63 million as of September 30, 2000. Two additional credit facilities aggregating $530 million may be used for letters of credit of which $385 million were outstanding as of September 30, 2000.

In February 2000, a financing subsidiary of the Company established a $650 million revolving credit facility that was replaced in August 2000 with a $1.1 billion revolving credit facility that terminates in August 2001 and supports outstanding commercial paper.

In April 2000, a subsidiary of the Company arranged for unsecured borrowings aggregating $54 million. These borrowings were repaid in October 2000.

In connection with the REMA acquisition in May 2000, a financing subsidiary of the Company established two credit facilities aggregating $2.15 billion to support commercial paper borrowings. See Note 4 for additional information regarding the acquisition of the REMA entities. In August 2000, commercial paper borrowings supported by the $1.0 billion facility were repaid with proceeds from the REMA sale-leaseback transactions (see Note 4) and the facility was terminated. The revolving commitment period for the $1.15 billion facility terminates in May 2001, at which time outstanding borrowings under this facility convert to a one-year term facility. The $1.15 billion facility and three other facilities aggregating $3.2 billion are subject to partial repayment and mandatory commitment reductions in the event that certain corporate transactions occur.

In June 2000, a financing subsidiary of the Company established a $250 million credit facility which was to terminate on October 23, 2000. In October, the maturity date of this facility was extended to April 2001 and the

facility was increased to $350 million. At September 30, 2000, there were no borrowings outstanding under this facility.

In July 2000, UNA entered into two new credit facilities to refinance the existing 1.5 billion NLG multi-currency credit agreement that was scheduled to mature in October 2000. The two new credit facilities include (a) a 364-day revolving credit facility for Euro 250 million ($221 million assuming the September 30, 2000 exchange rate of 0.8823 U.S. dollar per Euro) and (b) a three-year letter of credit facility for $420 million. These credit facilities will be used by UNA for working capital purposes and to support UNA's contingent obligations under its cross-border leases. See Note 14(g) to the Reliant Energy 10-K Notes. Under the two facilities, there is no recourse to any affiliate of the Company other than UNA.

In August 2000, the Company: (a) increased its revolving credit facility which supports commercial paper from $200 million to $400 million and also extended the termination date of this facility to August 2001, (b) extended the termination date of RERC's $350 million receivables facility to August 2001, (c) extended the termination date of a financing subsidiary's Euro 560 million credit facility to August 2001, and (d) entered into a new $110 million letter of credit facility, which expires in January 2001, to support REMA's lease obligations discussed in Note 4.

(b) Long-term Debt.

In February 2000, a subsidiary of the Company established a Euro 600 million term loan facility which terminates in March 2003. At September 30, 2000, $529 million (based on the September 30, 2000 exchange rate of 0.8823 U.S. dollar per Euro) was outstanding under this facility at an interest rate of 6.65%. Borrowings under this facility have been classified as long-term debt based upon the Company's intent and its ability to borrow under such facility for more than one year.

In March 2000, the Company repaid $150 million of its 6.1% first mortgage bonds at maturity.

In July 2000, RERC issued $325 million of notes having an interest rate of 8.125% and a maturity date of July 15, 2005. RERC used the proceeds from the sale of the notes for general corporate purposes, including the repayment of $200 million of RERC's 7.5% notes that matured on August 1, 2000 and the repayment of a portion of its short-term indebtedness.

On July 1, 2000, the Company exercised its option and exchanged 37.9 million shares of Time Warner, Inc. common stock in satisfaction of the full maturity value of $2.9 billion of its unsecured 7% Automatic Common Exchange Securities (ACES). For additional information regarding ACES, see Note 8 of the Reliant Energy 10-K Notes.

During the second quarter of 2000, UNA negotiated the repurchase of $272 million aggregate principal amount of its long-term debt for a total cost of $286 million, including $14 million of expenses. The book value of the debt repurchased was approximately $293 million, resulting in an extraordinary gain in the second quarter of 2000 on the early extinguishment of long-term debt of approximately $7 million. Borrowings under a short-term banking facility and proceeds from the sale of debt securities were used to finance the reacquisition of such debt.

(8) EARNINGS PER SHARE

The following table presents Reliant Energy's basic and diluted earnings per share (EPS) calculation:

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999(1)	2000(2)	1999(2)
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Basic EPS Calculation:				
Income before extraordinary item and preferred dividends	$ 389,063	$1,690,087	$ 738,702	$1,555,157
Less: Preferred dividends	97	97	292	292
Net income before extraordinary item	388,966	1,689,990	738,410	1,554,865
Extraordinary item	--	--	7,445	--
Net income attributable to common stockholders	$ 388,966	$1,689,990	$ 745,855	$1,554,865
Weighted average shares outstanding	285,183	285,287	284,170	285,247
Basic EPS:				
Net income before extraordinary item	$ 1.36	$ 5.92	$ 2.59	$ 5.45
Extraordinary item	--	--	0.03	--
Net income	$ 1.36	$ 5.92	$ 2.62	$ 5.45
Diluted EPS Calculation:				
Net income attributable to common stockholders	$ 388,966	$1,689,990	$ 745,855	$1,554,865
Plus: Income impact of assumed conversions:				
Interest on 6 1/4% trust preferred securities	5	8	9	25
Total effect assuming dilution	$ 388,971	$1,689,998	$ 745,864	$1,554,890
Weighted average shares outstanding	285,183	285,287	284,170	285,247
Plus: Incremental shares from assumed conversions(1)(2):				
Stock options	3,595	362	1,837	525
Restricted stock	807	740	807	740
6 1/4% trust preferred securities	14	25	14	25
Weighted average shares assuming dilution	289,599	286,414	286,828	286,537
Diluted EPS:				
Net income before extraordinary item	$ 1.34	$ 5.90	$ 2.57	$ 5.43
Extraordinary item	--	--	0.03	--
Net income	$ 1.34	$ 5.90	$ 2.60	$ 5.43

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(1) For the three months ended September 30, 1999, the computation of diluted EPS excludes 678,134 purchase options for shares of common stock that have exercise prices (ranging from $28.71 to $35.18 per share) greater than the $27.41 per share average market price for the period and would thus be anti-dilutive if exercised.

(2) For the nine months ended September 30, 2000, the computation of diluted EPS excludes 485,119 purchase options for shares of common stock that have exercise prices (ranging from $28.72 to $32.22 per share) greater than the $28.60 per share average market price for the period and would thus be anti-dilutive if exercised.

For the nine months ended September 30, 1999, the computation of diluted EPS excludes 678,134 purchase options for shares of common stock that have exercise prices (ranging from $28.71 to $35.18 per share) greater than the $28.26 per share average market price for the period and would thus be anti-dilutive if exercised.

(9) CAPITAL STOCK

(a) Common Stock.

Reliant Energy has 700,000,000 authorized shares of common stock. At September 30, 2000, 299,478,678 shares of Reliant Energy common stock were issued and 285,862,004 shares of Reliant Energy common stock were outstanding. At December 31, 1999, 297,612,478 shares of Reliant Energy common stock were issued and 283,308,371 shares of Reliant Energy common stock were outstanding. Outstanding common shares exclude (a) shares pledged to secure a loan to Reliant Energy's Employee Stock Ownership Plan (8,799,489 and 10,679,489 at September 30, 2000 and December 31, 1999, respectively) and (b) treasury shares (4,817,185 and 3,624,618 at September 30, 2000 and December 31, 1999, respectively). Reliant Energy declared dividends of $0.375 per share in each of the third quarters of 2000 and 1999. Also, Reliant Energy declared dividends totaling $1.125 per share in each of the nine-month periods ending September 30, 2000 and 1999.

During the first nine months of 2000, Reliant Energy purchased 1,183,800 shares of Reliant Energy common stock at an average price of $23.07 per share for an aggregate purchase price of $27 million. As of September 30, 2000, Reliant Energy was authorized to purchase an additional $271 million of Reliant Energy common stock.

(b) Preference Stock.

During the nine months ended September 30, 2000, Reliant Energy issued and redeemed, as applicable, the following shares of preference stock now owned by certain financing subsidiaries on the dates indicated:

PREFERENCE SERIES	DATE ISSUED	NUMBER OF ISSUED SHARES	DATE REDEEMED	NUMBER OF SHARES REDEEMED
Series G	February 2000	6,825	August 2000	6,825
Series H	May 2000	12,100	--	--
Series I	May 2000	10,525	August 2000	10,525
Series J	June 2000	2,100	--	--
Series J	July 2000	530	--	--
Series K	August 2000	11,580	--	--

Series H, J and K preference stock are not deemed outstanding for financial reporting purposes because the sole shareholder of each series is a wholly owned subsidiary of Reliant Energy.

(10) TRUST PREFERRED SECURITIES

(a) Reliant Energy

Statutory business trusts created by Reliant Energy have issued trust preferred securities, the terms of which, and the related series of junior subordinated debentures, are described below:

TRUST	AGGREGATE LIQUIDATION AMOUNT SEPTEMBER 30, 2000	AGGREGATE LIQUIDATION AMOUNT DECEMBER 31, 1999	DISTRIBUTION RATE/ INTEREST RATE	MANDATORY REDEMPTION DATE/ MATURITY DATE	JUNIOR SUBORDINATED DEBENTURES
	(IN MILLIONS)				
REI Trust I	$ 375	$ 375	7.20%	March 2048	7.20% Junior Subordinated Debentures due 2048
HL&P Capital Trust I	$ 250	$ 250	8.125%	March 2046	8.125% Junior Subordinated Deferrable Interest Debentures Series A
HL&P Capital Trust II	$ 100	$ 100	8.257%	February 2037	8.257% Junior Subordinated Deferrable Interest Debentures Series B

For additional information regarding the $625 million of preferred securities and the $100 million of capital securities previously issued to the public by statutory business trusts created by Reliant Energy, see Note 11 of the Reliant Energy 10-K Notes. The sole asset of each trust consists of junior subordinated debentures of Reliant Energy having interest rates and maturity dates corresponding to each issue of preferred or capital securities, and the principal amounts corresponding to the common and preferred or capital securities issued by that trust.

(b) RERC

A statutory business trust created by RERC has issued convertible trust preferred securities, the terms of which, and the related series of convertible junior subordinated debentures, are described below:

TRUST	AGGREGATE LIQUIDATION AMOUNT SEPTEMBER 30, 2000	AGGREGATE LIQUIDATION AMOUNT DECEMBER 31, 1999	DISTRIBUTION RATE/ INTEREST RATE	MANDATORY REDEMPTION DATE/ MATURITY DATE	JUNIOR SUBORDINATED DEBENTURES
	(IN MILLIONS)				
Resources Trust	$ 1	$ 1	6.25%	June 2026	6.25% Convertible Junior Subordinated Debentures due 2026

For additional information regarding the $173 million of convertible preferred securities previously issued to the public by a statutory business trust created by RERC, see Note 11 of the Reliant Energy 10-K Notes and Note 5 of the RERC 10-K Notes. The sole asset of the trust consists of convertible junior subordinated debentures of RERC having an interest rate and maturity date corresponding to the convertible preferred securities, and the principal amount corresponding to the common and convertible preferred securities issued by the trust.

(11) COMMITMENTS AND CONTINGENCIES

(a) Legal, Tax and Regulatory Proceedings

In February 1996, the cities of Wharton, Galveston and Pasadena (original claimant cities) filed suit, for themselves and a class of all similarly situated cities in Reliant Energy HL&P's service area, against Reliant Energy and Houston Industries Finance, Inc. (formerly a wholly owned subsidiary of Reliant Energy) alleging underpayment of municipal franchise fees. Plaintiffs claim that they are entitled to 4% of all receipts of any kind for business conducted within these cities over the previous four decades. Because the franchise ordinances at issue affecting Reliant Energy HL&P expressly impose fees only on its own receipts and only from sales of electricity for consumption within a city, the Company regards all of plaintiffs' allegations as spurious and is vigorously contesting the case. The plaintiffs' pleadings asserted that their damages exceeded $250 million. The 269th Judicial District Court for Harris County granted partial summary judgment in favor of Reliant Energy dismissing all claims for franchise fees based on sales tax collections. Other motions for partial summary judgment were denied. A six week jury trial of the original claimant cities (but not the class of cities) ended on April 4, 2000 (three cities case). Although the jury found for Reliant Energy on many issues, they found in favor of the original claimant cities on three issues, and assessed a total of $4 million in actual and $30 million in punitive damages. However, the jury also found in favor of Reliant Energy on the affirmative defense of laches, a defense similar to a statute of limitations defense, due to the original claimant cities having unreasonably delayed bringing their claims during the 43 years since the alleged wrongs began.

The trial court in the three cities case has not yet entered a judgment on the jury's verdict but has announced oral rulings granting most of Reliant Energy's motions to disregard the jury's findings. The trial court's rulings would reduce the judgment to $1.7 million, including interest, plus an award of $13.7 million in legal fees. In addition, the trial court orally granted Reliant Energy's motion to decertify the class and said that it will vacate its

prior orders certifying a class. Following this ruling, 45 cities filed individual suits against Reliant Energy in the District Court of Harris County.

The extent to which issues in the three cities case may affect the claims of the other cities served by Reliant Energy HL&P cannot be assessed until judgments are final and no longer subject to appeal. However, the trial court's rulings disregarding most of the jury's findings are consistent with Texas Supreme Court opinions over the past decade. The Company estimates the range of possible outcomes for the plaintiffs to be between zero and $17 million inclusive of interest and attorneys' fees.

The three cities case will be appealed promptly following entry of an appealable judgment. The Company believes that the $1.7 million damage award resulted from serious errors of law and that it will be set aside by the Texas appellate courts. In addition, the Company believes that because of a pre-trial agreement between the parties limiting fees to a percentage of the damages, reversal of the award of approximately $13.7 million in attorneys' fees in the three cities case is probable.

The Company is involved in other legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business. Some of these proceedings involve substantial amounts. The Company's management regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. The Company's management believes that the disposition of these matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

(b) Environmental Matters

Under the agreement to acquire REMA, the Company became responsible for liabilities associated with ash disposal site closures and site contamination at the acquired facilities in Pennsylvania and New Jersey prior to plant closing except for the first $6 million of remediation costs at the Seward Generating Station. A prior owner retained liabilities associated with the disposal of hazardous substances to off-site locations prior to November 24, 1999. As of September 30, 2000, REMA has liabilities associated with six ash disposal site closures and six site investigations and environmental remediations. The Company has recorded its estimate of these environmental liabilities in the amount of $36 million as of September 30, 2000. The Company expects approximately $13 million will be paid over the next five years.

In connection with the acquisition of UNA (see Note 2 of Reliant Energy Form 10-K Notes), the Company assumed a $25 million obligation primarily related to asbestos abatement, as required by Dutch law, and soil remediation at six sites. During 2000, the Company initiated a review of potential environmental matters associated with the UNA properties. UNA began remediation in 2000 of the properties identified to have exposed asbestos and soil contamination, as required by Dutch law and the terms of certain leasehold agreements with municipalities in which the contaminated properties are located. All remediation efforts are to be fully completed by 2005. As of September 30, 2000, the undiscounted liability for this asbestos abatement and soil remediation was $25 million.

From time to time the Company has received notices from regulatory authorities or others regarding its status as a potentially responsible party (PRP) in connection with sites found to require remediation due to the presence of environmental contaminants. In addition, the Company has been named as defendant in litigation related to such sites and in recent years has been named, along with numerous others, as a defendant in several lawsuits filed by a large number of individuals who claim injury due to exposure to asbestos while working at sites along the Texas Gulf Coast. Most of these claimants have been workers who participated in construction of various industrial facilities, including power plants, and some of the claimants have worked at locations owned by the Company. The Company anticipates that additional claims similar to those previously received may be asserted in the future and intends to continue vigorously contesting claims that it does not consider to have merit. Although their ultimate outcome cannot be predicted at this time, the Company does not believe, based on its experience to date, that these matters, either individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

(c) Indemnification of Stranded Costs.

The stranded costs in the Dutch electricity market are considered to be the liabilities, uneconomical contractual commitments, and other costs associated with obligations entered into by the coordinating body for the Dutch electricity generating sector, N.V. Samenwerkende elecktriciteits-produktiebedrijven (SEP), plus certain district heating contracts with certain municipalities within Holland.

SEP was incorporated as the coordinating body for the four large-scale Dutch electricity generation companies, including UNA, which currently has an interest in the stranded costs of SEP of 22.5%. Among other things, SEP manages the dispatch for the national transmission grid, coordinates the fuel supply, manages the import and the export of electricity, and settles production costs for the electricity generation companies. SEP will cease performing the above activities in 2001 as a consequence of the forthcoming deregulation of the Dutch electricity market.

Under the Cooperative Agreement, UNA and the other Dutch generators agreed to sell their generating output through SEP. Over the years, SEP has incurred stranded costs as a result of a perceived need to cover anticipated shortages in energy production supply. SEP stranded costs consist primarily of investments in alternative energy sources and fuel and power purchase contracts currently estimated to be uneconomical. Legislation is pending in the Dutch parliament which would transfer the liability for the stranded costs from SEP to its four shareholders and specify the allocation percentage of the stranded cost. The outcome of this legislation is currently unknown.

In connection with the acquisition of UNA, the selling shareholders of UNA agreed to indemnify UNA for certain stranded costs in an amount not to exceed NLG 1.4 billion (approximately $560 million based on the September 30, 2000 exchange rate of 2.50 NLG per U.S. dollar), which may be increased in certain circumstances at the option of the Company up to NLG 1.9 billion (approximately $760 million). Of the total consideration paid by the Company for the shares of UNA, NLG 900 million (approximately $360 million) has been placed by the selling shareholders in an escrow account to secure the indemnity obligations. Although the Company's management believes that the indemnity provision will be sufficient to fully satisfy UNA's ultimate share of any stranded cost obligation, this judgment is based on numerous assumptions regarding the ultimate outcome and timing of the resolution of the stranded cost issue, the former shareholders timely performance of their obligations under the indemnity arrangement, and the amount of stranded costs which at present is not determinable.

(12) REPORTABLE SEGMENTS

The Company's determination of reportable segments considers the strategic operating units under which the Company manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. Financial information for REMA and UNA is included in the segment disclosures only for periods beginning with their respective acquisition dates. For additional information regarding the acquisition date of UNA, see Note 2 of the Reliant Energy 10-K Notes. The Company has identified the following reportable segments: Electric Operations, Wholesale Energy, Natural Gas Distribution, Interstate Pipelines, Reliant Energy Europe, Reliant Energy Latin America and Corporate. For descriptions of the financial reporting segments, see Note 1(a) of the Reliant Energy 10-K Notes. Financial data for the business segments are as follows:

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000			AS OF SEPTEMBER 30, 2000
	REVENUES FROM NON-AFFILIATES	NET INTERSEGMENT REVENUES (EXPENSES)	OPERATING INCOME (LOSS)	TOTAL ASSETS
	(IN MILLIONS)			
Electric Operations	$ 1,827	$ --	$ 500	$ 10,561
Wholesale Energy	6,673	103	319	7,405
Natural Gas Distribution	764	8	(15)	3,508
Interstate Pipelines	29	42	28	2,028
Reliant Energy Europe(1)	129	--	15	2,672
Reliant Energy Latin America...	20	--	--	1,126
Corporate	81	(1)	(70)	1,984
Reconciling Elimination	--	(152)	--	(645)
Consolidated	$ 9,523	$ --	$ 777	$ 28,639

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000		
	REVENUES FROM NON-AFFILIATES	NET INTERSEGMENT REVENUES (EXPENSES)	OPERATING INCOME (LOSS)
	(IN MILLIONS)		
Electric Operations..............................	$ 4,195	$ --	$ 1,027
Wholesale Energy.................................	12,087	324	481
Natural Gas Distribution.........................	2,383	24	82
Interstate Pipelines.............................	90	134	84
Reliant Energy Europe(1).........................	415	--	72
Reliant Energy Latin America.....................	51	--	(16)
Corporate..	300	--	(112)
Reconciling Elimination..........................	--	(482)	--
Consolidated.....................................	$ 19,521	$ --	$ 1,618

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1999			AS OF DECEMBER 31, 1999
	REVENUES FROM NON-AFFILIATES	NET INTERSEGMENT REVENUES (EXPENSES)	OPERATING INCOME (LOSS)	TOTAL ASSETS
	(IN MILLIONS)			
Electric Operations	$ 1,496	$ --	$ 442	$ 9,941
Wholesale Energy	2,847	61	43	3,085
Natural Gas Distribution	507	(6)	(5)	3,683
Interstate Pipelines	37	33	29	2,212
Reliant Energy Europe(1)	--	--	--	3,247
Reliant Energy Latin America	34	--	10	1,156
Corporate	26	20	(25)	4,349
Reconciling Elimination	--	(108)	--	(1,140)
Consolidated	$ 4,947	$ --	$ 494	$ 26,533

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999		
	REVENUES FROM NON-AFFILIATES	NET INTERSEGMENT REVENUES (EXPENSES)	OPERATING INCOME (LOSS)
	(IN MILLIONS)		
Electric Operations	$ 3,513	$ --	$ 837
Wholesale Energy	5,692	162	53
Natural Gas Distribution	1,802	(21)	101
Interstate Pipelines	90	112	84
Reliant Energy Latin America	26	--	(53)
Corporate	125	55	(49)
Reconciling Elimination	--	(308)	--
Consolidated	$11,248	$ --	$ 973

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(1) Reliant Energy Europe was created in the fourth quarter of 1999.

Reconciliation of Operating Income to Net Income:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS)			
Operating income	$ 777	$ 494	$ 1,618	$ 973
Interest expense	186	116	537	369
Net unrealized gain on indexed debt securities and Time Warner investment	--	(2,223)	--	(1,822)
Distribution on trust preferred securities	14	15	40	38
Income tax expense	226	909	389	872
Extraordinary gain, net of tax	--	--	(7)	--
Other income	(38)	(13)	(87)	(39)
Net income attributable to common stockholders	$ 389	$ 1,690	$ 746	$ 1,555

(13) SUBSEQUENT EVENTS

In October 2000, the Company sold its interest in Salvador Holding to a subsidiary of AES Corporation (AES) and signed an agreement to sell its interest in Light Servicos de Electricidade S.A. (Light), an electricity and distribution utility in Brazil, to AES and EDF International S.A. The sale of Light is expected to close by the end of the year. In November 2000, the Company sold 100% of its interest in its wholly owned subsidiary Reliant Energy Caribe Ltd. (Caribe), a Cayman holding company, which indirectly owned interests in Electrificadora del Caribe

SAESP and Electrificadora de la Costa Atlantica SAESP, both Colombian companies, to Union Fenosa Desarrollo y Accion Exterior, S.A. of Spain. In addition, the Company expects to transfer its interest in its remaining Colombian investments to Union Fenosa Desarrollo y Accion Exterior, S.A. by year end. The aggregate after-tax proceeds for all of these Latin American transactions are estimated to be $800 million. The loss on the sale of the Company's interest in Salvador Holding was immaterial. The Company recorded a $125 million after-tax loss in connection with the sale of Caribe and expects to record an additional $125 million after-tax loss in connection with the remaining transactions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF RELIANT ENERGY AND SUBSIDIARIES

The following discussion and analysis should be read in combination with the Company's Interim Financial Statements contained in this Form 10-Q.

The Company is a diversified international energy services and delivery company, providing energy and energy services in North America and Western Europe. The Company operates one of the United States' largest electric utilities in terms of kilowatt-hour sales, and its three natural gas distribution divisions together form the United States' third largest natural gas distribution operation in terms of customers served. As of June 30, 2000, the Company's wholesale energy trading and marketing business was one of only five companies to rank among both the ten largest power marketers and the ten largest natural gas marketers in the United States. It also has power generation and wholesale trading and marketing operations in Western Europe. The Company invests in the development of non-rate regulated domestic power generation projects. Additionally, the Company owns interstate natural gas pipelines which provide gas transportation, supply, gathering and storage services.

The Company's financial reporting segments include: Electric Operations, Wholesale Energy, Natural Gas Distribution, Interstate Pipelines, Reliant Energy Europe, Reliant Energy Latin America and Corporate. For segment reporting information, see Note 12 to the Company's Interim Financial Statements.

On August 9, 2000, Reliant Energy filed an amended business separation plan with the PUC under which it would divide into two publicly traded companies in order to separate its unregulated businesses from its regulated businesses. On October 17, 2000, a wholly owned subsidiary of the Company, RRI, filed a registration statement on Form S-1 with the Securities and Exchange Commission for the initial public offering of RRI common stock. For additional information regarding the amended business separation plan, see Note 2 to the Company's Interim Financial Statements.

CONSOLIDATED RESULTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS, EXCEPT PER SHARE DATA)			
Revenues	$ 9,523	$ 4,947	$19,521	$11,248
Operating Expenses	8,746	4,453	17,903	10,275
Operating Income	777	494	1,618	973
Other Income	(38)	(13)	(87)	(39)
Interest Expense and Other Charges	200	131	577	407
Net Unrealized Gain on Indexed Debt Securities and Time Warner Investment	--	(2,223)	--	(1,822)
Income Tax Expense	226	909	389	872
Extraordinary Gain, Net of Tax	--	--	(7)	--
Net Income Attributable to Common Stockholders	$ 389	$ 1,690	$ 746	$ 1,555
Basic Earnings Per Share	$ 1.36	$ 5.92	$ 2.62	$ 5.45
Diluted Earnings Per Share	$ 1.34	$ 5.90	$ 2.60	$ 5.43

Three months ended September 30, 2000 compared to three months ended September 30, 1999

The Company reported consolidated net income of $389 million ($1.36 per basic share) for the three months ended September 30, 2000 compared to consolidated net income of $1,690 million ($5.92 per basic share) for the same period in 1999. The 1999 results included an aggregate $1,426 million after-tax, non-cash, unrealized accounting gain on its indexed debt securities and its Time Warner investment and a $19 million after-tax loss resulting from the effect of the devaluation of the Brazilian real on equity earnings of the Company's Brazilian investments.

The Company's consolidated net income, after adjusting for the charges described above, was $389 million ($1.36 per basic share) for the third quarter of 2000 compared to $283 million ($0.99 per basic share) for the third quarter of 1999. The $106 million increase was primarily due to increased earnings from the Wholesale Energy and the Electric Operations segments and additional earnings from the Reliant Energy Europe segment, which was established in the fourth quarter of 1999 with the acquisition of UNA, offset slightly by lower earnings in 2000 versus 1999 of the Corporate, Natural Gas Distribution and Reliant Energy Latin America segments. For additional information on the acquisition of UNA, see Note 4 to the Company's Interim Financial Statements and Note 2 to the Reliant Energy 10-K Notes.

For an explanation of changes in operating income for the third quarter 2000 versus 1999, see the discussion below of operating income (loss) by segment.

Other income increased by $25 million during the third quarter of 2000 compared to the same period in 1999 primarily due to increased earnings from unconsolidated subsidiaries of the Wholesale Energy segment.

The Company incurred interest expense and other charges of $200 million and $131 million for the third quarters of 2000 and 1999, respectively. The 2000 increase was a result of increased levels of both short-term borrowings and long-term debt in the third quarter of 2000 compared to the same period in 1999. The increase in debt levels was associated with borrowings to fund the purchase obligation for the acquisition of UNA in the fourth quarter of 1999 and the first quarter of 2000, the acquisition of the REMA entities in the second quarter of 2000, and other acquisitions and capital expenditures.

The effective tax rate for the third quarter of 2000 and 1999 was 37% and 35%, respectively.

Nine months ended September 30, 2000 compared to nine months ended September 30, 1999

The Company reported consolidated net income of $746 million ($2.62 per basic share) and $1,555 million ($5.45 per basic share) for the first nine months of 2000 and 1999, respectively. The 2000 results included an extraordinary gain of $7 million related to the early extinguishment of long-term debt. The 1999 results included an

aggregate $1,166 million after-tax, non-cash, unrealized accounting gain on its indexed debt securities and its Time Warner investment and a $114 million after-tax loss resulting from the effect of the devaluation of the Brazilian real on equity earnings of the Company's Brazilian investments.

The Company's consolidated net income, after adjusting to eliminate the extraordinary and unusual charges described above, was $738 million ($2.59 per basic share) for the first nine months of 2000 compared to $504 million ($1.77 per basic share) for the first nine months of 1999. The $234 million increase was primarily due to increased earnings from the Wholesale Energy and the Electric Operations segments and additional earnings from the Reliant Energy Europe segment, which was established in the fourth quarter of 1999, offset by lower earnings in 2000 versus 1999 from the Natural Gas Distribution segment and the Reliant Energy Latin America segment and increased losses from the Corporate segment.

For an explanation of changes in operating income for the first nine months of 2000 versus 1999, see the discussion below of operating income (loss) by segment.

Other income increased by approximately $48 million during the first nine months of 2000 compared to the same period in 1999 primarily due to increased earnings from unconsolidated subsidiaries of $33 million, the pre-tax gain on the sale of the Company's investment in one of its development stage, non-rate regulated electric generation project companies of $15 million, interest income on an IRS refund received in February 2000 of $26 million and distributions from corporate venture capital investments. The increase in other income was partially offset by an impairment loss of $27 million on marketable equity securities classified as "available for sale" recorded in the second and third quarters of 2000.

The Company incurred interest expense and other charges of $577 million and $407 million for the first nine months of 2000 and 1999, respectively. The increase was primarily a result of increased levels of both short-term borrowings and long-term debt in the first nine months of 2000 compared to 1999. Increased debt levels were associated in part with borrowings to fund the purchase obligation for the acquisition of UNA in the fourth quarter of 1999 and the first quarter of 2000, the acquisition of the REMA entities in the second quarter of 2000, other acquisitions and capital expenditures.

The effective tax rate for the first nine months of 2000 and 1999 was 35% and 36%, respectively.

The table below shows operating income (loss) by segment:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS)			
Electric Operations	$ 500	$ 442	$ 1,027	$ 837
Wholesale Energy	319	43	481	53
Natural Gas Distribution	(15)	(5)	82	101
Interstate Pipelines	28	29	84	84
Reliant Energy Europe(1)	15	--	72	--
Reliant Energy Latin America	--	10	(16)	(53)
Corporate	(70)	(25)	(112)	(49)
Total Consolidated	$ 777	$ 494	$ 1,618	$ 973

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(1) Reliant Energy Europe does not have comparative 1999 results because it was established in the fourth quarter of 1999.

ELECTRIC OPERATIONS

Electric Operations conducts operations under the name Reliant Energy HL&P. Electric Operations provides electric generation, transmission, distribution and sales to approximately 1.7 million customers in a 5,000 square mile area on the Texas Gulf Coast, including Houston, the nation's fourth largest city.

In June 1999, the Texas legislature adopted the Legislation which substantially amended the regulatory structure governing electric utilities in Texas in order to allow retail competition beginning on January 1, 2002.

Prior to the adoption of the Legislation, Electric Operations' earnings were capped at an agreed overall rate of return formula on a calendar year basis as part of the Transition Plan approved by the PUC effective January 1, 1998. As a result of the Transition Plan, any earnings prior to the Legislation above the maximum allowed return cap on invested capital were offset by additional depreciation of Electric Operations' electric generation assets. For more information regarding the Legislation, see Note 3 of the Company's Interim Financial Statements and Note 3 of the Reliant Energy 10-K Notes.

	ELECTRIC OPERATIONS SEGMENT			
	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS)			
Operating Revenues:				
Base Revenues	$ 1,041	$ 974	$ 2,477	$ 2,330
Reconcilable Fuel Revenues	786	522	1,718	1,183
Total Operating Revenues	1,827	1,496	4,195	3,513
Operating Expenses:				
Fuel and Purchased Power	804	536	1,763	1,224
Operation and Maintenance	230	214	696	640
Depreciation and Amortization	177	202	420	541
Other Operating Expenses	116	102	289	271
Total Operating Expenses	1,327	1,054	3,168	2,676
Operating Income	$ 500	$ 442	$ 1,027	$ 837
Electric Sales Including Unbilled (MMWh(1)):				
Residential	8,534	7,744	17,967	16,895
Commercial	5,291	4,982	13,526	12,790
Industrial	6,847	6,782	21,132	19,584
Industrial - Interruptible	1,550	1,817	4,232	4,420
Other	381	551	1,407	2,220
Total Sales Including Unbilled	22,603	21,876	58,264	55,909
Average Cost of Fuel (Cents/MMBtu(2))	288.8	201.0	254.1	190.8

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(1) Million Megawatt hours
(2) Million British thermal units

2000 versus 1999

Electric Operations' operating income for the third quarter and first nine months of 2000 increased $58 million and $190 million, respectively. For both periods, the primary contributors to the increase in operating income were strong customer growth, decreased depreciation expense and increased customer demand.

Electric Operations' base revenues increased $67 million and $147 million for the third quarter and first nine months of 2000 due to both customer growth and increased customer demand.

Reconcilable fuel revenues and fuel and purchased power expenses for the third quarter and the first nine months of 2000 increased as a result of the higher cost of natural gas ($4.40 and $2.64 per MMBtu in the third quarters of 2000 and 1999, respectively, and $3.71 and $2.41 per MMBtu for the first nine months of 2000 and 1999, respectively), higher costs per unit for purchased power ($47.29 and $44.53 per megawatt hour (MWH) in the third quarter of 2000 and 1999, respectively, and $39.05 and $27.29 MWH for the first nine months of 2000 and 1999, respectively) and higher volumes due to customer growth and increased demand, which led to increased production.

Operation and maintenance expenses and other operating expenses for the third quarter and first nine months of 2000 increased by $30 million and $74 million, respectively when compared to the same periods in 1999. The increases in both periods were largely due to higher state franchise taxes and increased transmission costs.

Depreciation and amortization expense in the third quarter and first nine months of 2000 decreased $25 million and $121 million, respectively. For information regarding items that affect depreciation and amortization expense of Electric Operations pursuant to the Legislation and the Transition Plan, see Note 5 of the Company's Interim Financial Statements.

WHOLESALE ENERGY

Wholesale Energy's activities include (a) the acquisition, development and operation of domestic non-rate regulated power generation facilities, (b) the sale of energy, capacity and ancillary services from those facilities, (c) wholesale energy trading, marketing and risk management activities in North America and (d) domestic natural gas gathering activities.

For information regarding the Wholesale Energy sale-leaseback transactions, see Note 4 to the Interim Financial Statements.

The Company believes its energy trading, marketing and risk management activities (trading and marketing) complement Wholesale Energy's strategy of acquiring, developing and operating non-rate regulated generation assets in key domestic markets. Trading and marketing purchases fuel to supply existing generation assets, sells the electricity produced by these assets, and manages the day-to-day trading and dispatch associated with these portfolios. As a result, the Company has made, and expects to continue to make, significant investments in developing the trading and marketing infrastructure including software, trading and risk control resources.

	WHOLESALE ENERGY SEGMENT			
	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS)			
Operating Revenues	$ 6,776	$ 2,908	$ 12,411	$ 5,854
Operating Expenses:				
Natural Gas	2,727	945	6,089	2,703
Purchased Power	3,575	1,861	5,506	2,936
Operation and Maintenance	104	52	251	139
Depreciation and Amortization	47	6	74	18
Other Operating Expenses	4	1	10	5
Total Operating Expenses	6,457	2,865	11,930	5,801
Operating Income	$ 319	$ 43	$ 481	$ 53
Operations Data:				
Natural Gas (in Bcf(1)):				
Sales	645	433	1,769	1,317
Gathering	72	69	213	198
Total	717	502	1,982	1,515
Electricity (MMWh):				
Wholesale Power Sales	68,614	43,856	133,095	77,624

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(1) Billion cubic feet.

2000 versus 1999

Wholesale Energy's operating income increased $276 million and $428 million for the third quarter and first nine months of 2000, respectively, primarily due to the expansion of commercial operations and trading in key U.S. wholesale regions (Mid-Atlantic, Florida, Southwest, and Mid-Continent) and unique seasonal dynamics in the Western markets resulting in higher energy sales and prices. Increased operating margins were partially offset by higher operating expenses to support the infrastructure of the expanding business.

Wholesale Energy's operating revenues increased $3.9 billion and $6.6 billion for the third quarter and first nine months of 2000, respectively. These increases were primarily due to increases in gas and power sales volumes and commodity prices. Wholesale Energy's purchased natural gas costs increased $1.8 billion and $3.4 billion in the third quarter and first nine months of 2000, respectively, largely due to a higher average cost of gas and increased gas sales volume. Wholesale Energy's purchased power expense increased $1.7 billion and $2.6 billion in the third quarter and first nine months of 2000, respectively, primarily due to higher power sales volumes and higher average cost of power. Operation and maintenance expenses for Wholesale Energy increased $52 million and $112 million in the third quarter and first nine months of 2000, respectively, primarily due to costs associated with the maintenance of facilities acquired or placed into commercial operations after the third quarter of 1999, increased costs associated with developing new power generation projects and higher staffing levels to support increased sales and expanded marketing efforts. Depreciation and amortization expense for the third quarter and first nine months of 2000 increased as a result of the acquisition of REMA and other generating facilities.

NATURAL GAS DISTRIBUTION

Natural Gas Distribution's operations consist of intrastate natural gas sales to, and transportation for, residential, commercial and industrial customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas.

	NATURAL GAS DISTRIBUTION SEGMENT			
	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS)			
Operating Revenues	$ 772	$ 501	$ 2,407	$ 1,781
Operating Expenses:				
Natural Gas	606	346	1,785	1,189
Operation and Maintenance	124	108	363	326
Depreciation and Amortization	37	34	110	99
Other Operating Expenses	20	18	67	66
Total Operating Expenses	787	506	2,325	1,680
Operating Income (Loss)	$ (15)	$ (5)	$ 82	$ 101
Throughput Data (in Bcf):				
Residential and Commercial Sales	34	33	200	199
Industrial Sales	12	13	38	40
Transportation	11	10	37	34
Retail Major Account Sales	102	73	280	231
Total Throughput	159	129	555	504

2000 versus 1999

Natural Gas Distribution's operating results decreased for the third quarter and first nine months of 2000 by $10 million and $19 million, respectively. Increases in revenues and natural gas expense for the third quarter and first nine months of 2000 were due primarily to the increase in the price of natural gas. In addition, operating revenues for the first nine months of 2000 included a $12 million gain from the effect of a financial hedge of Natural Gas Distribution earnings against unseasonably warm weather during peak gas heating months. The weather hedge expired in March 2000. For both periods, slightly increased operating margins (revenues less fuel costs) in 2000 were offset by higher operating expenses and higher depreciation expense in 2000. Operating expenses for both

periods in 2000 increased primarily as a result of increased information system-related costs, employee benefit costs, depreciation expense and general and administrative expenses.

INTERSTATE PIPELINES

Interstate Pipelines provides interstate gas transportation and related services.

INTERSTATE PIPELINES SEGMENT

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS)			
Operating Revenues	$ 71	$ 70	$ 224	$ 202
Operating Expenses:				
Natural Gas	10	9	37	21
Operation and Maintenance	17	15	54	48
Depreciation and Amortization	13	13	38	37
Other Operating Expenses	3	4	11	12
Total Operating Expenses	43	41	140	118
Operating Income	$ 28	$ 29	$ 84	$ 84
Throughput Data (in MMBtu):				
Natural Gas Sales	4	4	11	11
Transportation	181	202	653	637
Elimination(1)	(3)	(5)	(9)	(11)
Total Throughput	182	201	655	637

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(1) Elimination of volumes both transported and sold.

Interstate Pipelines' operating income for the third quarter and the first nine months of 2000 remained relatively consistent with those same periods in 1999. For the nine-month period, slight increases in operating margins in 2000 were offset by slight increases in operating expenses in 2000.

RELIANT ENERGY EUROPE

The Company established its Reliant Energy Europe business segment in the fourth quarter of 1999 with the acquisition of UNA. For additional information regarding the acquisition of UNA, see Note 4 of the Company's Interim Financial Statements and Note 2 of the Reliant Energy 10-K Notes. Reliant Energy Europe owns, operates and sells power from generation facilities in the Netherlands and participates in the wholesale energy trading and marketing industry in the Netherlands and Western Europe.

RELIANT ENERGY EUROPE SEGMENT

	THREE MONTHS ENDED SEPTEMBER 30,	NINE MONTHS ENDED SEPTEMBER 30,
	2000	2000
	(IN MILLIONS)	
Operating Revenues	$129	$415
Operating Expenses:		
Fuel and Purchased Power	68	199
Operation and Maintenance and Other	31	90
Depreciation and Amortization	15	54
Total Operating Expenses	114	343
Operating Income	$ 15	$ 72

UNA, the other large unaffiliated Dutch generating companies and the Dutch distribution companies currently operate under various agreements which regulate, among other things, the rates UNA may charge for generation output. Under the Cooperative Agreement (OvS Agreement), UNA and the other Dutch generators agree

to sell their generating output to a national production pool in exchange for a standardized remuneration. This remuneration includes fuel cost, capital cost and the cost of operations and maintenance expenses. UNA operates under the protocol (Protocol), an agreement under which the generators agree to provide capacity and energy to distributors for a total payment of NLG 3.4 billion (approximately $1.4 billion U.S. dollars) annually over the period 1997 through 2000, plus compensation of actual fuel costs. The OvS Agreement will substantially expire by the beginning of 2001. The Protocol, which was entered into in order to facilitate the transition from a regulated energy market into an unregulated energy market, will also substantially expire by the beginning of 2001.

Beginning in 2001, UNA will begin operating in a deregulated market. Consistent with the Company's expectations upon the acquisition of UNA, the Company anticipates that UNA will experience a significant decline in revenues in 2001 attributable to the deregulation of that market and the termination of the Protocol. Under a 1998 Dutch tax law relating to the Dutch electricity industry, UNA qualifies for a zero percent tax rate through December 31, 2001. This tax holiday applies only to the Dutch income earned by UNA. Beginning January 1, 2002, UNA will be subject to Dutch corporate income tax at standard statutory rates which are currently 35%.

For additional information on these and other factors that may affect the future results of operations of Reliant Energy Europe, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of Reliant Energy and subsidiaries -- Certain Factors Affecting Future Earnings of the Company -- Competition -- Reliant Energy Europe Operations" and -- "Entry into the European Market" in the Reliant Energy Form 10-K, which information is incorporated herein by reference.

RELIANT ENERGY LATIN AMERICA

Reliant Energy Latin America participated in the privatization of generation and distribution facilities and independent power projects primarily in Latin America.

Reliant Energy continues to pursue its previously announced strategy to divest its interests in its Latin American investments in order to pursue business opportunities that are more in line with its strategies for the United States and Western Europe.

For information regarding the divestiture of Reliant Energy Latin America's investments in El Salvador, Brazil and Colombia, see Note 13 to the Interim Financial Statements. The divestiture of these investments represent almost all of Reliant Energy Latin America's investments. After the completion of the transactions discussed above, Reliant Energy Latin America's remaining investments will include a wholly owned cogeneration facility and a distribution company both located in Argentina, and a coke calcining plant in India. The combined book value of these three investments as of September 30, 2000 was $155 million.

	RELIANT ENERGY LATIN AMERICA SEGMENT			
	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS)			
Operating Revenues	$ 20	$ 34	$ 51	$ 26
Operating Expenses:				
Fuel	8	11	30	36
Operation and Maintenance	11	12	31	40
Depreciation and Amortization	1	1	6	3
Total Operating Expenses	20	24	67	79
Operating Income (Loss)	$ --	$ 10	$(16)	$(53)

2000 versus 1999

Reliant Energy Latin America had a decrease in operating income of $10 million for the third quarter of 2000 and a decrease in operating loss of $37 million for the first nine months of 2000. The third quarter and first nine months operating results for 1999 included after-tax charges of $19 million and $114 million, respectively, related to the Company's share of foreign exchange losses incurred by its Brazilian affiliates in connection with non-local currency denominated borrowings. These devaluation losses were a result of the Brazilian government's January 1999 decision to allow the Brazilian real to float against other foreign currencies. Excluding the losses related to the real devaluation in 1999, operating income decreased by $29 million and $77 million for the third quarter and first nine months of 2000, respectively. Decreased earnings from equity investments in Brazil and Colombia were the primary cause of reduced earnings in both periods.

CORPORATE

Corporate includes the operations of certain non-rate regulated retail electric and gas services businesses, a communications business which offers enhanced data, voice and other services to customers in Texas, an eBusiness group, venture capital operations, certain real estate holdings and unallocated corporate costs.

Corporate had operating losses of $70 million and $112 million for the third quarter and first nine months of 2000, respectively, compared to operating losses of $25 million and $49 million for the same periods of 1999, respectively. The decline for both periods was primarily due to costs associated with exiting certain retail gas markets, increased franchise taxes and unregulated electric retail business, eBusiness and communication business startup costs. The startup costs of the unregulated electric retail business were primarily a result of increased operating expenses due to additional staffing, increased marketing support and other expenditures to prepare for entrance into the deregulated electricity market in Texas beginning January 2002. Management expects to continue to make substantial capital investments in its unregulated electric retail, eBusiness and communications businesses to fulfill its overall business strategy.

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

CALIFORNIA MARKET PRICING CAPS

The California market is currently experiencing shortages of generation capacity at peak periods. As a result, it is highly dependent on imports from both the Pacific Northwest and the Desert Southwest. Because of this heavy dependence on imported power and the slow pace of new plant construction, the California market experienced dramatically higher prices for electricity during the summer of 2000. The California independent system operator (Cal ISO), which has authority to establish buyer's caps that limit the price a buyer pays for power, reduced the buyer's cap in the spot market during the summer of 2000 from $750 per MWh to $250 per MWh. In addition to selling to the California power exchange (Cal PX) and in the Cal ISO markets, the Company sells its output in negotiated transactions to customers. Prices for negotiated contracts may also be affected by the buyer's caps prevailing in the Cal ISO markets.

The continued use of buyer's caps in the California marketplace, as well as other market restructuring alternatives, is currently under review by the Federal Energy Regulatory Commission (FERC), Cal ISO, Cal PX, the

California Public Utility Commission (CPUC) and other state legislative and regulatory agencies. On November 1, 2000, the FERC released findings which found no specific exercises of market power existed in California's electricity marketplace. The report recommends a series of changes to be taken to reform the market structure of California. The FERC's findings, as well as a draft report by the Cal PX, conclude that the CPUC must address hurdles in the contracting and siting of generation, as well as the need for additional demand responsiveness in California.

The Company cannot predict what effect this California experience and these reviews will have on the pace of deregulation in other parts of the country. Moreover, existing regulations may be revised or reinterpreted, new laws and regulations may be adopted or become applicable to the Company or its facilities, and future changes in laws and regulations may have a detrimental effect on the Company's business. In some markets which have been restructured, governmental agencies and other interested parties may attempt to re-regulate areas of the Company's business which have previously been deregulated.

GENERAL

For information on other developments, factors and trends that may have an impact on the Company's future earnings, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations of Reliant Energy and subsidiaries -- Certain Factors Affecting Future Earnings of the Company" in the Reliant Energy Form 10-K, which is incorporated herein by reference. For information regarding proposed tariffs filed by Reliant Energy HL&P relating to its transmission and distribution operations, see Note 3 of the Company's Interim Financial Statements. For additional information regarding the filing of an amended business separation plan with the PUC, see Note 2 of the Company's Interim Financial Statements.

FINANCIAL CONDITION

The following table summarizes the net cash provided by (used in) operating, investing and financing activities for the nine months ended September 30, 2000 and 1999:

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
	(IN MILLIONS)	
Cash provided by (used in):		
Operating activities	$ 952	$ 1,126
Investing activities	(3,178)	(1,307)
Financing activities	2,374	641

Net cash provided by operating activities in the nine months ended September 30, 2000 decreased $174 million compared to the same period in 1999 primarily due to an increase in fuel cost under-recovery, offset by (a) a $78 million federal tax refund received in the first quarter of 2000, (b) increased sales at Electric Operations due to customer growth and increased customer demand, (c) improved operating results of Wholesale Energy's Western market operations and (d) incremental cash flows provided by UNA (acquired in the fourth quarter of 1999) and REMA (acquired in the second quarter of 2000).

Net cash used in investing activities increased $1.9 billion in the nine months ended September 30, 2000 compared to the same period in 1999 primarily due to the funding of the remaining purchase obligation for UNA for $982 million on March 1, 2000, and the purchase of the REMA Mid-Atlantic generating facilities for $2.1 billion on May 12, 2000, as well as increased capital expenditures related to the construction of domestic non-rate regulated power generation projects by Wholesale Energy. Proceeds from the sale-leaseback transactions of REMA generating assets, the sale of debt securities by UNA and foreign currency exchange contracts, partially offset these increases.

Cash flows provided by financing activities increased $1.7 billion in the nine months ended September 30, 2000 compared to the same period in 1999 primarily due to an increase in cash received from short and long-term borrowings. An increase in payments of long-term debt during the first nine months of 2000 partially offset the increase. The Company utilized the net borrowings incurred during the first nine months of 2000 to fund the

remaining UNA purchase obligation, to fund the acquisition of the REMA Mid-Atlantic generating facilities, to support increased capital expenditures by Wholesale Energy and for general corporate purposes, including the repayment of indebtedness. The Company obtained the funds for the remaining UNA purchase obligation on March 1, 2000, in part from a Euro 600 million (approximately $584 million) term loan facility which expires in March 2003 and through short-term borrowings and excess operating cash flows. Funds for the acquisition of the operations held by REMA were made available through issuances of commercial paper supported by two bank facilities, one in the amount of $1.0 billion and one in the amount of $1.15 billion. The $1.0 billion facility was repaid with the proceeds from the REMA sale-leaseback transactions and was terminated in August 2000.

FUTURE SOURCES AND USES OF CASH FLOWS

Credit Facilities. As of September 30, 2000, the Company had credit facilities, including the facilities of RERC, several financing subsidiaries, UNA and Reliant Energy International, which provided for an aggregate of $7.1 billion in committed credit (including the Euro 600 million facility discussed above). As of September 30, 2000, $6.1 billion was outstanding under these facilities, including commercial paper of $4.1 billion and letters of credit of $448 million. Unused credit facilities totaled $1 billion as of September 30, 2000.

Shelf Registrations. As of September 30, 2000, the Company had shelf registration statements providing for the issuance of $230 million aggregate liquidation value of its preferred stock, $580 million aggregate principal amount of its debt securities and $125 million of trust preferred securities and related junior subordinated debt securities. In addition, the Company has a shelf registration for 15 million shares of common stock, which would have been worth approximately $698 million as of September 30, 2000 based on the closing price of the common stock as of such date.

Securitization. On May 31, 2000, Reliant Energy HL&P received a financing order from the PUC authorizing the issuance of transition bonds relating to Reliant Energy HL&P's generation-related regulatory assets by a special purpose entity organized by the Company, pursuant to the Legislation. The financing order authorizes the issuance of transition bonds in an amount not to exceed $740 million plus actual up-front qualified costs. The offering and sale of the transition bonds will be registered under the Securities Act of 1933 and are expected to be consummated in 2001.

Reliant Energy Latin America Divestitures. The Company expects to receive an aggregate of approximately $800 million in after-tax proceeds from the sale of certain investments held by the Reliant Energy Latin American segment. See Note 13 to the Company's Interim Financial Statements for further information.

Fuel Filing. As of September 2000, Reliant Energy HL&P was under-collected on fuel recovery by approximately $526 million. In two separate filings with the PUC, Reliant Energy HL&P has filed to implement a fuel surcharge to collect the under recovery of fuel expenses, as well as to adjust the fuel factor to compensate for significant increases in the price of natural gas. The first petition was filed on June 9, 2000 and covered activity through the first quarter of 2000. On August 1, 2000, a unanimous settlement was filed with the State Office of Administrative Hearings (SOAH) based on the under-recovery amount as of June 30, 2000, which was approximately $278 million. On August 7, 2000, the Administrative Law Judge (ALJ) with SOAH approved a surcharge and increased fuel factor on an interim basis, thereby allowing Reliant Energy HL&P to apply the surcharge and revised fuel factor to the September 2000 billing month (which began on August 18, 2000). The PUC approved the settlement at its August 24, 2000 open meeting.

As the cost of natural gas continued to increase substantially after the June 9, 2000 filing, the under-collection on fuel recovery increased to $526 million as of September 30, 2000, necessitating a second petition, which was filed on October 2, 2000. The second petition requested a surcharge beginning with the December 2000 billing month (on or about November 16, 2000) through December 2001, and a revised fuel factor beginning with the December 2000 billing month. On October 11, 2000, the ALJ approved the proposed surcharge and revised fuel factor of the second petition on an interim basis. On November 2, 2000, a non-unanimous unopposed settlement was filed with SOAH to put the surcharge and revised factor into place beginning with the December 2000 billing month. It is expected the PUC will rule on this settlement at its December 13, 2000 open meeting.

Indemnification of UNA Stranded Costs. In connection with the acquisition of UNA, the selling shareholders of UNA agreed to indemnify UNA for some specified stranded costs in an amount not to exceed NLG

1.4 billion ($560 million based on a September 30, 2000 exchange rate of 2.50 NLG). This amount may be increased in some circumstances at our option up to NLG 1.9 billion ($760 million). Of the total consideration the Company paid for the shares of UNA, NLG 900 million ($360 million) has been placed in an escrow account to secure these indemnity obligations. The Company believes that the indemnity provision will be sufficient to cover UNA's ultimate share of any stranded cost obligation. This belief is based on numerous assumptions regarding the ultimate outcome and timing of the resolution of the stranded cost issue, the former shareholders' timely performance of their obligations under the indemnity arrangement, and the amount of stranded costs, which at present is not determinable. Resolution of stranded costs for the Netherlands is currently being addressed in the Dutch parliament. The outcome of this legislation is currently unknown.

Acquisition of Mid-Atlantic Assets. On May 12, 2000, the Company completed the acquisition of the Mid-Atlantic assets from Sithe Energies, Inc. for an aggregate purchase price of $2.1 billion. The acquisition was financed through commercial paper borrowings supported by two credit facilities. In August 2000, the Company sold to, and leased back from, each of the three owner-lessors in separate lease transactions, its respective 16.45%, 16.67% and 100% interests in the Conemaugh, Keystone and Shawville generating stations. For further discussion of these lease transactions, see Note 4 to the Interim Financial Statements. As consideration for the sale of the Company's interest in each of the facilities, the Company received a total of $1.0 billion in cash that was used to repay $1.0 billion in commercial paper. The Company will continue to make lease payments through 2029. The lease terms expire in 2034. Cash lease payments are scheduled as follows (in millions):

November 1, 2000 to December 31, 2000.....	$ 1
2001	259
2002	137
2003	77
2004	84
2005 and beyond	1,262
	$1,820

Electric Generating Projects. As of September 30, 2000, the Company had five generating facilities under construction. Total estimated costs of constructing these facilities are $1.5 billion. As of September 30, 2000, the Company had incurred $864 million of the total projected costs of these projects. The Company expects to spend $208 million during the remainder of 2000 on these projects. In addition, as of September 30, 2000, the Company had $223 million in commitments to purchase combustion turbines that are associated with projects not currently under construction.

Other Sources/Uses of Cash. The liquidity and capital requirements of the Company are affected primarily by capital expenditures, debt service requirements and varied working capital needs associated with trading, marketing and risk management activities. The Company expects to continue to participate as a bidder in future acquisitions of independent power projects and privatizations of generation facilities. The Company expects any resulting capital requirements to be met with excess cash flows from operations, as well as proceeds from debt and equity offerings, project financings and other borrowings. Additional capital expenditures depend upon the nature and extent of future project commitments, some of which may be substantial. The Company believes that its current level of cash and borrowing capability, along with future cash flows from operations, are sufficient to meet the existing operational needs of its businesses.

NEW ACCOUNTING ISSUES

Effective January 1, 2001, the Company is required to adopt SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS No. 133). SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. This statement requires that derivatives be recognized at fair value in the balance sheet and that changes in fair value be recognized either currently in earnings or deferred as a component of other comprehensive income, depending on the intended use of the derivative, its resulting designation and its effectiveness. In addition, in June 2000, the Financial Accounting Standards Board issued an amendment that narrows the applicability of the pronouncement to some purchase and sales contracts and allows hedge accounting for some other specific hedging relationships. The Company is in the process of determining the effect of adoption of SFAS No. 133 on its consolidated financial statements. The Company is unable to provide an estimate or range

of estimates of the effect of adoption at this time, because the derivatives implementation group (DIG) continues to address issues affecting the power industry which may have a significant impact on our implementation. Further guidance on these issues is expected from the mid-December 2000 meeting of the DIG.

Staff Accounting Bulletin 101, "Revenue Recognition" (SAB No. 101), was issued by the SEC on December 3, 1999. SAB No. 101 summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. On June 26, 2000, the SEC staff announced that it is delaying the required implementation date for SAB No. 101 no later than a registrants fourth fiscal quarter of their fiscal year beginning after December 15, 1999. The Company believes the adoption of SAB No. 101 will not have a material effect on its results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK OF THE COMPANY

The Company has financial instruments that involve various market risks and uncertainties. For information regarding the Company's exposure to risks associated with interest rates, equity market prices, foreign currency exchange rate risk and energy commodity prices, see Item 7A of the Reliant Energy Form 10-K, which is incorporated herein by reference. These risks have not materially changed from the market risks disclosed in the Reliant Energy Form 10-K.

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)

STATEMENTS OF CONSOLIDATED OPERATIONS
(THOUSANDS OF DOLLARS)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
REVENUES	$ 7,272,857	$ 3,446,925	$ 14,381,921	$ 7,705,879
EXPENSES:				
Natural gas and purchased power	6,975,995	3,172,585	13,419,478	6,797,015
Operation and maintenance	212,830	175,422	554,634	458,797
Depreciation and amortization	58,582	50,045	164,068	148,159
Taxes other than income taxes	24,491	21,145	80,147	79,054
Total	7,271,898	3,419,197	14,218,327	7,483,025
OPERATING INCOME	959	27,728	163,594	222,854
OTHER INCOME (EXPENSE):				
Interest expense, net	(38,951)	(30,378)	(100,108)	(90,231)
Distribution on trust preferred securities	(7)	(64)	(22)	(261)
Other, net	5,544	1,846	(7,584)	8,604
Total	(33,414)	(28,596)	(107,714)	(81,888)
(LOSS) INCOME BEFORE INCOME TAXES	(32,455)	(868)	55,880	140,966
Income Tax (Benefit) Expense	(5,577)	5,664	41,119	70,569
NET (LOSS) INCOME	$ (26,878)	$ (6,532)	$ 14,761	$ 70,397

See Notes to RER's Interim Financial Statements

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)
CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS)
(UNAUDITED)

ASSETS

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 24,373	$ 81,347
Accounts and notes receivable, principally customer	1,585,371	980,560
Unbilled revenue	117,115	150,961
Materials and supplies, at average cost	35,751	35,121
Fuel, gas and petroleum products	151,131	80,135
Price risk management assets	1,917,680	722,429
Prepayments and other current assets	166,200	46,666
Total current assets	3,997,621	2,097,219
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment	3,452,182	3,291,088
Less accumulated depreciation and amortization	439,807	324,596
Property, plant and equipment, net	3,012,375	2,966,492
OTHER ASSETS:		
Goodwill, net	1,950,972	1,990,394
Prepaid pension asset	125,264	110,626
Price risk management assets	615,883	173,590
Other	229,037	186,437
Total other assets	2,921,156	2,461,047
TOTAL ASSETS	$ 9,931,152	$ 7,524,758

See Notes to RER's Interim Financial Statements

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)
CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS) -- (CONTINUED)
(UNAUDITED)

LIABILITIES AND STOCKHOLDER'S EQUITY

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 168,890	$ 223,451
Short-term borrowings	635,000	534,584
Accounts payable, principally trade	1,252,450	776,546
Accounts and notes payable - affiliated companies, net	44,973	95,601
Interest accrued	31,970	27,965
Taxes accrued	44,525	48,266
Customer deposits	30,224	33,255
Price risk management liabilities	1,880,983	718,228
Other	245,934	119,111
Total current liabilities	4,334,949	2,577,007
DEFERRED CREDITS AND OTHER LIABILITIES:		
Accumulated deferred income taxes	559,463	532,725
Payable under capacity lease agreement	41,000	41,000
Benefit obligations	141,257	161,144
Price risk management liabilities	592,658	142,305
Other	174,537	187,473
Total deferred credits and other liabilities	1,508,915	1,064,647
LONG-TERM DEBT	1,393,602	1,220,631
COMMITMENTS AND CONTINGENCIES (NOTES 1 AND 9)		
RERC OBLIGATED MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF RERC	608	967
STOCKHOLDER'S EQUITY:		
Common stock	1	1
Paid-in capital	2,463,831	2,463,831
Retained earnings	229,633	214,872
Accumulated other comprehensive loss	(387)	(17,198)
Total stockholder's equity	2,693,078	2,661,506
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 9,931,152	$ 7,524,758

See Notes to RER's Interim Financial Statements

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)
STATEMENTS OF CONSOLIDATED CASH FLOWS
(THOUSANDS OF DOLLARS)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 14,761	$ 70,397
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	164,068	148,159
Deferred income taxes	9,093	46,356
Impairment of marketable equity securities	26,504	--
Changes in other assets and liabilities:		
Accounts and notes receivable	(570,965)	(91,492)
Accounts receivable/payable, affiliates	30,944	19,445
Inventories	(74,626)	11,917
Other current assets	(116,534)	41,047
Accounts payable	475,904	134,226
Interest and taxes accrued	264	(59,665)
Other current liabilities	123,792	78,758
Net price risk management assets	(24,436)	1,031
Restricted deposits	(59,032)	(73,371)
Other, net	2,138	(118,286)
Net cash (used in) provided by operating activities	1,875	208,522
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(200,497)	(200,858)
Other, net	763	(7,950)
Net cash used in investing activities	(199,734)	(208,808)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	(200,000)	(212,042)
Proceeds from long-term debt	322,400	--
Proceeds from receivables facilities	--	50,000
Increase in short-term borrowings, net	100,416	34,200
Decrease (increase) in notes with affiliates, net	(81,572)	181,684
Other, net	(359)	(10,625)
Net cash provided by financing activities	140,885	43,217
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(56,974)	42,931
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	81,347	26,576
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	$ 24,373	$ 69,507
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Payments:		
Interest (net of amounts capitalized)	$ 101,165	$ 93,493
Income taxes	54,328	66,095

See Notes to RER's Interim Financial Statements

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION --

See Note 1 to the Company's Interim Financial Statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RER's Interim Financial Statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods. Amounts reported in RERC's Statements of Consolidated Operations are not necessarily indicative of amounts expected for a full year period due to the effects of, among other things, (a) seasonal variations in energy consumption, (b) timing of maintenance and other expenditures and (c) acquisitions and dispositions of assets and other interests. In addition, certain amounts from the prior year have been reclassified to conform to RERC's presentation of financial statements in the current year. These reclassifications do not affect earnings of RERC. RERC Interim Financial Statements are unaudited, omit certain financial statement disclosures and should be read with the Reliant Energy Form 10-K and RERC Form 10-K for the year ended December 31, 1999 and the Reliant Energy First and Second Quarter 10-Q, and RERC First and Second Quarter 10-Q for the quarters ended March 31 and June 30, 2000, respectively.

The following notes to the financial statements in the RERC Form 10-K relate to certain contingencies. These notes, as updated herein, are incorporated herein by reference:

Notes to Consolidated Financial Statements (RERC 10-K Notes): Note 1(c) (Regulatory Assets and Regulation), Note 2 (Derivative Financial Instruments) and Note 8 (Commitments and Contingencies).

For information regarding environmental matters and legal proceedings, see Note 9.

(2) SEPARATION FROM RELIANT ENERGY

On August 9, 2000, Reliant Energy filed an amended business separation plan with the PUC under which it would divide into two publicly traded companies in order to separate its unregulated businesses from its regulated businesses.

As part of this separation, the trading and marketing operations of RER, as well as a company that holds an investment in marketable equity securities, will be transferred to the unregulated business. For additional information regarding Reliant Energy's amended business separation plan, see the Reliant Energy and RERC combined current report on Form 8-K dated July 27, 2000, which information is incorporated herein by reference. The amended business separation plan that was actually filed follows the proposed plan described in the Form 8-K except that the provision for the cash payment that the unregulated company was to receive from the regulated company in 2004 was deleted from the plan. The amended business separation plan is subject to PUC approval. The Company anticipates receiving a PUC approval during December 2000.

On October 17, 2000, a wholly owned subsidiary of the Company, RRI, filed a registration statement on Form S-1 with the Securities and Exchange Commission for the initial public offering of approximately 20% of the RRI common stock.

(3) DEPRECIATION AND AMORTIZATION

RER's depreciation expense for the third quarter and first nine months of 2000 was $43 million and $118 million, respectively, compared to $35 million and $106 million for the same periods in 1999. Amortization expense, primarily relating to goodwill amortization, was $16 million and $46 million for the third quarter and first nine months of 2000 compared to $15 million and $42 million for the same periods in 1999.

(4) LONG-TERM DEBT

In July 2000, RERC issued $325 million of notes having an interest rate of 8.125% and a maturity date of July 15, 2005. RERC used the proceeds from the sale of the notes for general corporate purposes, including the repayment of $200 million of RERC's 7.5% notes that matured on August 1, 2000 and the repayment of a portion of its short-term indebtedness.

(5) RERC OBLIGATED MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF RERC -- see Note 10 (b) to the Company's Interim Financial Statements.

(6) COMPREHENSIVE INCOME

The following table summarizes the components of total comprehensive income.

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS)			
Net (loss) income	$ (27)	$ (7)	$ 15	$ 70
Other comprehensive income:				
Unrealized loss on available for sale securities	(2)	(3)	--	(1)
Plus: Reclassification adjustment for impairment loss on available for sale securities realized in net (loss) income	3	--	17	--
Comprehensive (loss) income	$ (26)	$ (10)	$ 32	$ 69

(7) RELATED PARTY TRANSACTIONS

Reliant Energy Services, Inc. supplies natural gas to, purchases electricity for resale from, and provides marketing and risk management services to unregulated power plants in deregulated markets. These power plants are owned and operated by Reliant Energy Power Generation, Inc. or its subsidiaries. For the three months ended September 30, 2000 and 1999, the sales and services to Reliant Energy and its affiliates totaled $268 million and $101 million, respectively. Purchases from Reliant Energy and its affiliates were $192 million and $75 million for the third quarter of 2000 and 1999, respectively. For the nine months ended September 30, 2000 and 1999, the sales and services to Reliant Energy and its affiliates totaled $452 million and $143 million, respectively. Purchases from Reliant Energy and its affiliates were $318 million and $86 million for the nine months ended September 30, 2000 and 1999, respectively.

Reliant Energy provides certain corporate services to RER which are allocated or directly billed to RER, including management support, financial and tax accounting, information system support, treasury support, legal services, regulatory support and other general services.

Net advances to Reliant Energy and those subsidiaries not owned by RER included in accounts and notes payables-affiliated companies, totaled $20 million at September 30, 2000, compared to net borrowings from Reliant Energy and its subsidiaries of $62 million at December 31, 1999. Interest income/expense on such receivables/borrowings was nominal for the nine months ended September 30, 2000 and 1999. As of September 30, 2000 and December 31, 1999, net accounts payable to Reliant Energy and those subsidiaries not owned by RER were $65 million and $34 million, respectively.

(8) REPORTABLE SEGMENTS

Because RERC is a wholly owned subsidiary of Reliant Energy, RERC's determination of reportable segments considers the strategic operating units under which Reliant Energy manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. Segment financial data includes information for Reliant Energy and RER on a combined basis, except for Electric Operations which has no RER operations and Reliant Energy Latin America, which has minimal RER operations. Reconciling items included under the caption "Elimination of Non-RER Operations" reduce the consolidated Reliant Energy amounts by those operations not conducted within the RER legal entity. Operations not

owned or operated by RER, but included in segment information before elimination include primarily the operations and assets of Reliant Energy's non-rate regulated power generation business, Reliant Energy's Dutch power generation operation, Reliant Energy's investment in Time Warner securities and non-RER corporate expenses.

Reliant Energy has identified the following reportable segments in which RER has operations: Wholesale Energy, Natural Gas Distribution, Interstate Pipelines, Reliant Energy Europe and Corporate. For descriptions of the financial reporting segments, see Note 9 of the RERC 10-K Notes. The following table summarizes financial data for the business segments:

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000			AS OF SEPTEMBER 30, 2000
	REVENUES FROM NON-AFFILIATES	NET INTERSEGMENT REVENUES (EXPENSES)	OPERATING INCOME	TOTAL ASSETS
	(IN MILLIONS)			
Wholesale Energy	$ 6,673	$ 103	$ 319	$ 7,405
Natural Gas Distribution	764	8	(15)	3,508
Interstate Pipelines	29	42	28	2,028
Reliant Energy Europe(1)	129	--	15	2,672
Corporate	81	(1)	(70)	1,984
Reconciling Elimination	--	(152)	--	(645)
Elimination of Non-RER Operations	(403)	--	(276)	(7,021)
Consolidated	$ 7,273	$ --	$ 1	$ 9,931

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000		
	REVENUES FROM NON-AFFILIATES	NET INTERSEGMENT REVENUES (EXPENSES)	OPERATING INCOME
	(IN MILLIONS)		
Wholesale Energy	$ 12,087	$ 324	$ 481
Natural Gas Distribution	2,383	24	82
Interstate Pipelines	90	134	84
Reliant Energy Europe(1)	415	--	72
Corporate	300	--	(112)
Reconciling Elimination	--	(482)	--
Elimination of Non-RER Operations	(893)	--	(443)
Consolidated	$ 14,382	$ --	$ 164

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1999			AS OF DECEMBER 31, 1999
	REVENUES FROM NON-AFFILIATES	NET INTERSEGMENT REVENUES (EXPENSES)	OPERATING INCOME	TOTAL ASSETS
	(IN MILLIONS)			
Wholesale Energy	$ 2,847	$ 61	$ 43	$ 3,085
Natural Gas Distribution	507	(6)	(5)	3,683
Interstate Pipelines	37	33	29	2,212
Reliant Energy Europe(1)	--	--	--	3,247
Corporate	26	20	(25)	4,349
Reconciling Elimination	--	(108)	--	(1,140)
Elimination of Non-RER Operations	30	--	(14)	(7,911)
Consolidated	$ 3,447	$ --	$ 28	$ 7,525

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999

	REVENUES FROM NON-AFFILIATES	NET INTERSEGMENT REVENUES (EXPENSES)	OPERATING INCOME
		(IN MILLIONS)	
Wholesale Energy	$ 5,692	$ 162	$ 53
Natural Gas Distribution	1,802	(21)	101
Interstate Pipelines	90	112	84
Corporate	125	55	(49)
Reconciling Elimination	--	(308)	--
Elimination of Non-RER Operations ...	(3)	--	34
Consolidated	$ 7,706	$ --	$ 223

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(1) Reliant Energy Europe was created in the fourth quarter of 1999.

(9) ENVIRONMENTAL MATTERS AND LEGAL PROCEEDINGS

To the extent that potential environmental remediation costs are quantifiable within a range, RER establishes reserves equal to the most likely level of costs within the range and adjusts such accruals as better information becomes available. In determining the amount of the liability, RER does not discount future costs to their present value and does not offset the liability by the amount of expected insurance recoveries. If justified by circumstances within RER's business, subject to SFAS No. 71, RER records corresponding regulatory assets in anticipation of recovery through the rate making process.

Manufactured Gas Plant Sites. Until 1960 RER and its predecessors operated a manufactured gas plant (MGP) adjacent to the Mississippi River in Minnesota, formerly known as Minneapolis Gas Works (FMGW). RER has substantially completed remediation of the main site other than ongoing water monitoring and treatment. The manufactured gas was stored in separate holders. RER is negotiating clean-up of one such holder. There are six other former MGP sites in the Minnesota service territory. Remediation has been completed on one site. Of the remaining five sites, RER believes that two were neither owned nor operated by RER; two were owned by RER at one time but were operated by others and are currently owned by others; and one site was previously owned and operated by RER but is currently owned by others. RER believes it has no liability with respect to the sites it neither owned nor operated.

At September 30, 2000 and December 31, 1999, RER had accrued $18.2 million and $18.8 million, respectively, for remediation of the Minnesota sites. At September 30, 2000, RER estimated the range of possible remediation costs to be $10 million to $47 million. The low end of the range was determined based on only those sites presently owned or known to have been operated by RER, assuming use of RER's proposed remediation methods. The upper end of the range was determined based on the sites once owned by RER, whether or not operated by RER. The cost estimates of the FMGW site are based on studies of that site. The remediation costs for the other sites are based on industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites remediated, the participation of other potentially responsible parties, if any, and the remediation methods used.

Other Minnesota Matters. At September 30, 2000 and December 31, 1999, RER had recorded accruals of approximately $1.2 million (with a maximum estimated exposure of approximately $18 million) for other environmental matters for which remediation may be required.

In its 1995 rate case, Reliant Energy Minnegasco was allowed to recover approximately $7 million annually for environmental remediation costs. In 1998, Reliant Energy Minnegasco received approval to reduce its annual recovery rate to zero. Remediation costs are subject to a true-up mechanism whereby any over or under recovered amounts, net of certain insurance recoveries, plus carrying charges, are deferred for recovery or refund in the next rate case. At both September 30, 2000 and December 31, 1999, Reliant Energy Minnegasco had recovered approximately $13 million, including insurance recoveries. At September 30, 2000 and December 31, 1999, Reliant Energy Minnegasco had recorded a liability of $19.4 million and $20 million, respectively, to cover the cost of future remediation. Reliant Energy Minnegasco expects that approximately 40% of its accrual as of September 30,

2000 will be expended within the next five years. The remainder will be expended on an ongoing basis for an estimated 40 years. In accordance with the provisions of SFAS No. 71, RER recorded a regulatory asset equal to the liability accrued. RER believes the difference between any cash expenditures for these costs and the amount recovered in rates during any year will not be material to RER's financial position, results of operations or cash flows.

Issues relating to the identification and remediation of MGPs are common in the natural gas distribution industry. RER has received notices from the EPA and others regarding its status as a PRP for other sites. Based on current information, RER has not been able to quantify a range of environmental expenditures for potential remediation expenditures with respect to other MGP sites.

Other Environmental Matters. RER from time to time identifies during its operations sources of environmental contamination which require remediation. Sources of contamination can include substances in gas purchased from others as well as contamination caused from equipment and maintenance activities located on RER's system. For example, pipeline and distribution operations have in the past employed elemental mercury in measuring and regulating equipment. It is possible that small amounts of mercury have been spilled in the course of normal maintenance and replacement operations and that such spills have contaminated the immediate area with elemental mercury. RER has found such contamination at some sites in the past, and RER has conducted remediation at sites found to be contaminated. Although RER is not aware of additional specific sites, it is possible that other contaminated sites exist and that remediation costs will be incurred for such sites. Although the total amount of such costs cannot be known at this time, based on the experience of RER and others in the natural gas industry to date and on the current regulations regarding remediation of such sites, RER believes that the cost of any remediation of such sites will not be material to RER's financial position, results of operations or cash flows.

Potentially Responsible Party Notifications. From time to time, RER has received notices from regulatory authorities or others regarding its status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. Considering the information currently known about such sites and the involvement of RER in activities at these sites, RER does not believe that these matters will have a material adverse effect on RER's financial position, results of operations or cash flows.

Other Litigation. RER is a party to litigation (other than that specifically noted) that arises in the normal course of business. Management regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. Management believes that the effect, if any, from the disposition of these matters will not have a material adverse effect on the RER's financial condition, results of operations or cash flows.

MANAGEMENT'S NARRATIVE ANALYSIS OF
THE RESULTS OF OPERATIONS OF RERC AND SUBSIDIARIES

The following narrative analysis should be read in combination with RERC's Interim Financial Statements and notes contained in this Form 10-Q.

RERC meets the conditions specified in General Instruction H(1)(a) and (b) to Form 10-Q and is therefore permitted to use the reduced disclosure format for wholly owned subsidiaries of reporting companies. Accordingly, RER has omitted from this report the information called for by Item 3 (Quantitative and Qualitative Disclosure About Market Risk) of Part I and the following Part II items of Form 10-Q: Item 2 (Changes in Securities and Use of Proceeds), Item 3 (Defaults Upon Senior Securities) and Item 4 (Submission of Matters to a Vote of Security Holders). The following discussion explains material changes in the amount of revenue and expense items of RER between the third quarter and first nine months of 2000 and the third quarter and first nine months of 1999. Reference is made to Management's Narrative Analysis of the Results of Operations in Item 7 of the RERC Form 10-K, the RERC 10-K Notes referred to herein, and RERC First and Second Quarter 10-Q and RERC's Interim Financial Statements contained in this Form 10-Q.

On August 9, 2000, Reliant Energy filed an amended business separation plan with the PUC under which it would divide into two publicly traded companies in order to separate its unregulated businesses from its regulated businesses. For additional information regarding the amended plan, see Note 2 to Reliant Energy's Interim Financial Statements and Note 2 to RERC's Interim Financial Statements.

CONSOLIDATED RESULTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN MILLIONS)			
Operating Revenues	$ 7,273	$ 3,447	$ 14,382	$ 7,706
Operating Expenses	7,272	3,419	14,218	7,483
Operating Income, Net	1	28	164	223
Interest Expense	39	30	100	90
Other (Income) Expense, Net	(5)	(1)	8	(8)
Income Tax (Benefit) Expense	(6)	6	41	71
Net (Loss) Income	$ (27)	$ (7)	$ 15	$ 70

For the third quarter 2000, RER's net loss was $27 million compared to net loss of $7 million for the same period in 1999. The increased loss was primarily a result of increases in operating losses of the Natural Gas Distribution segment and the unregulated gas retail business of the Corporate segment due to costs associated with exiting certain retail gas markets, coupled with start-up cost of the European trading and marketing operations and increased staffing costs to support expanded sales and marketing efforts of the trading and marketing business of the Wholesale Energy segment.

For the first nine months of 2000, RER's net income was $15 million compared to $70 million for the same period in 1999. The decrease was primarily a result of a decrease in operating income of the Natural Gas Distribution segment and the unregulated gas retail business of the Corporate segment due to costs associated with exiting certain retail gas markets, a decrease in other income of $15 million which was primarily caused by a 2000 after-tax impairment loss of $17 million on equity marketable securities classified as "available for sale" and those factors that affected the third quarter earnings.

RER's revenue increased $3.8 billion and $6.7 billion for the third quarter and first nine months of 2000, respectively, compared to the same periods in 1999. The increase for both periods was primarily a result of an increase in sales volumes of natural gas and electricity from trading, marketing and risk management activities and a higher average price for both commodities. Total operating expenses increased by $3.8 billion and $6.7 billion for the third quarter and first nine months of 2000 as compared to those same periods in 1999. The increase was primarily a result of increased natural gas and purchased power usage to support the increase in sales volumes, as well as an increase in the average cost of those commodities. In addition, RER experienced increased levels of operations and maintenance costs as a result of (a) costs associated with exiting certain retail gas markets, (b) increased sales and marketing efforts to support the trading and marketing business of the Wholesale Energy

segment, (c) start-up cost of the European trading and marketing operations and (d) increased information technology costs to support the Natural Gas Distribution and Wholesale Energy segments. The increase in depreciation expense for the third quarter and first nine months of 2000 as compared to those same periods in 1999 was primarily related to the capital expenditures at the Natural Gas Distribution segment. Weather had very little effect on the third quarter earnings of the Natural Gas Distribution segment; however, after giving effect to a partial weather hedge gain of $12 million, weather had a positive effect of approximately $8 million on the first nine months' earnings of 2000 as compared to the same period in 1999. The weather hedge expired in March 2000.

To minimize RER's risks associated with fluctuations in the price of natural gas and transportation, RER, primarily through Reliant Energy Services, enters into futures transactions, swaps and options in order to hedge against market price changes affecting (a) certain commitments to buy, sell and move electric power, natural gas, crude oil and refined products, (b) existing natural gas storage and heating oil inventory, (c) future power sales and natural gas purchases by generation facilities, (d) crude oil and refined products and (e) certain anticipated transactions, some of which carry off-balance sheet risk. Reliant Energy Services also enters into commodity and weather derivatives in its trading and price risk management activities. For a discussion of RER's accounting treatment of derivative instruments, see Note 2 to the RERC 10-K Notes and "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of the Reliant Energy Form 10-K.

Seasonality and Other Factors. RER's results of operations are affected by seasonal fluctuations in the demand for and, to a lesser extent, the price of natural gas and electric power. RER's results of operations are also affected by, among other things, the actions of various federal and state governmental authorities having jurisdiction over rates charged by RER, competition in RER's various business operations, debt service costs and income tax expense.

For a discussion of certain other factors that may affect RER's future earnings see "Management's Discussion and Analysis of Financial Condition and Results of Operations of Reliant Energy and subsidiaries -- Certain Factors Affecting Future Earnings of the Company -- Competition -- Other Operations," "-- Environmental Expenditures" and "-- Other Contingencies" in the Reliant Energy Form 10-K.

NEW ACCOUNTING ISSUES

Reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations of Reliant Energy and subsidiaries -- New Accounting Issues" in Reliant Energy's Form 10-Q for a discussion of certain new accounting issues affecting RER.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reliant Energy:

For a description of legal proceedings affecting the Company, please review Note 11 to the Company's Interim Financial Statements, Item 3 of the Reliant Energy Form 10-K and Notes 3, 4 and 14 of the Reliant Energy 10-K Notes, all of which are incorporated herein by reference.

RERC:

For a description of legal proceedings affecting RER, please review Note 9 to RERC's Interim Financial Statements, Item 3 of the RERC Form 10-K and Note 8 of the RERC 10-K Notes, which are incorporated herein by reference.

ITEM 5. OTHER INFORMATION.

Forward-Looking Statements. From time to time, Reliant Energy and RERC make statements concerning their respective expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements, which are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although Reliant Energy and RERC believe that the expectations and the underlying assumptions reflected in their respective forward-looking statements are reasonable, they cannot assure you that these expectations will prove to be correct. Forward-looking statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the forward-looking statements.

The following are some of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements:

- approval and implementation of the Company's business separation plan,
- state and federal legislative or regulatory developments,
- national or regional economic conditions,
- industrial, commercial and residential growth in service territories of the Company,
- the timing and extent of changes in commodity prices and interest rates,
- weather variations and other natural phenomena,
- growth in opportunities for the Company's diversified operations,
- the results of financing efforts,
- the ability to consummate and the timing of the consummation of pending acquisitions and dispositions,
- the speed, degree and effect of continued electric industry restructuring in North America and Western Europe,
- risks incidental to the Company's overseas operations, including the effects of fluctuations in foreign currency exchange rates, and
- other factors discussed in this and other filings by Reliant Energy and RERC with the Securities and Exchange Commission.

When used in Reliant Energy's or RERC's documents or oral presentations, the words "anticipate," "estimate," "expect," "objective," "projection," "forecast," "goal" and similar words are intended to identify forward-looking statements.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

Reliant Energy:

Exhibit 3	Statement of Resolution Establishing Series of Shares designated Series K Preference Stock.
Exhibit 10	Separation Agreement between Reliant Energy, Incorporated and Lee W. Hogan dated July 28, 2000.
Exhibit 12	Ratio of Earnings to Fixed Charges.
Exhibit 27	Financial Data Schedule.
Exhibit 99(a)	Items incorporated by reference from the Reliant Energy Form 10-K: Item 3 "Legal Proceedings," Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company - Certain Factors Affecting Future Earnings of the Company," Item 7A "Quantitative and Qualitative Disclosures About Market Risk" and Notes 1(d) (Regulatory Assets), 1(m) (Foreign Currency Adjustments), 2 (Business Acquisitions), 3 (Texas Electric Choice Plan and Discontinuance of SFAS No. 71 for Electric Generation Operations), 4 (Transition Plan), 5 (Derivative Financial Instruments), 6 (Jointly Owned Electric Utility Plant), 7 (Equity Investments and Advances to Unconsolidated Subsidiaries), 8 (Indexed Debt Securities (ACES and ZENS) and Time Warner Securities) and 14 (Commitments and Contingencies) of the Reliant Energy 10-K Notes.
Exhibit 99(b)	Combined Form 8-K of Reliant Energy and RERC filed July 27, 2000, regarding the proposed restructuring of the Company.

RERC:

Exhibit 12	Ratio of Earnings to Fixed Charges.
Exhibit 27	Financial Data Schedule.
Exhibit 99(a)	Items incorporated by reference from the Reliant Energy and RER Form 10-K: Item 3 "Legal Proceedings," Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company - Certain Factors Affecting Future Earnings of the Company and its Subsidiaries" and Item 7A "Quantitative and Qualitative Disclosures About Market Risk." Items incorporated by reference from the RERC 10-K: Item 7 "Management's Narrative Analysis of the Results of Operations of RERC and its Consolidated Subsidiaries" and Notes 1(c) (Regulatory Assets and Regulation), 2 (Derivative Financial Instruments) and 8 (Commitments and Contingencies) of the RER 10-K Notes.
Exhibit 99(b)	Combined Form 8-K of Reliant Energy and RERC filed July 27, 2000, regarding the proposed restructuring of the Company.

(b) Reports on Form 8-K.

Reliant Energy:

Combined Form 8-K of Reliant Energy and RERC filed October 25, 2000, regarding the quarterly earnings of the Company.

RERC:

Combined Form 8-K of Reliant Energy and RERC filed October 25, 2000, regarding the quarterly earnings of the Company.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RELIANT ENERGY, INCORPORATED
(Registrant)

By: /s/ Mary P. Ricciardello

Mary P. Ricciardello
Senior Vice President and Chief Accounting Officer

Date: November 14, 2000

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RELIANT ENERGY RESOURCES CORP.
(Registrant)

By: /s/ Mary P. Ricciardello

Mary P. Ricciardello
Senior Vice President

Date: November 14, 2000

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
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Exhibit 99(b)	Combined Form 8-K of Reliant Energy and RERC filed July 27, 2000, regarding the proposed restructuring of the Company.

EXHIBIT 3

STATEMENT OF RESOLUTION ESTABLISHING SERIES OF SHARES

designated

SERIES K PREFERENCE STOCK

of

RELIANT ENERGY, INCORPORATED

Pursuant to Article 2.13D of
the Texas Business Corporation Act

Pursuant to the provisions of Article 2.13D of the Texas Business Corporation Act, the undersigned corporation submits the following statement for the purpose of establishing and designating a series of shares of its Preference Stock, without par value, designated "Series K Preference Stock" and fixing and determining the relative rights and preferences thereof:

1. The name of the corporation is RELIANT ENERGY, INCORPORATED (the "Company").

2. The following resolution establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof, was duly adopted by all necessary action on the part of the Company on August 18, 2000:

RESOLVED, that pursuant to the authority vested in the Finance Committee and the Preference Stock Committee, acting separately and/or concurrently, by the Board of Directors of this Company in accordance with the provisions of the Restated Articles of Incorporation, a series of Preference Stock, without par value, of the Company be and hereby is created, and that the designation and number of shares thereof and the preferences, limitations and relative rights, including voting rights, of the shares of such series and the qualifications, limitations and restrictions thereof are as follows:

SERIES K PREFERENCE STOCK

1. Designation and Amount. There shall be a series of Preference Stock that shall be designated as "Series K Preference Stock," and the number of shares constituting such series shall be 11,580. Such number of shares may be increased or decreased by resolution of the Finance Committee and the Preference Stock Committee, acting separately and/or concurrently; provided, however, that no decrease shall reduce the number of shares of Series K Preference Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Company.

2. Certain Defined Terms.

Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in that certain $1,100,000,000 Senior C Credit Agreement (the "Credit Agreement") to be entered into among Houston Industries FinanceCo, LP, a Delaware limited partnership to be the Borrower thereunder, the Company, the lenders parties thereto and The Chase Manhattan Bank, as the Administrative Agent, and Chase Securities Inc. as Lead Arranger and Sole Book Manager thereunder on or after August 24, 2000. In addition, the following terms are used herein as defined below:

(i) "Computed Dividend Portion" means, within any Dividend Interval Period, an amount equal to the interest expense accrued on the indebtedness for borrowed money of the Borrower from the prior Dividend Payment Date to the Determination Date for the current Dividend Interval Period.

(ii) "Determination Date" means the date occurring five Business Days prior to a Dividend Declaration Date.

(iii) "Dividend" means the dividend on the Series K Preference Stock declared by the Company's Board of Directors with respect to a Dividend Interval Period.

(iv) "Dividend Declaration Amount" means, as of any Determination Date, the Preliminary Dividend Amount, less the sum of (a) the Interest Reconciliation Amount, (b) the Support Agreement Reconciliation Amount, and (c) the Other Sources Reconciliation Amount. The Dividend Declaration Amount may be greater than or less than the Preliminary Dividend Amount.

(v) "Dividend Declaration Date" means the date on which Dividends on the Series K Preference Stock are declared (or would have been declared but for the fact that the amount of the Dividend determined in accordance herewith would have been zero) during a Dividend Interval Period by the Company's Board of Directors.

(vi) "Dividend Interval Period" means the period beginning on a Dividend Payment Date and extending to the next Dividend Payment Date.

(vii) "Dividend Payment Date" means the date occurring five Business Days after a Dividend Declaration Date.

(viii) "Interest Reconciliation Amount" means an amount equal to (a) the Preliminary Dividend Amount computed for the prior Dividend Interval Period, less (b) the actual interest expense accrued on the indebtedness for borrowed money of the Borrower during such period.

(ix) "Other Sources Reconciliation Amount" means the sum of (a) to the extent applied to pay interest on the indebtedness for borrowed money of the Borrower or available in cash on the current Determination Date therefor, the amount of income or cash proceeds received by the Borrower from sources other than pursuant to the Support Agreement (including, without limitation, interest received on loans to Affiliates), and (b) the cash proceeds of new borrowings under the Credit Agreement or any other Permitted Facility that are utilized to pay interest on outstanding borrowings thereunder, from the Determination Date occurring in the Prior Dividend Interval Period to the Determination Date occurring in the current Dividend Interval Period.

(x) "Preliminary Dividend Amount" means the sum of the Computed Dividend Portion and the Projected Dividend Portion.

(xi) "Projected Dividend Portion" means, within any Dividend Interval Period, an amount equal to the projected interest expense that will be accrued on the indebtedness for borrowed money of the Borrower from the Determination Date for such Dividend Interval Period to the Dividend Payment Date.

(xii) "Support Agreement Reconciliation Amount" means the amount of cash payments made pursuant to the Support Agreement by the Company to the Borrower from the Determination Date occurring in the immediately prior Dividend Interval Period to the Determination Date occurring in the current Dividend Interval Period.

3. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of (i) any shares of any series of Preference Stock ranking prior and superior to the shares of Series K Preference Stock with respect to dividends and (ii) any shares of Preferred Stock, the holders of shares of Series K Preference Stock, in preference to the holders of shares of any class or series of stock of the Company ranking junior to the Series K Preference Stock, shall be entitled to receive the amounts set forth below, when, as and if declared by the Board of Directors in the manner described below out of assets of the Company legally available for the purpose:

(i) On every regularly scheduled meeting of the Company's Board of Directors while any shares of Series K Preference Stock remain outstanding, the Board of Directors shall declare an aggregate Dividend (if a positive amount) equal to the lesser of (a) the Dividend Declaration Amount or (b) the Excess Cash Flow projected to be available as of the applicable Dividend Payment Date with respect to the then current Dividend Interval Period.

(ii) If, with respect to any Dividend Interval Period, the aggregate Dividend declared by the Company's Board of Directors is less than the Dividend Declaration Amount for such Dividend Interval Period because the Excess Cash Flow projected to be available as of the applicable Dividend Payment Date is less than the Dividend Declaration Amount, the amount of such deficiency shall be added to the Dividend Declaration Amount computed for the next Dividend Interval Period and such aggregate amount shall become the Dividend Declaration Amount for such period. The Dividend for such succeeding Dividend Interval

Period shall equal the Dividend Declaration Amount unless such amount would exceed the Excess Cash Flow projected to be available as of the applicable Dividend Payment Date, in which case the Dividend shall be the amount of the projected Excess Cash Flow.

(iii) The aggregate Dividends paid on the shares of Series K Preference Stock in accordance with this Section 3(A) shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(B) Accrued but unpaid dividends shall not bear interest. The Board of Directors may fix a record date for the determination of holders of shares of Series K Preference Stock entitled to receive payment of a dividend or distribution declared thereon.

4. Voting Rights. Except as otherwise required by law or the Restated Articles of Incorporation of the Company or as otherwise provided herein, the holders of shares of Series K Preference Stock shall have no voting rights.

5. Certain Restrictions. At any time when dividends or distributions payable on the Series K Preference Stock as provided in Section 3 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series K Preference Stock outstanding shall have been paid in full, the Company shall not:

(i) declare dividends on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series K Preference Stock; or

(ii) declare dividends on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series K Preference Stock, except dividends declared ratably on the Series K Preference Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled.

6. Reacquired Shares. Any shares of Series K Preference Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preference Stock and may be reissued as part of a new series of Preference Stock to be created by resolution or resolutions of the Board of Directors, subject to any conditions and restrictions on issuance set forth herein.

7. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Company, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series K Preference Stock unless, prior thereto, the holders of shares of Series K Preference Stock shall have received $100,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series K Liquidation Preference"). Following the

payment of the full amount of the Series K Liquidation Preference, no additional distributions shall be made to the holders of shares of Series K Preference Stock.

(B) In the event that there are not sufficient assets available to permit payment in full of the Series K Liquidation Preference and the liquidation preferences of all other series of Preference Stock, if any, that rank on a parity with the Series K Preference Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

(C) Neither the merger or consolidation of the Company into or with another corporation nor the merger or consolidation of any other corporation into or with the Company shall be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of this Section 7, but the sale, lease or conveyance of all or substantially all of the Company's assets shall be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of this Section 7.

8. Redemption.

(A) The Company, at its option, may redeem shares of the Series K Preference Stock in whole at any time and in part from time to time, at a redemption price equal to $100,000 per share plus, in the event all outstanding shares of the Series K Preference Stock are to be redeemed, unpaid accumulated dividends to the date of redemption.

(B) In the event that fewer than all the outstanding shares of the Series K Preference Stock are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors or by any other method that may be determined by the Board of Directors in its sole discretion to be equitable.

(C) Except to the extent notice is waived in accordance with applicable law, notice of any such redemption shall be given by mailing to the holders of the shares of Series K Preference Stock to be redeemed a notice of such redemption, first class postage prepaid, not later than the twentieth day and not earlier than the sixtieth day before the date fixed for redemption, at their last address as the same shall appear upon the books of the Company. Each such notice shall state: (i) the redemption date; (ii) the number of shares to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the close of business on such redemption date. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the shareholder received such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of Series K Preference Stock shall not affect the validity of the proceedings for the redemption of any other shares of Series K Preference Stock that are to be redeemed. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Company at the place designated in such notice and shall thereupon be entitled to receive payment of the

redemption price. If fewer than all the shares represented by any such surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(D) The shares of Series K Preference Stock shall not be subject to the operation of any purchase, retirement or sinking fund.

9. Ranking. The Series K Preference Stock shall rank junior to all series of the Company's Preferred Stock and pari passu with all other series of the Company's Preference Stock (other than any such series of Preference Stock the terms of which shall provide otherwise) in respect to dividend and liquidation rights and shall rank senior to the Common Stock as to such matters.

10. Amendment. At any time that any shares of Series K Preference Stock are outstanding, the Restated Articles of Incorporation of the Company shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series K Preference Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds or more of the outstanding shares of Series K Preference Stock, voting separately as a class.

11. Fractional Shares. Series K Preference Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to exercise any voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series K Preference Stock.

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IN WITNESS WHEREOF, RELIANT ENERGY, INCORPORATED has caused this Statement to be executed on its behalf by the undersigned officer this 22nd day of August, 2000.

RELIANT ENERGY, INCORPORATED

/s/ MARC KILBRIDE

Name: Marc Kilbride
Title: Treasurer

EXHIBIT 10

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (this "Agreement") is entered into by and between RELIANT ENERGY, INCORPORATED, a Texas corporation (said corporation, together with its successors and assigns permitted under this Agreement, hereinafter referred to as the "Company"), and LEE W. HOGAN ("Executive"), this 28th day of July, 2000.

WITNESSETH:

WHEREAS, effective as of July 28, 2000, the Executive shall terminate employment with the Company; and

WHEREAS, the Company and Executive desire to confirm and clarify their agreements regarding the termination of Executive's employment, as well as to provide for certain additional matters set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to the following:

1. CERTAIN DEFINITIONS

"AICP" shall mean the Company's Annual Incentive Compensation Plan, as in effect from time to time, or any similar successor plan adopted by the Company.

"ANNUAL BASE SALARY" shall mean Executive's current annual base salary of $550,000.

"BOARD" shall mean the Board of Directors of the Company.

"DATE OF TERMINATION" shall mean July 28, 2000.

"DEFERRED COMPENSATION PLAN" shall mean each of the Deferred Compensation Plan (amended and restated effective January 1, 1991), the Deferred Compensation Plan (amended and restated effective January 1, 1989) and the Deferred Compensation Plan (amended and restated effective September 1, 1985), each of which is sponsored by the Company, as in effect from time to time.

"LICP" shall mean the Company's Long-Term Incentive Compensation Plan, as in effect from time to time, or any similar successor plan adopted by the Company.

"RELEASE DATE" shall mean the date that is seven (7) days after Executive's execution and delivery of the Waiver and Release as described in Section 5, provided that the Executive has not revoked the Waiver and Release before such time.

"RETIREMENT PLAN" shall mean the Reliant Energy, Incorporated Retirement Plan.

"SERP" shall mean the Benefit Restoration Plan of the Company.

"STOCK" shall mean the Common Stock, without par value, of the Company.

"SUPPLEMENTAL PENSION AGREEMENT" shall mean the letter agreement between the Company and Executive dated July 17, 1996 setting forth certain agreements regarding supplemental pension payments by the Company.

2. TERMINATION OF EMPLOYMENT. Executive's employment with the Company shall terminate on the Date of Termination. Through the Date of Termination, the Company shall pay to Executive all accrued and unpaid Annual Base Salary in accordance with the Company's normal payroll procedures.

3. PAYMENTS AND BENEFITS UPON TERMINATION. In exchange for the Executive's execution of a Waiver and Release as provided in Section 5 and performance of the post-employment obligations set forth in Section 4, the Company shall pay or provide the following amounts and benefits, as described below.

A. As a severance payment, the Company shall pay to the Executive a lump sum cash payment of $4,042,547, which is determined by the following formula:

(i) Three (3) times the Executive's Annual Base Salary, or $1,650,000, plus

(ii) Three (3) times the Executive's target incentive opportunity under the AICP, or $1,155,000 (this amount is in addition to the payment described in Section 3.D. below), plus

(iii) A cash amount equal to the total target amount (a dollar amount based upon a percentage of the Executive's Annual Base Salary) granted to Executive as a Restricted Stock Award or Option under the LICP, or $1,237,547.

The lump-sum severance payment pursuant to this Section 3.A. shall be made within 15 business days after the Release Date.

B. Outstanding Restricted Stock Awards (as defined in the LICP) under the LICP shall be treated in accordance with the terms of the LICP. Accordingly, any Restricted Stock Award for the 2000-2002 Performance Cycle, as defined in the LICP, will be forfeited, as the Executive's termination will occur in the first year of this Performance Cycle. With respect to Restricted Stock Awards for the 1998-2000 Performance Cycle and 1999-2001 Performance Cycle, the Committee, as defined in the LICP, will make a determination as to the extent that the performance goals for the relevant performance cycles are expected to have been met. As soon as practicable after December 31, 2000, the Executive shall be delivered a number of shares of

Stock based on the Committee's determination and prorated based on the number of days that have elapsed in each Performance Cycle as of the Date of Termination.

C. Executive's outstanding Options (as defined in the LICP) under the LICP shall be treated in accordance with the terms of the LICP. Accordingly, to the extent Executive is vested in his existing Options, the Options shall remain exercisable until the date that is three (3) years (or one (1) year, whichever is applicable under the governing agreement and/or plan for the particular Option) following the Date of Termination.

D. For the year 2000, Executive shall receive a payment under the AICP in an amount which is Executive's target award prorated based on the amount of his Compensation (as defined in the AICP) earned in the year 2000 prior to the Date of Termination. The payment pursuant to this Section 3.D. shall be made at the same time as the severance payment made pursuant to Section 3.A.

E. Executive's benefits under the Retirement Plan and SERP will commence on the date, and in the amount(s), determined by the terms of such plans. In addition, the Supplemental Pension Agreement shall be amended and superceded, such that Executive or, in the event of his death, his beneficiary under the Retirement Plan, shall be paid a supplemental pension determined in the same manner as the pension payable under the Retirement Plan, but as if Executive had achieved 30 years of service for all purposes under the Retirement Plan and attained age 60 as of the Date of Termination; provided, however, that should Executive elect to receive payments under the Retirement Plan prior to attaining age 60, the supplemental pension will be reduced in the same manner as provided in the Retirement Plan for an early pension that commences prior to age 60. Executive shall not be considered or treated as having achieved such age and service credit for any other purpose. The supplemental pension shall be reduced by any benefit actually received by Executive under the Retirement Plan or SERP. The supplemental pension shall commence at the same time and in the same form as Executive's benefits under the Retirement Plan and SERP. For pension purposes, the severance payment pursuant to Section 3.A. shall not be included in Executive's compensation. The amounts of the supplemental pension payments made pursuant to this Section 3.E. (when added to the amounts payable under the Retirement Plan and SERP) shall not be less than the amounts specified for the applicable payment options and annuity starting dates specified on the attached Schedule 3.E.

F. Without further action on his part (other than completion of necessary enrollment forms), upon the Date of Termination, Executive shall be treated as a retiree and Executive shall be eligible for retiree coverage under Company group insurance plans including, without limitation, medical, prescription, dental, group life, accidental death and travel accident insurance plans and programs to the extent applicable generally to other similarly situated senior executives of the Company, if coverage is available under the terms of such insurance plans, and such coverage shall be subject to all terms and conditions of such plans and policies, including the Company's right to amend or terminate such plans or policies at any time. Executive shall bear the expense of any such coverage on the same basis as other retirees eligible for welfare continuation coverage from the Company.

G. Executive's payments pursuant to the Deferred Compensation Plan shall commence as of the date, and in the amount(s), determined by the terms of such plan.

H. Following the Date of Termination, Executive shall continue to participate in the Company's Executive Life Insurance Plan on the same basis as he participates in such plan as of the Date of Termination.

I. As soon as practicable after the Date of Termination, the Company will reimburse Executive for business expenses which were incurred before the Date of Termination in the ordinary course of his duties with the Company and which are reimbursable under the Company's normal reimbursement policies and procedures. In addition, the Company shall transfer to Executive the laptop computer and Palm Pilot personal digital assistant currently used by Executive in the course of his duties, along with the software (and accompanying licenses) currently installed on such devices; provided, however, that (i) the Company shall be under no obligation to transfer to Executive network-based software or data that is merely accessed by Executive via his laptop or personal digital assistant and not locally installed on such devices and (ii) Executive shall submit his laptop computer and Palm Pilot for review by qualified Company personnel. Following review pursuant to subparagraph (ii) above, material contained on the hard drive of his laptop computer or resident in the Palm Pilot's memory that is deemed by the Company to be Confidential Information shall be wiped from memory. However, the Palm Pilot datebook and address data shall be exempted from this process and Executive shall be permitted to retain such software and data.

J. Within 60 days after the Date of Termination, the Company will reimburse Executive's legal and accounting fees and expenses incurred in the review and negotiation of this Agreement. The Company's reimbursement obligation will not extend to any disputes arising under this Agreement following execution, except to the extent set forth in Section 9.E.

K. Executive shall be entitled to receive the benefits to which he is otherwise entitled pursuant to the terms of any employee benefit plan of the Company or its affiliates based upon his service with the Company through the Date of Termination.

L. In lieu of providing Executive with office space, the Company will pay to Executive a lump sum of $70,000 as an allowance for office space for two years. In addition, the Company agrees to continue to provide at its sole expenses the services of Executive's current assistant full-time until the earlier of (a) Executive accepting an offer of employment or (b) the second anniversary of the Date of Termination. If Executive's current assistant is unwilling to fill this position, the Company will pay to Executive a lump sum of $130,000.

4. POST-EMPLOYMENT OBLIGATIONS:

A. The Company has provided Executive with Confidential Information regarding the Company and the Company's business and has agreed to make certain payments pursuant to Section 3 hereof. In return for this and the other consideration provided under this Agreement, Executive agrees that he will not disclose or make available to any other person or entity, or use for his own personal gain, any Confidential Information, except for such disclosures as required

(i) by law or legal process, (ii) in the performance of Executive's obligations hereunder, (iii) in connection with the enforcement of Executive's rights under this Agreement, or (iv) in connection with the defense or settlement of any claim, suit or action brought against Executive by the Company. For purposes of this Agreement, "Confidential Information" shall mean any and all information, data and knowledge that has been created, discovered, developed or otherwise become known to the Company or in which property rights have been assigned or otherwise conveyed to the Company, which information, data or knowledge has commercial value in the business in which the Company is engaged, except such information, data or knowledge as is or becomes known to the public without violation of the terms of this Agreement. By way of illustration, but not limitation, Confidential Information includes business trade secrets, secrets concerning the Company's plans and strategies, nonpublic information concerning material market opportunities, technical trade secrets, processes, formulas, know-how, improvements, discoveries, developments, designs, inventions, techniques, marketing plans, manuals, records of research, reports, memoranda, computer software, strategies, forecasts, new products, unpublished financial statements or parts thereof, budgets or other financial information, projections, licenses, prices, costs, and employee, customer information, customer lists and supplier lists or parts thereof.

B. Executive agrees that as of the Date of Termination he will deliver to the Company (and will not keep in his possession, recreate or deliver to anyone else) all Confidential Information as well as all other devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment (except as specifically set forth in Section 3.I.), customer or client lists or information, or any other documents or property (including all reproductions of the aforementioned items) belonging to the Company, regardless of whether such items were prepared by Executive.

C. Executive acknowledges that a significant portion of the Company's business is conducted in the counties located (or partially located) within a 100-mile radius of the Greater Houston, Texas area (such counties are herein referred to as the "Business Area"). Executive further acknowledges that the skills, processes and Confidential Information developed at the Company could be utilized to the Company's detriment with any other business in the Business Area involved in the power generation, wholesale or retail business (a "Competitive Product"). Accordingly, for consideration provided to Executive pursuant to this Agreement, Executive agrees to be bound by the following restrictive covenants:

1. For a period of one (1) year after the Date of Termination, Executive shall not, acting alone or in conjunction with others, directly or indirectly, invest or engage, directly or indirectly, in any business in the Business Area involved in researching, developing, or marketing a Competitive Product or accept employment with or render services to such a business as a director, officer, agent, employee, independent contractor or consultant, or take any action inconsistent with the fiduciary relationship of an employee to his employer; provided, however, that the beneficial ownership by Executive of up to 5% of the voting stock of any corporation subject to the periodic reporting requirements of the Securities Exchange Act of 1934 shall not violate this Section 4.C.

2. Executive acknowledges that these restrictive covenants under this Section 4, for which he received consideration from the Company as provided in this Section 4, are ancillary to otherwise enforceable provisions of this Agreement and that these restrictive covenants contain limitations as to time, geographical area, and scope of activity to be restrained that are reasonable and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company, such as the Company's need to protect its Confidential Information. Executive acknowledges that in the event of a breach by Executive of these restrictive covenants, money damages will not be a sufficient remedy, and the covenants may be enforced by temporary restraining order, preliminary or temporary injunction, and permanent injunction. In that connection, Executive acknowledges that, in the event of a breach, the Company will suffer irreparable injury for which there is no adequate legal remedy, in part because damages caused by the breach may be difficult to prove with any reasonable degree of certainty.

3. Notwithstanding any provision of this Agreement to the contrary, for purposes of the obligations of this Section 4, "Company" means the Company or an Affiliate or any successor to the Company or an Affiliate and "employment" means employment as an employee with the Company, any Affiliate or any such successor. For purposes of this Agreement, the term "Affiliate" means (i) any corporation or other entity in which the shares or other measure of ownership owned or controlled directly or indirectly by the Company shall represent 40% or more of the voting power of the issued and outstanding stock or other measure of ownership of such corporation or entity and (ii) any other company or organization controlled by, controlling or under common control with the Company within the meaning of Section 414 of the Internal Revenue Code of 1986, as amended.

D. As a material inducement to the Company to enter into this Agreement, Executive agrees that he will not (i) publicly criticize or disparage the Company or any Related Party, or privately criticize or disparage the Company or any Related Party in a manner intended or reasonably calculated to result in public embarrassment to, or injury to the reputation of, the Company or any Related Party in any community in which the Company or any Related Party is engaged in business; (ii) commit damage to the property of the Company or any Related Party or otherwise engage in any misconduct which is injurious to the business or reputation of the Company or any Related Party; or (iii) take any other action, or assist any person in taking any other action, that is materially adverse to the interests of the Company or any Related Party or inconsistent with fostering the goodwill of the Company or any Related Party. As used in this section, the term "Related Party" means the Company, any subsidiary, Affiliate or successor to the Company or any Affiliate, any officer, director or executive of the Company or any subsidiary, and any former officer, director or executive of the Company or any subsidiary.

E. As a material inducement to Executive to enter into this Agreement, the Company agrees that it will not publicly criticize or disparage Executive or privately criticize or disparage Executive in a manner intended or reasonably calculated to result in public embarrassment to, or

injury to the reputation of, Executive in any community in which Executive is employed or conducts business.

F. Executive agrees that for a period of one year after the Date of Termination, Executive will furnish such information and proper assistance as may be reasonably necessary in connection with any business of the Company or an Affiliate or any litigation in which the Company or any Affiliate is then or may become involved. If called upon to furnish such assistance, the Company will promptly pay or reimburse Executive for any expenses incurred in providing any such information or assistance, including, but not limited to, his travel and legal expenses, and will pay all costs of Executive's legal representation should his provision of such information or assistance cause him to be named as a party litigant, to be served with subpoenas or other legal process, or otherwise cause him to become entangled in Company litigation.

G. If it is determined by a court of competent jurisdiction in Texas that any restriction in this Section 4 is excessive in duration or scope or is unreasonable or unenforceable under the laws of Texas, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the laws of Texas.

H. The Company does not currently intend to issue a press release regarding the circumstances of Executive's termination, and agrees that it will not issue such a press release without Executive's approval and consent to the contents of such release.

I. The Company agrees to indemnify Executive for any claims, including associated legal fees and expenses, that may be asserted against Executive account of Executive's good-faith execution of his employment with the Company, but only to the extent that Executive was indemnified by the Company against such claims during his employment with the Company. The Company shall provide for a period of 6 years continued coverage to Executive under the Company's officers and directors liability insurance policies relating to the period during which Executive was a director and/or officer as is maintained for others who were directors and officers during such period or continue to be directors and officers.

J. The Company and Executive agree and acknowledge that the separation covered by this Agreement is not in connection with or in anticipation of a change of control of the Company. Notwithstanding the foregoing, in the event that any payment, benefit or distribution by the Company to or for the benefit of the Executive as provided in this Agreement ("Payments") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any interest or penalties incurred by Executive in respect of such excise tax, then the Executive shall be entitled to receive an additional gross up amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes) imposed upon the gross up payment, the Executive retains an amount of the gross up payment equal to the excise tax imposed on the Payments.

5. WAIVER AND RELEASE: As a condition precedent to the receipt of the benefits under this Agreement, Executive shall execute a waiver and release of claims, in substantially the form attached hereto as Exhibit A.

6. SUCCESSORS:

A. This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

B. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

C. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

7. SOURCE OF PAYMENTS: All payments provided in this Agreement shall, unless the plan or program pursuant to which they are made provides otherwise, be paid in cash from the general funds of the Company, and no special or separate funds shall be established and no other segregation of assets shall be made to assure payment. Executive shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. Nothing contained in this Agreement, and no action taken pursuant to this provision, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and Executive or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

8. CONSOLIDATION, MERGER OR SALE OF ASSETS: Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of the Company hereunder; provided that no such action shall diminish the Executive's rights hereunder. Upon such a consolidation, merger or transfer of assets and assumption, the term "Company" as used herein shall mean such other corporation.

9. MISCELLANEOUS:

A. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. Further, Executive agrees that any legal proceeding to enforce the provisions of this Agreement shall be brought in Houston, Harris County, Texas, and hereby waives his right to any pleas regarding subject matter or personal jurisdiction and venue. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

B. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified-mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Lee W. Hogan
5312 Bayou Glen
Houston, Texas 77056

If to the Company: Reliant Energy, Incorporated
P.O. Box 4567
Houston, Texas 77210

ATTENTION: Mr. Hugh Rice Kelly
Executive Vice President,
General Counsel and Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

C. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

D. The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

E. In the event that Executive makes a demand upon the Company for any benefits or amounts due hereunder and the Company rejects such demand, and Executive ultimately prevails in litigation resulting therefrom, the Company shall reimburse Executive for reasonable attorney fees incurred by Executive in enforcing rights to which Executive shall have become entitled pursuant to this Agreement.

F. Except as specifically contemplated by this Agreement, this Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior written or oral agreements, arrangements or understandings between the Company and Executive.

IN WITNESS WHEREOF, each of the parties hereto has hereunto set its hand and has caused these presents to be executed in its name and on its behalf, all on the day and year first above written, but effective as of the Date of Termination.

RELIANT ENERGY, INCORPORATED

By /s/ R. S. LETBETTER

R. S. Letbetter, Chief Executive Officer

EXECUTIVE

/s/ LEE W. HOGAN

Lee W. Hogan

EXHIBIT 12

RELIANT ENERGY, INCORPORATED AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(THOUSANDS OF DOLLARS)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	TWELVE MONTHS ENDED SEPTEMBER 30, 2000
Income from continuing operations	$ 738,702	$ 849,276
Income taxes for continuing operations	388,978	415,791
Capitalized interest	(30,437)	(37,151)
	1,097,243	1,227,916
Fixed charges, as defined:		
Interest	536,780	679,495
Capitalized interest	30,437	37,151
Distribution on trust preferred securities	40,458	53,245
Interest component of rentals charged to operating expense	11,544	15,973
Total fixed charges	619,219	785,864
Earnings, as defined	$ 1,716,462	$ 2,013,780
Ratio of earnings	2.77	2.56

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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RELIANT ENERGY, INC.
1,000

9-MOS
DEC-31-2000
SEP-30-2000
PER-BOOK
9,464,483
6,385,431
6,255,860
6,533,301
0
28,639,075
2,950,136
0
2,806,723
5,756,859
705,244
9,740
5,449,463
0
1,225,281
3,950,811
1,566,973
0
11,610
930
9,962,164
28,639,075
19,521,316
388,978
17,903,790
17,903,790
1,617,526
54,379
1,671,905
536,780
746,147
292
745,855
319,467
96,613
951,689
2.62
2.60

EXHIBIT 99.a

RELIANT ENERGY INCORPORATED
Items Incorporated by Reference

ITEMS INCORPORATED BY REFERENCE FROM THE RELIANT ENERGY FORM 10-K:

o ITEM 3. LEGAL PROCEEDINGS

(a) Reliant Energy.

For a description of certain legal and regulatory proceedings affecting the Company, see Notes 3, 4, 14(h) and 14(i) to the Company's Consolidated Financial Statements, which notes are incorporated herein by reference.

o ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE COMPANY -- CERTAIN FACTORS AFFECTING FUTURE EARNINGS OF THE COMPANY

Earnings for the past three years are not necessarily indicative of future earnings and results. The level of future earnings depends on numerous factors including (i) state and federal legislative or regulatory developments, (ii) national or regional economic conditions, (iii) industrial, commercial and residential growth in service territories of the Company, (iv) the timing and extent of changes in commodity prices and interest rates, (v) weather variations and other natural phenomena, (vi) growth in opportunities for the Company's diversified operations, (vii) the results of financing efforts, (viii) the ability to consummate and timing of consummation of pending acquisitions and dispositions, (ix) the speed, degree and effect of continued electric industry restructuring in North America and Western Europe, and (x) risks incidental to the Company's overseas operations, including the effects of fluctuations in foreign currency exchange rates.

In order to adapt to the increasingly competitive environment, the Company continues to evaluate a wide array of potential business strategies, including business combinations or acquisitions involving other utility or non-utility businesses or properties, internal restructuring, reorganizations or dispositions of currently owned businesses and new products, services and customer strategies.

COMPETITION AND RESTRUCTURING OF THE TEXAS ELECTRIC UTILITY INDUSTRY

The electric utility industry is becoming increasingly competitive due to changing government regulations, technological developments and the availability of alternative energy sources.

Texas Electric Choice Plan. In June 1999, the Texas legislature adopted legislation that substantially amends the regulatory structure governing electric utilities in Texas in order to allow retail competition beginning with respect to pilot projects for up to 5% of each utility's load in all customer classes in June 2001 and for all other customers on January 1, 2002. In preparation for that competition, the Company expects to make significant changes in the electric utility operations it conducts through Reliant Energy HL&P. Under the Legislation, on January 1, 2002, most retail customers of investor-owned electric utilities in Texas will be entitled to purchase their electricity from any of a number of "retail electric providers" which will have been certified by the Texas Utility Commission. Power generators will sell electric energy to wholesale purchasers, including retail electric providers, at unregulated rates beginning January 1, 2002. For further information regarding the Legislation, see Note 3 to the Company's Consolidated Financial Statements.

Stranded Costs. Pursuant to the Legislation, Reliant Energy HL&P will be entitled to recover its stranded costs (i.e., the excess of net book value of generation assets, as defined by the Legislation, over the market value of those assets) and its regulatory assets related to generation. The Legislation prescribes specific methods for determining the amount of stranded costs and the details for their recovery. However, during the base rate freeze period from 1999 through 2001, earnings above the utility's authorized return formula will be applied in a manner to accelerate depreciation of generation related plant assets for regulatory purposes. In addition, depreciation expense for transmission and

distribution related assets may be redirected to generation assets for regulatory purposes during that period. The Legislation also provides for Reliant Energy HL&P, or a special purpose entity, to issue securitization bonds for the recovery of generation related regulatory assets and stranded costs. Any stranded costs not recovered through the securitization bonds will be recovered through a non-bypassable charge to transmission and distribution customers.

Accounting. At June 30, 1999, the Company performed an impairment test of its previously regulated electric generation assets pursuant to SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", on a plant specific basis. The Company determined that $797 million of electric generation assets were impaired as of June 30, 1999. Of such amounts, $745 million relate to the South Texas Project and $52 million relate to two gas-fired generation plants. The Legislation provides recovery of this impairment through regulated cash flows during the transition period and through non-bypassable charges to transmission and distribution customers. As such, a regulatory asset has been recorded for an amount equal to the impairment loss and is included on the Company's Consolidated Balance Sheets as a regulatory asset.

The impairment analysis requires estimates of possible future market prices, load growth, competition and many other factors over the lives of the plants. The resulting impairment loss is highly dependent on these underlying assumptions. In addition, after January 10, 2004, Reliant Energy HL&P must finalize and reconcile stranded costs (as defined by the Legislation) in a filing with the Texas Utility Commission. Any difference between the fair market value and the regulatory net book value of the generation assets (as defined by the Legislation) will either be refunded or collected through future transmission and distribution rates. This final reconciliation allows alternative methods of third party valuation of the fair market value of these assets, including outright sale, stock valuations and asset exchanges. Because generally accepted accounting principles require the Company to estimate fair market values on a plant-by-plant basis in advance of the final reconciliation, the financial impacts of the Legislation with respect to stranded costs are subject to material changes. Factors affecting such change may include estimation risk, uncertainty of future energy prices and the economic lives of the plants. If events occur that make the recovery of all or a portion of the regulatory assets associated with the generation plant impairment loss and deferred debits created from discontinuance of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" pursuant to the Legislation no longer probable, the Company will write off the corresponding balance of such assets as a non-cash charge against earnings.

In the fourth quarter of 1999, Reliant Energy HL&P filed an application to securitize its generation related regulatory assets as defined by the Legislation. The Texas Utility Commission, Reliant Energy HL&P and other interested parties have been discussing proposed methodologies for calculating the amount of such assets to be securitized. The parties have reached an agreement in principle as to the amount to be securitized, which reflects the economic value of the nominal book amount which prior to the deregulation legislation would have been collected through rates over a much longer time period. The Company has determined that a pre-tax accounting loss of $282 million exists. Therefore, the Company recorded an after-tax extraordinary loss of $183 million for this accounting impairment of these regulatory assets in 1999.

Transmission System Open Access. In February 1996, the Texas Utility Commission adopted rules granting third-party users of transmission systems open access to such systems at rates, terms and conditions comparable to those available to utilities owning such transmission assets. Under the Texas Utility Commission order implementing the rule, Reliant Energy HL&P was required to separate, on an operational basis, its wholesale power marketing operations from the operations of the transmission grid and, for purposes of transmission pricing, to disclose each of its separate costs of generation, transmission and distribution. Within ERCOT, an independent system operator (ISO) manages the state's electric grid, ensuring system reliability and providing non-discriminatory transmission access to all power producers and traders.

Transition Plan. In June 1998, the Texas Utility Commission approved the Transition Plan filed by Reliant Energy HL&P in December 1997. Certain parties have appealed the order approving the Transition Plan. The provisions of the Transition Plan expired by their own terms as of December 31, 1999. For additional information, see Note 4 to the Company's Consolidated Financial Statements.

COMPETITION -- RELIANT ENERGY EUROPE OPERATIONS

The European energy market is highly competitive. In addition, over the next several years, an increasing consolidation of the participants in the Dutch generating market is expected to occur.

Reliant Energy Europe competes in the Netherlands primarily against the three other largest Dutch generating companies, various cogenerators of electric power, various alternate sources of power and non-Dutch generators of electric power, primarily from Germany. At present, the Dutch electricity system has three operational interconnection points with Germany and two interconnection points with Belgium. There are also a number of projects that are at various stages of development and that may increase the number of interconnections in the future including interconnections with Norway and the United Kingdom. The Belgian interconnections are used to import electricity from France but a larger portion of Dutch imports comes from Germany. In 1998, net power imports into the Netherlands were approximately 11.7 terawatt hours. Based on current information, it is estimated that net power imports into the Netherlands in 1999 increased significantly from 1998.

In 1999, UNA and the three other largest Dutch generators supplied approximately 60% of the electricity consumed in the Netherlands. Smaller Dutch producers supplied about 28% and the remainder was imported. The Dutch electricity market is expected to be gradually opened for wholesale competition including certain commercial and industrial customers beginning in 2001. Competition is expected to increase in subsequent years and it is anticipated that the market for small businesses and residential customers will become open to competition by 2007. The timing of the opening of these markets is subject, however, to change at the discretion of the Minister of Economic Affairs.

The trading and marketing operations of Reliant Energy Europe will also be subject to increasing levels of competition. As of March 1, 2000, there were approximately 25 trading and marketing companies registered with the Amsterdam Power Exchange. Competition for marketing customers is intense and is expected to increase with the deregulation of the market. The primary elements of competition in both the generation and trading and marketing side of Reliant Energy Europe's business operations are price, credit-support and supply and delivery reliability.

COMPETITION -- OTHER OPERATIONS

Wholesale Energy. By the third quarter of 2000, Reliant Energy expects that the Company will own and operate over 8,000 MW of non-rate regulated electric generation assets that serve the wholesale energy markets located in the states of California and Florida, and the Southwest, Midwest and Mid-Atlantic regions of the United States. Competitive factors affecting the results of operations of these generation assets include: new market entrants, construction by others of more efficient generation assets, the actions of regulatory authorities and weather.

Other competitors operate power generation projects in most of the regions where the Company has invested in non-rate regulated generation assets. Although local permitting and siting issues often reduce the risk of a rapid growth in supply of generation capacity in any particular region, over time, projects are likely to be built which will increase competition and lower the value of some of the Company's non-rate regulated electric generation assets.

The regulatory environment of the wholesale energy markets in which the Company invests may adversely affect the competitive conditions of those markets. In several regions, notably California and in the PJM Power Pool Region (in the Mid-Atlantic region of the United States), the independent system operators have chosen to rely on price caps and market redesigns as a way of minimizing market volatility.

The results of operations of the Company's non-rate regulated generation assets are also affected by the weather conditions in the relevant wholesale energy markets. Extreme seasonal weather conditions typically increase the demand for wholesale energy. Conversely, mild weather conditions typically have the opposite effect. In some regions, especially California, weather conditions associated with hydroelectric generation resources such as rainfall and snowpack can significantly influence market prices for electric power by increasing or decreasing the availability and timing of hydro-based generation which is imported into the California market.

Competition for acquisition of international and domestic non-rate regulated power projects is intense. The Company competes against a number of other participants in the non-utility power generation industry, some of which have greater financial resources and have been engaged in non-utility power projects for periods longer than the Company and have accumulated larger portfolios of projects. Competitive factors relevant to the non-utility power industry include financial resources, access to non-recourse funding and regulatory factors.

Reliant Energy Services competes for sales in its natural gas, electric power and other energy derivatives trading and marketing business with other energy merchants, producers and pipelines based on its ability to aggregate supplies at competitive prices from different sources and locations and to efficiently utilize transportation from third-party pipelines and transmission from electric utilities. Reliant Energy Services also competes against other energy marketers on the basis of its relative financial position and access to credit sources. This competitive factor reflects the tendency of energy customers, wholesale energy suppliers and transporters to seek financial guarantees and other assurances that their energy contracts will be satisfied. As pricing information becomes increasingly available in the energy trading and marketing business and as deregulation in the electricity markets continues to accelerate, the Company anticipates that Reliant Energy Services will experience greater competition and downward pressure on per-unit profit margins in the energy marketing industry.

Natural Gas Distribution. Natural Gas Distribution competes primarily with alternate energy sources such as electricity and other fuel sources. In addition, as a result of federal regulatory changes affecting interstate pipelines, it has become possible for other natural gas suppliers and distributors to bypass Natural Gas Distribution's facilities and market, sell and/or transport natural gas directly to small commercial and/or large volume customers.

Interstate Pipelines. The Interstate Pipelines segment competes with other interstate and intrastate pipelines in the transportation and storage of natural gas. The principal elements of competition among pipelines are rates, terms of service, and flexibility and reliability of service. Interstate Pipelines competes indirectly with other forms of energy available to its customers, including electricity, coal and fuel oils. The primary competitive factor is price. Changes in the availability of energy and pipeline capacity, the level of business activity, conservation and governmental regulations, the capability to convert to alternative fuels, and other factors, including weather, affect the demand for natural gas in areas served by Interstate Pipelines and the level of competition for transport and storage services.

FLUCTUATIONS IN COMMODITY PRICES AND DERIVATIVE INSTRUMENTS

For information regarding the Company's exposure to risk as a result of fluctuations in commodity prices and derivative instruments, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of this Report.

INDEXED DEBT SECURITIES (ACES AND ZENS) AND TIME WARNER INVESTMENT

For information on Reliant Energy's indexed debt securities and its investment in TW Common, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of this Report and Note 8 to the Company's Consolidated Financial Statements.

IMPACT OF THE YEAR 2000 ISSUE AND OTHER SYSTEM IMPLEMENTATION ISSUES

In 1997, the Company initiated a corporate-wide Year 2000 project to address mainframe application systems, information technology (IT) related equipment, system software, client-developed applications, building controls and non-IT embedded systems such as process controls for energy production and delivery. The evaluation of Year 2000 issues included those related to significant customers, key vendors, service suppliers and other parties material to the Company's operations.

Remediation and testing of all systems and equipment were completed during 1999. The Company did not experience any Year 2000 problems that significantly affected the operations of the Company. The Company will

continue to monitor and assess potential future problems. Total direct costs of resolving the Year 2000 issue with respect to the Company were $29 million.

The Company is in the process of implementing SAP America, Inc.'s (SAP) proprietary R/3 enterprise software. Although the implementation of the SAP system had the incidental effect of negating the need to modify many of the Company's computer systems to accommodate the Year 2000 problem, the Company does not deem the costs of the SAP system as directly related to its Year 2000 compliance program. Portions of the SAP system were implemented in December 1998, March 1999 and September 1999, and it is expected that the final portion of the SAP system will be fully implemented by the fourth quarter of 2002. The cost of implementing the SAP system is currently estimated to be approximately $237 million, inclusive of internal costs. As of December 31, 1999, $192 million has been spent on the implementation.

ENTRY INTO THE EUROPEAN MARKET

Reliant Energy Europe owns, operates and sells power from generation facilities in the Netherlands and plans to participate in the emerging wholesale energy trading and marketing industry in the Netherlands and other countries in Europe. Reliant Energy expects that the Dutch electric industry will undergo change in response to market deregulation in 2001. These expected changes include the anticipated expiration of certain transition agreements which have governed the basic tariff rates that UNA and other generators have charged their customers. Based on current forecasts and other assumptions, the revenues of UNA could decline significantly from 1999 revenues after 2000.

One of the factors that could have a significant impact on the Dutch energy industry, including the operations of UNA, is the ultimate resolution of stranded cost issues in the Netherlands. The Dutch government is currently seeking to establish a transitional regime in order to solve the problem of stranded costs, which relate primarily to investments and contracts entered into by SEP and certain licensed generators prior to the liberalization of the market. SEP is owned in equal shares by each of the four large Dutch generating companies, including UNA.

In connection with the acquisition of UNA, the selling shareholders of UNA agreed to indemnify UNA for certain stranded costs in an amount not to exceed NLG 1.4 billion (approximately $639 million based on an exchange rate of 2.19 NLG per U.S. dollar as of December 31, 1999), which may be increased in certain circumstances at the option of the Company up to NLG 1.9 billion (approximately $868 million). Of the total consideration paid by the Company for the shares of UNA, NLG 900 million (approximately $411 million) has been placed by the selling shareholders in an escrow account to secure the indemnity obligations. Although Reliant Energy believes that the indemnity provision will be sufficient to cover UNA's ultimate share of any stranded cost obligation, this belief is based on numerous assumptions regarding the ultimate outcome and timing of the resolution of the stranded cost issue, the existing shareholders timely performance of their obligations under the indemnity arrangement, and the amount of stranded costs which at present is not determinable.

The Dutch government is expected to propose a legislative initiative regarding stranded costs to the Dutch cabinet in March 2000. The proposed legislation will be sent to the Dutch council of state for review. It is not anticipated that the legislation will be reviewed by parliament until late in the summer of 2000.

For information about the Company's exposure through its investment in Reliant Energy Europe to losses resulting from fluctuations in currency rates, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of this Form 10-K.

RISK OF OPERATIONS IN EMERGING MARKETS

Reliant Energy Latin America's operations are subject to various risks incidental to investing or operating in emerging market countries. These risks include political risks, such as governmental instability, and economic risks, such as fluctuations in currency exchange rates, restrictions on the repatriation of foreign earnings and/or restrictions on the conversion of local currency earnings into U.S. dollars. The Company's Latin American operations are also highly capital intensive and, thus, dependent to a significant extent on the continued availability of bank financing and other sources of capital on commercially acceptable terms.

Impact of Currency Fluctuations on Company Earnings. The Company owns 11.78% of the stock of Light Servicos de Eletricidade S.A. (Light) and, through its investment in Light, a 9.2% interest in the stock of Metropolitana Electricidade de Sao Paulo S.A. (Metropolitana). As of December 31, 1999 and 1998, Light and Metropolitana had total borrowings of $2.9 billion and $3.2 billion, respectively, denominated in non-local currencies. During the first quarter of 1999, the Brazilian real was devalued and allowed to float against other major currencies. The effects of devaluation on the non-local currency denominated borrowings caused the Company to record an after-tax charge for the year ended December 31, 1999 of $102 million as a result of foreign currency transaction losses recorded by both Light and Metropolitana in such periods. For additional information regarding the effect of the devaluation of the Brazilian real, see Note 7(a) in the Company's Consolidated Financial Statements.

Light's and Metropolitana's tariff adjustment mechanisms are not directly indexed to the U.S. dollar or other non-local currencies. To partially offset the devaluation of the Brazilian real, and the resulting increased operating costs and inflation, Light and Metropolitana received tariff rate increases of 16% and 21%, respectively, which were phased in during June and July 1999. Light also received its annual rate adjustment in November 1999 resulting in a tariff rate increase of 11%. The Company is pursuing additional tariff increases to mitigate the impact of the devaluation; however, there can be no assurance that such adjustments will be timely or that they will permit substantial recovery of the impact of the devaluation.

Certain of Reliant Energy Latin America's other foreign electric distribution companies have incurred U.S. dollar and other non-local currency indebtedness (approximately $600 million at December 31, 1999). For further analysis of foreign currency fluctuations in the Company's earnings and cash flows, see "Quantitative and Qualitative Disclosures About Market Risk -- Foreign Currency Exchange Rate Risk" in Item 7A of this Form 10-K.

Impact of Foreign Currency Devaluation on Projected Capital Resources. The ability of Light and Metropolitana to repay or refinance their debt obligations at maturity is dependent on many factors, including local and international economic conditions prevailing at the time such debt matures. If economic conditions in the international markets continue to be unsettled or deteriorate, it is possible that Light, Metropolitana and the other foreign electric distribution companies in which the Company holds investments might encounter difficulties in refinancing their debt (both local currency and non-local currency borrowings) on terms and conditions that are commercially acceptable to them and their shareholders. In such circumstances, in lieu of declaring a default or extending the maturity, it is possible that lenders might seek to require, among other things, higher borrowing rates, and additional equity contributions and/or increased levels of credit support from the shareholders of such entities. For a discussion of the Company's anticipated capital contributions in 2000, see "-- Liquidity and Capital Resources -- Future Sources and Uses of Cash Flows -- Reliant Energy Latin America Capital Contributions and Advances." In 2000, $1.6 billion of debt obligations of Light and Metropolitana will mature. The availability or terms of refinancing such debt cannot be assured. Currency fluctuation and instability affecting Latin America may also adversely affect the Company's ability to refinance its equity investments with debt.

ENVIRONMENTAL EXPENDITURES

The Company is subject to numerous environmental laws and regulations, which require it to incur substantial costs to operate existing facilities, construct and operate new facilities, and mitigate or remove the effect of past operations on the environment.

Clean Air Act Expenditures. The Company expects the majority of capital expenditures associated with environmental matters to be incurred by Electric Operations in connection with new emission limitations under the Federal Clean Air Act (Clean Air Act) for oxides of nitrogen (NOx). NOx reduction costs incurred by Electric Operations generating units in the Houston, Texas area totaled approximately $7 million in 1999 and $7 million in 1998. The Texas Natural Resources Conservation Commission (TNRCC) is currently considering additional NOx reduction requirements for electric generating units and other industrial sources located in the Houston metropolitan area and the eastern half of Texas as a means to attain the Clean Air Act standard for ozone. Although the magnitude and timing of these requirements will not be established by the TNRCC until November, 2000, NOx reductions approaching 90% of the emissions level are anticipated. Expenditures for NOx controls on Electric Operations' generating units have been estimated at $500 million to $600 million during the period 2000 through 2003, with an estimated $80 million to be incurred during 2000. In addition, the Legislation created a program mandating air emissions reductions for certain generating facilities of Electric Operations. The Legislation provides for stranded cost recovery for costs associated with this obligation incurred before May 1, 2003. For further information regarding the Legislation, see Note 3 to the Company's Consolidated Financial Statements.

Site Remediation Expenditures. From time to time the Company has received notices from regulatory authorities or others regarding its status as a potentially responsible party in connection with sites found to require remediation due to the presence of environmental contaminants. Based on currently available information, Reliant Energy believes that remediation costs will not materially affect its financial position, results of operations or cash flows. There can be no assurance, however, that future developments, including additional information about existing sites or the identification of new sites, will not require material revisions to Reliant Energy's estimates. For information about specific sites that are the subject of remediation claims, see Note 14(h) to the Company's Consolidated Financial Statements and Note 8(d) to Resources' Consolidated Financial Statements.

Mercury Contamination. Like other natural gas pipelines, the Company's pipeline operations have in the past employed elemental mercury in meters used on its pipelines. Although the mercury has now been removed from the meters, it is possible that small amounts of mercury have been spilled at some of those sites in the course of normal maintenance and replacement operations and that such spills have contaminated the immediate area around the meters with elemental mercury. Such contamination has been found by Resources at some sites in the past, and the Company has conducted remediation at sites found to be contaminated. Although the Company is not aware of additional specific sites, it is possible that other contaminated sites exist and that remediation costs will be incurred for such sites. Although the total amount of such costs cannot be known at this time, based on experience of the Company and others in the natural gas industry to date and on the current regulations regarding remediation of such sites, the Company believes that the cost of any remediation of such sites will not be material to the Company's or Resources' financial position, results of operations or cash flows.

Other. In addition, the Company has been named as a defendant in litigation related to such sites and in recent years has been named, along with numerous others, as a defendant in several lawsuits filed by a large number of individuals who claim injury due to exposure to asbestos while working at sites along the Texas Gulf Coast. Most of these claimants have been workers who participated in construction of various industrial facilities, including power plants, and some of the claimants have worked at locations owned by the Company. The Company anticipates that additional claims like those received may be asserted in the future and intends to continue its practice of vigorously contesting claims which it does not consider to have merit. Although their ultimate outcome cannot be predicted at this time, the Company does not believe, based on its experience to date, that these matters, either individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

OTHER CONTINGENCIES

For a description of certain other legal and regulatory proceedings affecting the Company, see Notes 3, 4 and 14 to the Company's Consolidated Financial Statements and Note 8 to Resources' Consolidated Financial Statements.

o Item 7.A QUANTATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

INTEREST RATE RISK

The Company has long-term debt, Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated debentures of the Company (Trust Preferred Securities), securities held in the Company's nuclear decommissioning trust, bank facilities, certain lease obligations and interest rate swaps which subject the Company to the risk of loss associated with movements in market interest rates.

At December 31, 1999, the Company had issued fixed-rate debt (excluding indexed debt securities) and Trust Preferred Securities aggregating $5.8 billion in principal amount and having a fair value of $5.6 billion. These instruments are fixed-rate and, therefore, do not expose the Company to the risk of loss in earnings due to changes in market interest rates (see Notes 10 and 11 to the Company's Consolidated Financial Statements). However, the fair value of these instruments would increase by approximately $305 million if interest rates were to decline by 10% from their levels at December 31, 1999. In general, such an increase in fair value would impact earnings and cash flows only if the Company were to reacquire all or a portion of these instruments in the open market prior to their maturity.

The Company's floating-rate obligations aggregated $3.1 billion at December 31, 1999 (see Note 10 to the Company's Consolidated Financial Statements), inclusive of (i) amounts borrowed under short-term and long-term credit facilities of the Company (including the issuance of commercial paper supported by such facilities), (ii) borrowings underlying a receivables facility and (iii) amounts subject to a master leasing agreement under which lease payments vary depending on short-term interest rates. These floating-rate obligations expose the Company to the risk of increased interest and lease expense in the event of increases in short-term interest rates. If the floating rates were to increase by 10% from December 31, 1999 levels, the Company's consolidated interest expense and expense under operating leases would increase by a total of approximately $1.6 million each month in which such increase continued.

As discussed in Notes 1(l) and 6(c) to the Company's Consolidated Financial Statements, the Company contributes $14.8 million per year to a trust established to fund the Company's share of the decommissioning costs for the South Texas Project. The securities held by the trust for decommissioning costs had an estimated fair value of $145 million as of December 31, 1999, of which approximately 40% were fixed-rate debt securities that subject the Company to risk of loss of fair value with movements in market interest rates. If interest rates were to increase by 10% from their levels at December 31, 1999, the decrease in fair value of the fixed-rate debt securities would not be material to the Company. In addition, the risk of an economic loss is mitigated. Any unrealized gains or losses are accounted for in accordance with SFAS No. 71 as a regulatory asset/liability because the Company believes that its future contributions which are currently recovered through the rate-making process will be adjusted for these gains and losses. For further discussion regarding the recovery of decommissioning costs pursuant to the Legislation, see Note 3 to the Consolidated Financial Statements.

As discussed in Note 1(l) to the Company's Consolidated Financial Statements, UNA holds fixed-rate debt securities, which had an estimated fair value of $133 million as of December 31, 1999, that subject the Company to risk of loss of fair value and earnings with movements in market interest rates. If interest rates were to increase by 10% from their levels at December 31, 1999, the decrease in fair value and loss in earnings from this investment would not be material to the Company.

The Company has entered into interest rate swaps for the purpose of decreasing the amount of debt subject to interest rate fluctuations. At December 31, 1999, these interest rate swaps had an aggregate notional amount of $64 million and the cost to terminate would not result in a material loss in earnings and cash flows to the Company (see Note 5 to the Company's Consolidated Financial Statements). An increase of 10% in the December 31, 1999 level of interest rates would not increase the cost of termination of the swaps by a material amount to the Company. Swap termination costs would impact the Company's earnings and cash flows only if all or a portion of the swap instruments were terminated prior to their expiration.

As discussed in Note 10(b) to the Company's Consolidated Financial Statements, in November 1998, Resources sold $500 million aggregate principal amount of its 6 3/8% TERM Notes which included an embedded option to remarket the securities. The option is expected to be exercised in the event that the ten-year Treasury rate in 2003 is below 5.66%. At December 31, 1999, the Company could terminate the option at a cost of $11 million. A decrease of 10% in the December 31, 1999 level of interest rates would increase the cost of termination of the option by approximately $5 million.

EQUITY MARKET RISK

As discussed in Note 8 to the Company's Consolidated Financial Statements, the Company owns approximately 55 million shares of TW Common, of which approximately 38 million and 17 million shares are held by the Company to facilitate its ability to meet its obligations under the ACES and ZENS, respectively. Unrealized gains and losses resulting from changes in the market value of the Company's TW Common are recorded in the Consolidated Statement of Operations. IncreaseS in the market value of TW Common result in an increase in the liability for the ZENS and ACES and are recorded as a non-cash expense. Such non-cash expense will be offset by an unrealized gain on the Company's TW Common investment. However, if the market value of TW Common declines below $58.25, the ZENS payment obligation will not decline below its original principal amount. As of December 31, 1999, the market value of TW Common was $72.31 per share. A decrease of 10% from the December 31, 1999 market value of TW Common would not result in a loss. As of March 1, 2000, the market value of TW Common was $84.38 per share. In addition, the Company has a $14 million investment in Cisco Systems, Inc. as of December 31, 1999, which is classified as trading under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115). In January 2000, the Company entered into financial instruments (a put option and a call option) to manage price risks related to the Company's investment in Cisco Systems, Inc. A decline in the market value of this investment would not materially impact the Company's earnings and cash flows. The Company also has a $9 million investment in Itron, Inc. (Itron) which is classified as "available for sale" under SFAS No. 115. The Itron investment exposes the Company to losses in the fair value of Itron common stock. A 10% decline in the market value per share of Itron common stock from the December 31, 1999 levels would not result in a material loss in fair value to the Company.

As discussed above under "-- Interest Rate Risk," the Company contributes to a trust established to fund the Company's share of the decommissioning costs for the South Texas Project which held debt and equity securities as of December 31, 1999. The equity securities expose the Company to losses in fair value. If the market prices of the individual equity securities were to decrease by 10% from their levels at December 31, 1999, the resulting loss in fair value of these securities would, not be material to the Company. Currently, the risk of an economic loss is mitigated as discussed above under "--Interest Rate Risk."

FOREIGN CURRENCY EXCHANGE RATE RISK

As further described in "Certain Factors Affecting Future Earnings of the Company -- Risks of Operations in Emerging Markets" in Item 7 of this Form 10-K, the Company has investments in electric generation and distribution facilities in Latin America with a substantial portion accounted for under the equity method. In addition, as further discussed in Note 2 of the Company's Consolidated Financial Statements, during the fourth quarter of 1999, the Company completed the first and second phases of the acquisition of 52% of the shares UNA, a Dutch power generation company and completed the final phase of the acquisition on March 1, 2000. These foreign operations expose the Company to risk of loss in earnings and cash flows due to the fluctuation in foreign currencies relative to the Company's consolidated reporting currency, the U.S. dollar. The Company accounts for adjustments resulting from translation of its investments with functional currencies other than the U.S. dollar as a charge or credit directly to a separate component of stockholders' equity. The Company has entered into foreign currency swaps and has issued Euro denominated debt to hedge its net investment in UNA. Changes in the value of the swap and debt are recorded as foreign currency translation adjustments as a component of stockholders' equity. For further discussion of the accounting for foreign currency adjustments, see Note 1(m) in the Company's Consolidated Financial Statements. The cumulative translation loss of $77 million, recorded as of December 31, 1999, will be realized as a loss in earnings and cash flows only upon the disposition of the related investments. The cumulative translation loss was $34 million as of

December 31, 1998. The increase in cumulative translation loss from December 31, 1998 to December 31, 1999, was primarily due to the impact of devaluation of the Brazilian real on the Company's investments in Light and Metropolitana.

In addition, certain of Reliant Energy Latin America's foreign operations have entered into obligations in currencies other than their own functional currencies which expose the Company to a loss in earnings. In such cases, as the respective investment's functional currency devalues relative to the non-local currencies, the Company will record its proportionate share of its investments' foreign currency transaction losses related to the non-local currency denominated debt. At December 31, 1999, Light and Metropolitana of which the Company owns 11.78% and 9.2%, respectively, had total borrowings of approximately $2.9 billion denominated in non-local currencies. As described in Note 7 to the Company's Consolidated Financial Statements, in 1999 the Company reported a $102 million (after-tax) charge to net income and a $43 million charge to other comprehensive income, due to the devaluation of the Brazilian real. The charge to net income reflects increases in the liabilities at Light and Metropolitana for their non-local currency denominated borrowings using the exchange rate in effect at December 31, 1999 and a monthly weighted average exchange rate for the year then ended. The charge to other comprehensive income reflects the translation effect on the local currency denominated net assets underlying the Company's investment in Light. As of December 31, 1999, the Brazilian real exchange rate was 1.79 per U.S. dollar. An increase of 10% from the December 31, 1999 exchange rate would result in the Company recording an additional charge of $20 million and $23 million to net income and other comprehensive income, respectively. As of March 1, 2000, the Brazilian real exchange rate was 1.77 per U.S. dollar.

The Company attempts to manage and mitigate this foreign currency risk by balancing the cost of financing with local denominated debt against the risk of devaluation of that local currency and including a measure of the risk of devaluation in its financial plans. In addition, where possible, Reliant Energy Latin America attempts to structure its tariffs and revenue contracts to ensure some measure of adjustment due to changes in inflation and currency exchange rates; however, there can be no assurance that such efforts will compensate for the full effect of currency devaluation, if any.

ENERGY COMMODITY PRICE RISK

As further described in Note 5 to the Company's Consolidated Financial Statements, the Company utilizes a variety of derivative financial instruments (Derivatives), including swaps, over-the-counter options and exchange-traded futures and options, as part of the Company's overall hedging strategies and for trading purposes. To reduce the risk from the adverse effect of market fluctuations in the price of electric power, natural gas, crude oil and refined Products and related transportation and transmission, the Company enters into futures transactions, forward contracts, swaps and options (Energy Derivatives) in order to hedge certain commodities in storage, as well as certain expected purchases, sales, transportation and transmission of energy commodities (a portion of which are firm commitments at the inception of the hedge). The Company's policies prohibit the use of leveraged financial instruments. In addition, Reliant Energy Services maintains a portfolio of Energy Derivatives to provide price risk management services and for trading purposes (Trading Derivatives).

The Company uses value-at-risk and a sensitivity analysis method for assessing the market risk of its derivatives.

With respect to the Energy Derivatives (other than Trading Derivatives) held by the Company as of December 31, 1999, an increase of 10% in the market prices of natural gas and electric power from year-end levels would have decreased the fair value of these instruments by approximately $12 million. As of December 31, 1998, a decrease of 10% in the market prices of natural gas and electric power from year-end levels would have decreased the fair value of these instruments by approximately $3 million.

The above analysis of the Energy Derivatives utilized for hedging purposes does not include the favorable impact that the same hypothetical price movement would have on the Company's physical purchases and sales of natural gas and electric power to which the hedges relate. Furthermore, the Energy Derivative portfolio is managed to complement the physical transaction portfolio, reducing overall risks within limits. Therefore, the adverse impact to the fair value

of the portfolio of Energy Derivatives held for hedging purposes associated with the hypothetical changes in commodity prices referenced above would be offset by a favorable impact on the underlying hedged physical transactions, assuming (i) the Energy Derivatives are not closed out in advance of their expected term, (ii) the Energy Derivatives continue to function effectively as hedges of the underlying risk and (iii) as applicable, anticipated transactions occur as expected.

The disclosure with respect to the Energy Derivatives relies on the assumption that the contracts will exist parallel to the underlying physical transactions. If the underlying transactions or positions are liquidated prior to the maturity of the Energy Derivatives, a loss on the financial instruments may occur, or the options might be worthless as determined by the prevailing market value on their termination or maturity date, whichever comes first.

With respect to the Trading Derivatives held by Reliant Energy Services, consisting of natural gas, electric power, crude oil and refined products, weather derivatives, physical forwards, swaps, options and exchange-traded futures and options, the Company is exposed to losses in fair value due to changes in the price and volatility of the underlying derivatives. During the years ended December 31, 1999 and 1998, the highest, lowest and average monthly value-at-risk in the Trading Derivative portfolio was less than $10 million at a 95% confidence level and for a holding period of one business day. The Company uses the variance/covariance method for calculating the value-at-risk and includes delta approximation for option positions.

The Company has established a Risk Oversight Committee comprised of corporate and business segment officers that oversees all commodity price and credit risk activities, including derivative trading and hedging activities discussed above. The committee's duties are to establish the Company's commodity risk policies, allocate risk capital within limits established by the Company's board of directors, approve trading of new products and commodities, monitor risk positions and ensure compliance with the Company's risk management policies and procedures and the trading limits established by the Company's board of directors.

ITEMS INCORPORATED BY REFERENCE FROM THE RELIANT ENERGY 10-K NOTES:

o (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Regulatory Assets.

The Company applies the accounting policies established in SFAS No. 71 to the accounts of transmission and distribution operations of Reliant Energy HL&P and Natural Gas Distribution and to certain of the accounts of Interstate Pipelines. For information regarding Reliant Energy HL&P's electric generation operations' discontinuance of the application of SFAS No. 71 and the effect on its regulatory assets, see Note 3.

The following is a list of regulatory assets/liabilities reflected on the Company's Consolidated Balance Sheet as of December 31, 1999, detailed by Electric Operations and other segments.

	ELECTRIC OPERATIONS	OTHER	TOTAL COMPANY
		(MILLIONS OF DOLLARS)	
Recoverable impaired plant costs -- net	$ 587	$	$ 587
Recoverable electric generation related regulatory assets -- net	952		952
Regulatory tax liability -- net	(45)		(45)
Unamortized loss on reacquired debt	69		69
Other deferred debits/credits	(18)	4	(14)
Total	$ 1,545	$ 4	$ 1,549

Included in the above table is $191 million of regulatory liabilities recorded as other deferred credits in the Company's Consolidated Balance Sheet as of December 31, 1999, which primarily relates to the over recovery of Electric Operations' fuel costs, gains on nuclear decommissioning trust funds, regulatory tax liabilities and excess deferred income taxes.

Under a "deferred accounting" plan authorized by the Public Utility Commission of Texas (Texas Utility Commission), Electric Operations was permitted for regulatory purposes to accrue carrying costs in the form of allowance for funds used during construction (AFUDC) on its investment in the South Texas Project Electric Generating Station (South Texas Project) and to defer and capitalize depreciation and other operating costs on its investment after commercial operation until such costs were reflected in rates. In addition, the Texas Utility Commission authorized Electric Operations under a "qualified phase-in plan" to capitalize allowable costs (including return) deferred for future recovery as deferred charges. These costs are included in recoverable electric generation related regulatory assets.

In 1991, Electric Operations ceased all cost deferrals related to the South Texas Project and began amortizing such amounts on a straight-line basis. Prior to January 1, 1999, the accumulated deferrals for "deferred accounting" were being amortized over the estimated depreciable life of the South Texas Project. Starting in 1991, the accumulated deferrals for the "qualified phase-in plan" were amortized over a ten-year phase-in period. The amortization of all deferred plant costs (which totaled $26 million for each of the years 1998 and 1997) is included on the Company's Statements of Consolidated Income as depreciation and amortization expense. Pursuant to the Legislation (see Note 3), the Company discontinued amortizing deferred plant costs effective January 1, 1999.

In 1999, 1998 and 1997, the Company, as permitted by the 1995 rate case settlement (Rate Case Settlement), also amortized $22 million, $4 million and $66 million (pre-tax), respectively, of its investment in certain lignite reserves associated with a canceled generating station. The remaining investment in these reserves of $14 million is included in the above table as a component of recoverable electric generation related regulatory assets and will be amortized fully by December 31, 2001.

For additional information regarding recoverable impaired plant costs and recoverable electric generation related assets, see Note 3.

If, as a result of changes in regulation or competition, the Company's ability to recover these assets and liabilities would not be assured, then pursuant to SFAS No. 101, "Regulated Enterprises Accounting for the Discontinuation of Application of SFAS No. 71" (SFAS No. 101) and SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS No. 121), the Company would be required to write off or write down such regulatory assets and liabilities, unless some form of transition costs recovery continues through rates established and collected for their remaining regulated operations. In addition, the Company would be required to determine any impairment to the carrying costs of plant and inventory assets.

(m) Foreign Currency Adjustments.

Foreign subsidiaries' assets and liabilities where the local currency is the functional currency have been translated into U.S. dollars using the exchange rate at the balance sheet date. Revenues, expenses, gains and losses have been translated using the weighted average exchange rate for each month prevailing during the periods reported. Cumulative adjustments resulting from translation have been recorded in stockholders' equity in other comprehensive income. However, fluctuations in foreign currency exchange rates relative to the U.S. dollar can have an impact on the reported equity earnings of the Company's foreign investments. For additional information about the Company's investments in Brazil and the devaluation of the Brazilian real in 1999, see Note 7.

When the U.S. dollar is the functional currency, the financial statements of such foreign subsidiaries are remeasured in U.S. dollars using historical exchange rates for non-monetary accounts and the current rate at the respective balance sheet date and the weighted average exchange rate for all other balance sheet and income statement accounts, respectively. All exchange gains and losses from remeasurement and foreign currency transactions are included in consolidated net income.

(2) BUSINESS ACQUISITIONS

During 1999, the Company completed the first two phases of the acquisition of UNA, a Dutch power generation company. The Company acquired 40% and 12% of UNA's capital stock on October 7, 1999 and December 1, 1999, respectively. The aggregate purchase price paid by the Company in connection with the first two phases consisted of a total of $833 million in cash and $426 million in a five-year promissory note to UNA. Under the terms of the acquisition agreement, the Company purchased the remaining shares of UNA on March 1, 2000 for approximately $975 million. The commitment for this purchase was recorded as a business purchase obligation in the Consolidated Balance Sheet as of December 31, 1999 based on an exchange rate of 2.19 Dutch guilders (NLG) per U.S. dollar (the exchange rate on December 31, 1999). A portion ($596 million) of the business purchase obligation was recorded as a non-current liability as this portion of the obligation was financed with a three-year term loan facility (see Note 19). Effective October 1, 1999, the Company has recorded 100% of the operating results of UNA. The total purchase price, payable in NLG, of approximately $2.4 billion includes the $426 million promissory note to UNA and assumes an exchange rate of 2.0565 NLG per U.S. dollar (the exchange rate on October 7, 1999). The Company recorded the acquisition under the purchase method of accounting with assets and liabilities of UNA reflected at their estimated fair values. The excess of the purchase price over the fair value of net assets acquired of approximately $840 million was recorded as goodwill and is being amortized over 35 years. On a preliminary basis, the Company's fair value adjustments included increases in property, plant and equipment, long-term debt, and related deferred taxes. The Company expects to finalize these fair value adjustments during 2000; however, it is not anticipated that any additional adjustments will be material.

In August 1997 , the former parent corporation (Former Parent) of the Company, merged with and into Reliant Energy, and NorAm Energy Corp., a natural gas gathering, transmission, marketing and distribution company (Former NorAm), merged with and into Resources Corp. Effective upon the mergers (collectively, the Merger), each outstanding share of common stock of Former Parent was converted into one share of common stock (including associated preference stock purchase rights) of the Company, and each outstanding share of common stock of Former NorAm was converted into the right to receive $16.3051 cash or 0.74963 shares of common stock of the Company. The aggregate consideration paid to Former NorAm stockholders in connection with the Merger consisted of $1.4 billion in cash and 47.8 million shares of the Company's common stock valued at approximately $1.0 billion. The overall transaction was valued at $4.0 billion consisting of $2.4 billion for Former NorAm's common stock and common stock equivalents and $1.6 billion of Former NorAm debt. The Company recorded the acquisition under the purchase method of accounting with assets and liabilities of Former NorAm reflected at their estimated fair values. The Company recorded the excess of the acquisition cost over the fair value of the net assets acquired of $2.1 billion as goodwill and is amortizing this amount over 40 years. The Company's fair value adjustments included increases in property, plant and equipment, long-term debt, unrecognized pension and postretirement benefits liabilities and related deferred taxes.

The Company's results of operations incorporate UNA's and Resources' results of operations only for the period beginning with the effective date of their respective acquisition. The following tables present certain actual financial information for the years ended December 31, 1999, 1998 and 1997; unaudited pro forma information for the years ended December 31, 1999 and 1998, as if the acquisition of UNA had occurred on January 1, 1999 and 1998; and unaudited pro forma information for the year ended December 31, 1997, as if the Merger with Resources had occurred on January 1, 1997.

ACTUAL AND PRO FORMA COMBINED RESULTS OF OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,					
	1999		1998		1997	
	ACTUAL	PRO FORMA (UNAUDITED)	ACTUAL	PRO FORMA (UNAUDITED)	ACTUAL	PRO FORMA (UNAUDITED)

Revenues.................................	$ 15,303	$15,784	$ 11,488	$ 12,320	$ 6,878	$ 10,191
Net income (loss) attributable to						
common stockholders...................	1,482	1,525	(141)	(61)	421	437
Basic earnings per share.................	5.20	5.35	(.50)	(.21)	1.66	1.55
Diluted earnings per share...............	5.18	5.33	(.50)	(.21)	1.66	1.55

These pro forma results are based on assumptions deemed appropriate by the Company's management, have been prepared for informational purposes only and are not necessarily indicative of the combined results that would have resulted if the acquisition of UNA had occurred on January 1, 1999 and 1998 and the Merger with Resources had occurred on January 1, 1997. Purchase related adjustments to results of operations include amortization of goodwill and the effects on depreciation, amortization, interest expense and deferred income taxes of the assessed fair value of certain UNA and Resources assets and liabilities.

o (3) TEXAS ELECTRIC CHOICE PLAN AND DISCONTINUANCE OF SFAS NO. 71 FOR ELECTRIC GENERATION OPERATIONS

In June 1999, the Texas legislature adopted the Texas Electric Choice Plan (Legislation). The Legislation substantially amends the regulatory structure governing electric utilities in Texas in order to allow retail competition beginning with respect to pilot projects for up to 5% of each utility's load in all customer classes in June 2001 and for all other customers on January 1, 2002. In preparation for that competition, the Company expects to make significant changes in the electric utility operations it conducts through Reliant Energy HL&P. In addition, the Legislation requires the Texas Utility Commission to issue a number of new rules and determinations in implementing the Legislation.

The Legislation defines the process for competition and creates a transition period during which most utility rates are frozen at rates not in excess of their present levels. The Legislation provides for utilities to recover their generation related stranded costs and regulatory assets (as defined in the Legislation).

Retail Choice. Under the Legislation, on January 1, 2002, most retail customers of investor-owned electric utilities in Texas will be entitled to purchase their electricity from any of a number of "retail electric providers" which will have been certified by the Texas Utility Commission. Retail electric providers will not own or operate generation assets and their sales rates will not be subject to traditional cost-of-service rate regulation. Retail electric providers which are affiliates of electric utilities may compete substantially statewide for these sales, but rates they charge within the affiliated electric utility's traditional service territory are subject to certain limitations at the outset of retail choice, as described below. The Texas Utility Commission will prescribe regulations governing quality, reliability and other aspects of service from retail electric providers. Transmission between the regulated utility and its current and future competitive affiliates is subject to regulatory scrutiny and must comply with a code of conduct established by the Texas Utility Commission. The code of conduct governs interactions between employees of

regulated and current and future unregulated affiliates as well as the exchange of information between such affiliates.

Unbundling. By January 1, 2002, electric utilities in Texas such as Reliant Energy HL&P will restructure their businesses in order to separate power generation, transmission and distribution, and retail activities into different units. Pursuant to the Legislation, the Company submitted a plan in January 2000 to accomplish the required separation of its regulated operations into separate units and is awaiting approval from the Texas Utility Commission. The transmission and distribution business will continue to be subject to cost-of-service rate regulation and will be responsible for the delivery of electricity to retail consumers.

Generation. Power generators will sell electric energy to wholesale purchasers, including retail electric providers, at unregulated rates beginning January 1, 2002. To facilitate a competitive market, Reliant Energy HL&P and most other electric utilities will be required to sell at auction entitlements to 15% of their installed generating capacity no later than 60 days before January 1, 2002. That obligation to auction entitlements continues until the earlier of January 1, 2007 or the date the Texas Utility Commission determines that at least 40% of the residential and small commercial load served in the electric utility's service area is being served by non-affiliated retail electric providers. In addition, a power generator that owns and controls more than 20% of the power generation in, or capable of delivering power to, a power region after the reductions from the capacity auction (calculated as prescribed in the Legislation) must submit a mitigation plan to reduce generation that it owns and controls to no more than 20% in the power region. The Legislation also creates a program mandating air emissions reductions for non-permitted generating facilities. The Company anticipates that any stranded costs associated with this obligation incurred before May 1, 2003 will be recoverable through the stranded cost recovery mechanisms contained in the Legislation.

Rates. Base rates charged by Reliant Energy HL&P on September 1, 1999 will be frozen until January 1, 2002. Effective January 1, 2002, retail rates charged to residential and small commercial customers by the utility's affiliated retail electric provider will be reduced by 6% from the average rates (on a bundled basis) in effect on January 1, 1999. That reduced rate will be known as the "price to beat" and will be charged by the affiliated retail electric provider to residential and small commercial customers in Reliant Energy HL&P's service area who have not elected service from another retail electric provider. The affiliated retail electric provider may not offer different rates to residential or small commercial customer classes in the utility's service area until the earlier of the date the Texas Utility Commission determines that 40% of power consumed by that class is being served by non-affiliated retail electric providers or January 1, 2005. In addition, the affiliated retail electric provider must make the price to beat available to eligible consumers until January 1, 2007.

Stranded Costs. Reliant Energy HL&P will be entitled to recover its stranded costs (i.e., the excess of net book value of generation assets (as defined by the Legislation) over the market value of those assets) and its regulatory assets related to generation. The Legislation prescribes specific methods for determining the amount of stranded costs and the details for their recovery. However, during the base rate freeze period from 1999 through 2001, earnings above the utility's authorized return formula will be applied in a manner to accelerate depreciation of generation related plant assets for regulatory purposes. In addition, depreciation expense for transmission and distribution related assets may be redirected to generation assets for regulatory purposes during that period.

The Legislation provides for Reliant Energy HL&P, or a special purpose entity, to issue securitization bonds for the recovery of generation related regulatory assets and stranded costs. These bonds will be sold to third parties and will be amortized through non-bypassable charges to transmission and distribution customers. Any stranded costs not recovered through the securitization bonds will be recovered through a non-bypassable charge to transmission and distribution customers. Costs associated with nuclear decommissioning that have not been recovered as of January 1, 2002, will continue to be subject to cost-of-service rate regulation and will be included in a non-bypassable charge to transmission and distribution customers.

In November 1999, Reliant Energy HL&P filed an application with the Texas Utility Commission requesting a financing order authorizing the issuance by a special purpose entity organized by the Company, pursuant to the Legislation, of transition bonds related to Reliant Energy HL&P's generation-related regulatory assets. The Company believes the Texas Utility Commission will authorize the issuance of approximately $750 million of transition bonds. Payments on the transition bonds will be made out of funds derived from non-bypassable transition charges to Reliant Energy HL&P's transmission and distribution customers. The offering and sale of the transition bonds will be registered under the Securities Act of 1933 and, absent any appeals, are expected to be consummated in the second or third quarter of 2000.

Accounting. Historically, Reliant Energy HL&P has applied the accounting policies established in SFAS No. 71. In general, SFAS No. 71 permits a company with cost-based rates to defer certain costs that would otherwise be expensed to the extent that it meets the following requirements: (1) its rates are regulated by a third party; (2) its rates are cost-based; and (3) there exists a reasonable assumption that all costs will be recoverable from customers through rates. When a company determines that it no longer meets the requirements of SFAS No. 71, pursuant to SFAS No. 101 and SFAS No. 121, it is required to write off regulatory assets and liabilities unless some form of recovery continues through rates established and collected from remaining regulated operations. In addition, such company is required to determine any impairment to the carrying costs of deregulated plant and inventory assets in accordance with SFAS No. 121.

In July 1997, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board reached a consensus on Issue No. 97-4, "Deregulation of the Pricing of Electricity - Issues Related to the Application of FASB Statements No. 71, Accounting for the Effects of Certain Types of Regulation, and No. 101, Regulated Enterprises Accounting for the Discontinuation of Application of FASB Statement No. 71" (EITF No. 97-4). EITF No. 97-4 concluded that a company should stop applying SFAS No. 71 to a segment which is subject to a deregulation plan at the time the deregulation legislation or enabling rate order contains sufficient detail for the utility to reasonably determine how the plan will affect the segment to be deregulated. In addition, EITF No. 97-4 requires that regulatory assets and liabilities be allocated to the applicable portion of the electric utility from which the source of the regulated cash flows will be derived.

The Company believes that the Legislation provides sufficient detail regarding the deregulation of the Company's electric generation operations to require it to discontinue the use of SFAS No. 71 for those operations. Effective June 30, 1999, the Company applied SFAS No. 101 to its electric generation operations. Reliant Energy HL&P's transmission and distribution operations continue to meet the criteria of SFAS No. 71.

In 1999, the Company evaluated the recovery of its generation related regulatory assets and liabilities. The Company determined that a pre-tax accounting loss of $282 million exists because it believes only the economic value of its generation related regulatory assets (as defined by the Legislation) will be recovered. Therefore, the Company recorded a $183 million after-tax extraordinary loss in the fourth quarter of 1999. If events were to occur that made the recovery of certain of the remaining generation related regulatory assets no longer probable, the Company would write off the remaining balance of such assets as a non-cash charge against earnings. Pursuant to EITF No. 97-4, the remaining recoverable regulatory assets will not be written off and will become associated with the transmission and distribution portion of the Company's electric utility business. For details regarding the Reliant Energy HL&P's regulatory assets, see Note 1 (d).

At June 30, 1999, the Company performed an impairment test of its previously regulated electric generation assets pursuant to SFAS No. 121 on a plant specific basis. Under SFAS No. 121, an asset is considered impaired, and should be written down to fair value, if the future undiscounted net cash flows expected to be generated by the use of the asset are insufficient to recover the carrying amount of the asset. For assets that are impaired pursuant to SFAS No. 121, the Company determined the fair value for each generating plant by estimating the net present value of future cash inflows and outflows over the estimated life of each plant. The difference between fair value and net book value was recorded as a reduction in the current book value. The Company determined that $797 million of

electric generation assets were impaired as of June 30, 1999. Of such amounts, $745 million relates to the South Texas Project and $52 million relates to two gas-fired generation plants. The Legislation provides recovery of this impairment through regulated cash flows during the transition period and through non-bypassable charges to transmission and distribution customers. As such, a regulatory asset has been recorded for an amount equal to the impairment loss and is included on the Company's Consolidated Balance Sheets as a regulatory asset. In addition, the Company recorded an additional $12 million of recoverable impaired plant costs in the third quarter of 1999 related to previously incurred costs that are now estimated to be recoverable pursuant to the Legislation. During the third and fourth quarter of 1999, the Company recorded amortization expense relate to the recoverable impaired plant costs and other deferred debits created from discontinuing SFAS No. 71 of $221 million. The Company will continue to amortize this regulatory asset as it is recovered from regulated cash flows.

The impairment analysis requires estimates of possible future market prices, load growth, competition and many other factors over the lives of the plants. The resulting impairment loss is highly dependent on these underlying assumptions. In addition, after January 10, 2004, Reliant Energy HL&P must finalize and reconcile stranded costs (as defined by the Legislation) in a filing with the Texas Utility Commission. Any difference between the fair market value and the regulatory net book value of the generation assets (as defined by the Legislation) will either be refunded or collected through future non-bypassable charges. This final reconciliation allows alternative methods of third party valuation of the fair market value of these assets, including outright sale, stock valuations and asset exchanges. Because generally accepted accounting principles require the Company to estimate fair market values on a plant-by-plant basis in advance of the final reconciliation, the financial impacts of the Legislation with respect to stranded costs are subject to material changes. Factors affecting such change may include estimation risk, uncertainty of future energy prices and the economic lives of the plants. If events occur that make the recovery of all or a portion of the regulatory assets associated with the generation plant impairment loss and deferred debits created from discontinuance of SFAS No. 71 pursuant to the Legislation no longer probable, the Company will write off the corresponding balance of such assets as a non-cash charge against earnings. One of the results of discontinuing the application of SFAS No. 71 for the generation operations is the elimination of the regulatory accounting effects of excess deferred income taxes and investment tax credits related to such operations. The Company believes it is probable that some parties will seek to return such amounts to ratepayers and accordingly, the Company has recorded an offsetting liability.

Following are the classes of electric property, plant and equipment at cost, with associated accumulated depreciation at December 31, 1999 (including the impairment loss discussed above) and December 31, 1998.

	Generation	Transmission and Distribution	General and Intangible	Consolidated Electric Plant in Service
	(Millions of Dollars)			
December 31, 1999:				
Original cost	$ 11,202	$ 4,531	$ 992	$ 16,725
Accumulated depreciation	4,767	1,263	251	6,281
Property, plant and equipment - net(1)	$ 6,435	$ 3,268	741	10,444
December 31, 1998:				
Original cost	$ 8,843	$ 4,196	$ 902	$ 13,941
Accumulated depreciation	3,822	1,276	207	5,305
Property, plant and equipment - net(1)	$ 5,021	$ 2,920	$ 695	$ 8,636

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(1) Includes non-rate regulated domestic and international generation facilities of $696 million and $338 million at December 31, 1999 and 1998, respectively, and international distribution facilities of $32 million and $19 million at December 31, 1999 and 1998, respectively. Also, includes property, plant and equipment of UNA of $1.8 billion at December 31, 1999.

arose when long term debt was [ILLEGIBLE] issued, these costs were amortized over the remaining original life of the retired debt. Effective July 1, 1999, costs resulting from the retirement of debt attributable to the [ILLEGIBLE] HL&P will be recorded in accordance with SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," unless such costs will be recovered through regulated cash flows. In that case, these costs will be deferred and recorded as a regulatory asset by the entity through which the source of the regulated cash flows will be derived. During the third and fourth quarters of 1999, the generation portion of Reliant Energy HL&P incurred $11 million of losses from extinguishment of debt which Reliant Energy HL&P's transmission and distribution operations have recorded as a regulatory asset. This regulatory asset will be amortized along with recoverable impaired plant costs as the assets are recovered pursuant to the Legislation.

o (4) TRANSITION PLAN

In June 1998, the Texas Utility Commission issued an order in Docket No. 18465 approving the Company's Transition Plan filed by Electric Operations in December 1997. The Transition Plan included base rate credits to residential customers of 4% in 1998 and an additional 2% in 1999. Commercial customers whose monthly billing is 1,000 kva or less are entitled to receive base rate credits of 2% in each of 1998 and 1999. The Company implemented the Transition Plan effective January 1, 1998. For additional information regarding the Transition Plan, see Note 1(g).

Review of the Texas Utility Commission's order in Docket No. 18465 is currently pending before the Travis County District Court. In August 1998, the Office of the Attorney General for the State of Texas and a Texas municipality filed an appeal seeking, among other things, to reverse the portion of the Texas Utility Commission's order relating to the redirection of depreciation expenses under the Transition Plan. The Office of the Attorney General has withdrawn its appeal, but the Texas municipality continues to maintain its appeal. Because of the number of variables that can affect the ultimate resolution of an appeal of Texas Utility Commission orders, the Company cannot predict the outcome of this matter or the ultimate effect that adverse action by the courts could have on the Company.

o (5) DERIVATIVE FINANCIAL INSTRUMENTS

(a) Price Risk Management and Trading Activities.

The Company offers energy price risk management services primarily related to natural gas, electricity, crude oil and refined products, weather, coal and certain air emissions regulatory credits. The Company provides these services by utilizing a variety of derivative financial instruments, including fixed and variable-priced physical forward contracts, fixed and variable-priced swap agreements and options traded in the over-the-counter financial markets and exchange-traded energy futures and option contracts (Trading Derivatives). Fixed-price swap agreements require payments to, or receipts of payments from, counterparties based on the differential between a fixed and variable price for the commodity. Variable-price swap agreements require payments to, or receipts of payments from, counterparties based on the differential between industry pricing publications or exchange quotations.

Prior to 1998, the Company applied hedge accounting to certain physical commodity activities that qualified for hedge accounting. In 1998, the Company adopted mark-to-market accounting for all of its price risk management and trading activities. Accordingly, since 1998, such Trading Derivatives are recorded at fair value with realized and unrealized gains (losses) recorded as a component of revenues. The recognized, unrealized balance is included in price risk management assets/liabilities (See Note 1(o)).

The notional quantities, maximum terms and the estimated fair value of Trading Derivatives at December 31, 1999 and 1998 are presented below (volumes in billions of British thermal units equivalent (Bbtue) and dollars in millions):

	VOLUME-FIXED PRICE PAYOR	VOLUME-FIXED PRICE RECEIVER	MAXIMUM TERM (YEARS)
1999			
Natural gas	936,716	939,416	9
Electricity	251,592	248,176	10
Crude oil and refined products	143,857	144,554	3
1998			
Natural gas	937,264	977,293	9
Electricity	122,950	124,878	3
Crude oil and refined products	205,499	204,223	3

	FAIR VALUE		AVERAGE FAIR VALUE(A)	
	ASSET	LIABILITIES	ASSETS	LIABILITIES
1999				
Natural gas	$ 319	$ 299	$ 302	$ 283
Electricity	131	98	103	80
Crude oil and refined products	134	145	127	132
	$ 584	$ 542	$ 532	$ 495
1998				
Natural gas	$ 224	$ 212	$ 124	$ 108
Electricity	34	33	186	186
Crude oil and refined products	29	23	21	17
	$ 287	$ 268	$ 331	$ 311

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(a) Computed using the ending balance of each quarter.

In addition to the fixed-price notional volumes above, the Company also has variable-priced agreements, as discussed above, totaling 3,797,824 and 1,702,977 Bbtue as of December 31, 1999 and 1998, respectively. Notional amounts reflect the volume of transactions but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not accurately measure the Company's exposure to market or credit risks.

All of the fair values shown in the tables above at December 31, 1999 and 1998 have been recognized in income. The fair value as of December 31, 1999 and 1998 was estimated using quoted prices where available and considering the liquidity of the market for the Trading Derivatives. The prices and fair values are subject to significant changes based on changing market conditions.

The weighted-average term of the trading portfolio, based on volumes, is less than one year. The maximum and average terms disclosed herein are not indicative of likely future cash flows, as these positions may be changed by new transactions in the trading portfolio at any time in response to changing market conditions, market liquidity and the Company's risk management portfolio needs and strategies. Terms regarding cash settlements of these contracts vary with respect to the actual timing of cash receipts and payments.

In addition to the risk associated with price movements, credit risk is also inherent in the Company's risk management activities. Credit risk relates to the risk of loss resulting from non-performance of contractual obligations by a counterparty. The following table shows the composition of the total price risk management assets of the Company as of December 31, 1999 and 1998.

	December 31, 1999		December 31, 1998	
	Investment Grade (1)	Total	Investment Grade (1)	Total
	(Millions of Dollars)			
Energy marketers	$ 172	183	$ 103	$ 124
Financial institutions	119	119	62	62
Gas and electric utilities	184	186	47	48
Oil and gas producers	6	30	7	8
Industrials	4	5	2	3
Independent power producers	4	6	1	1
Others	64	67	45	47
Total	$ 553	$ 596	$ 267	$ 293
Credit and other reserves		(12)		(6)
Energy price risk management assets (2)		$ 584		$ 287

(1) "Investment Grade" is primarily determined using publicly available credit ratings along with the consideration of credit support (e.g., parent company guarantees) and collateral, which encompass cash and standby letters of credit.

(2) As of December 31, 1999, the Company had no credit risk exposure to any single counterparty that represents greater than 5% of price risk management assets.

(b) Non-Trading Activities.

To reduce the risk from market fluctuations in the revenues derived from electric power, natural gas and related transportation, the Company enters into futures transactions, swaps and options (Energy Derivatives) in order to hedge certain natural gas in storage, as well as certain expected purchases, sales and transportation of natural gas and electric power (a portion of which are firm commitments at the inception of the hedge). Energy Derivatives are

also utilized to fix the price of compressor fuel or other future operational gas requirements and to protect natural gas distribution earnings against unseasonably warm weather during peak gas heating months, although usage to date for this purpose has not been material. The Company applies hedge accounting with respect to its derivative financial instruments utilized in non-trading activities.

The Company utilizes interest-rate derivatives (principally interest-rate swaps) in order to adjust the portion of its overall borrowings which are subject to interest rate risk and also utilizes such derivatives to effectively fix the interest rate on debt expected to be issued for refunding purposes. In addition, in 1999, the Company entered into foreign currency swaps to hedge a portion of its investment in UNA.

For transactions involving either Energy Derivatives or interest-rate and foreign currency derivatives, hedge accounting is applied only if the derivative (i) reduces the risk of the underlying hedged item and (ii) is designated as a hedge at its inception. Additionally, the derivatives must be expected to result in financial impacts which are inversely correlated to those of the item(s) to be hedged. This correlation (a measure of hedge effectiveness) is measured both at the inception of the hedge and on an ongoing basis, with an acceptable level of correlation of at least 80% for hedge designation. If and when correlation ceases to exist at an acceptable level, hedge accounting ceases and mark-to-market accounting is applied.

In the case of interest-rate swaps associated with existing obligations, cash flows and expenses associated with the interest-rate derivative transactions are matched with the cash flows and interest expense of the obligation being hedged, resulting in an adjustment to the effective interest rate. When interest rate swaps are utilized to effectively fix the interest rate for an anticipated debt issuance, changes in the market value of the interest-rate derivatives are deferred and recognized as an adjustment to the effective interest rate on the newly issued debt.

In the case of the foreign currency swaps which hedge a portion of the Company's investment in UNA, income or loss associated with the foreign currency derivative transactions is recorded as foreign currency translation adjustments as a component of stockholders' equity. Such amounts generally offset amounts recorded in stockholders' equity as adjustments resulting from translation of the hedged investment into U.S. dollars.

Unrealized changes in the market value of Energy Derivatives utilized as hedges are not generally recognized in the Company's Statements of Consolidated Income until the underlying hedged transaction occurs. Once it becomes probable that an anticipated transaction will not occur, deferred gains and losses are recognized. In general, the financial impact of transactions involving these Energy Derivatives is included in the Company's Statements of Consolidated Income under the captions (i) fuel expenses, in the case of natural gas transactions and (ii) purchased power, in the case of electric power transactions. Cash flows resulting from these transactions in Energy Derivatives are included in the Company's Statements of Consolidated Cash Flows in the same category as the item being hedged.

At December 31, 1999, the Company was fixed-price payors and fixed-price receivers in Energy Derivatives covering 33,108 billion British thermal units (Bbtu) and 5,481 Bbtu of natural gas, respectively. At December 31, 1998, the Company was fixed-price payors and fixed-price receivers in Energy Derivatives covering 42,498 Bbtu and 3,930 Bbtu of natural gas, respectively. Also, at December 31, 1999 and 1998, the Company was a party to variable-priced Energy Derivatives totaling 44,958 Bbtu and 21,437 Bbtu of natural gas, respectively. The weighted average maturity of these instruments is less than one year.

The notional amount is intended to be indicative of the Company's level of activity in such derivatives, although the amounts at risk are significantly smaller because, in view of the price movement correlation required for hedge accounting, changes in the market value of these derivatives generally are offset by changes in the value associated with the underlying physical transactions or in other derivatives. When Energy Derivatives are closed out in advance of the underlying commitment or anticipated transaction, however, the market value changes may not offset due to the fact that price movement correlation ceases to exist when the positions are closed, as further

discussed below. Under such circumstances, gains (losses) are deferred and recognized as a component of income when the underlying hedged item is recognized in income.

The average maturity discussed above and the fair value discussed in Note 15 are not necessarily indicative of likely future cash flows as these positions may be changed by new transactions in the trading portfolio at any time in response to changing market conditions, market liquidity and the Company's risk management portfolio needs and strategies. Terms regarding cash settlements of these contracts vary with respect to the actual timing of cash receipts and payments.

(c) Trading and Non-trading -- General Policy.

In addition to the risk associated with price movements, credit risk is also inherent in the Company's risk management activities. Credit risk relates to the risk of loss resulting from non-performance of contractual obligations by a counterparty. While as yet the Company has experienced only minor losses due to the credit risk associated with these arrangements, the Company has off-balance sheet risk to the extent that the counterparties to these transactions may fail to perform as required by the terms of each such contract. In order to minimize this risk, the Company enters into such contracts primarily with counterparties having a minimum Standard & Poor's or Moody's rating of BBB- or Baa3, respectively. For long-term arrangements, the Company periodically reviews the financial condition of such firms in addition to monitoring the effectiveness of these financial contracts in achieving the Company's objectives. Should the counterparties to these arrangements fail to perform, the Company would seek to compel performance at law or otherwise obtain compensatory damages in lieu thereof. The Company might be forced to acquire alternative hedging arrangements or be required to honor the underlying commitment at then current market prices. In such event, the Company might incur additional losses to the extent of amounts, if any, already paid to the counterparties. In view of its criteria for selecting counterparties, its process for monitoring the financial strength of these counterparties and its experience to date in successfully completing these transactions, the Company believes that the risk of incurring a significant financial statement loss due to the non-performance of counterparties to these transactions is minimal.

The Company's policies also prohibit the use of leveraged financial instruments.

The Company has established a Risk Oversight Committee, comprised of corporate and business segment officers that oversees all commodity price and credit risk activities, including the Company's trading, marketing and risk management activities. The committee's duties are to establish the Company's commodity risk policies, allocate risk capital within limits established by the Company's board of directors, approve trading of new products and commodities, monitor risk positions and ensure compliance with the Company's risk management policies and procedures and trading limits established by the Company's board of directors.

o (6) JOINTLY OWNED ELECTRIC UTILITY PLANT

(a) Investment in South Texas Project.

The Company has a 30.8% interest in the South Texas Project, which consists of two 1,250 megawatt (MW) nuclear generating units and bears a corresponding 30.8% share of capital and operating costs associated with the project. As of December 31, 1999, the Company's investment in the South Texas Project was $382 million (net of $2.1 billion accumulated depreciation which includes an impairment loss recorded in 1999 of $745 million). For additional information regarding the impairment loss, see Note 3. The Company's investment in nuclear fuel was $44 million (net of $251 million amortization) as of such date.

The South Texas Project is owned as a tenancy in common among its four co-owners, with each owner retaining its undivided ownership interest in the two nuclear-fueled generating units and the electrical output from those units. The four co-owners have delegated management and operating responsibility for the South Texas Project to the South Texas Project Nuclear Operating Company (STPNOC). STPNOC is managed by a board of

directors comprised of one director from each of the four owners, along with the chief executive officer of STPNOC. The four owners provide oversight through an owners' committee comprised of representatives of each of the owners and through the board of directors of STPNOC. Prior to November 1997, the Company was the operator of the South Texas Project.

(b) Nuclear Insurance.

The Company and the other owners of the South Texas Project maintain nuclear property and nuclear liability insurance coverage as required by law and periodically review available limits and coverage for additional protection. The owners of the South Texas Project currently maintain $2.75 billion in property damage insurance coverage, which is above the legally required minimum, but is less than the total amount of insurance currently available for such losses. This coverage consists of $500 million in primary property damage insurance and excess property insurance in the amount of $2.25 billion. With respect to excess property insurance, the Company and the other owners of the South Texas Project are subject to assessments, the maximum aggregate assessment under current policies being $17 million during any one policy year. The application of the proceeds of such property insurance is subject to the priorities established by the Nuclear Regulatory Commission (NRC) regulations relating to the safety of licensed reactors and decontamination operations.

Pursuant to the Price Anderson Act, the maximum liability to the public of owners of nuclear power plants was $8.9 billion as of December 31, 1999. Owners are required under the Price Anderson Act to insure their liability for nuclear incidents and protective evacuations by maintaining the maximum amount of financial protection available from private sources and by maintaining secondary financial protection through an industry retrospective rating plan. The assessment of deferred premiums provided by the plan for each nuclear incident is up to $84 million per reactor, subject to indexing for inflation, a possible 5% surcharge (but no more than $10 million per reactor per incident in any one year) and a 3% state premium tax. The Company and the other owners of the South Texas Project currently maintain the required nuclear liability insurance and participate in the industry retrospective rating plan.

There can be no assurance that all potential losses or liabilities will be insurable, or that the amount of insurance will be sufficient to cover them. Any substantial losses not covered by insurance would have a material effect on the Company's financial condition, results of operations and cash flows.

(c) Nuclear Decommissioning.

The Company contributes $14.8 million per year to a trust established to fund its share of the decommissioning costs for the South Texas Project. For a discussion of the accounting treatment for the securities held in the Company's nuclear decommissioning trust, see Note 1(l). In July 1999, an outside consultant estimated the Company's portion of decommissioning costs to be approximately $363 million. The consultant's calculation of decommissioning costs for financial planning purposes used the DECON methodology (prompt removal/dismantling), one of the three alternatives acceptable to the NRC and assumed deactivation of Units Nos. 1 and 2 upon the expiration of their 40-year operating licenses. While the current and projected funding levels currently exceed minimum NRC requirements, no assurance can be given that the amounts held in trust will be adequate to cover the actual decommissioning costs of the South Texas Project. Such costs may vary because of changes in the assumed date of decommissioning and changes in regulatory requirements, technology and costs of labor, materials and equipment. Pursuant to the Legislation, costs associated with nuclear decommissioning that have not been recovered as of January 1, 2002, will continue to be subject to cost-of-service rate regulation and will be included in a non-bypassable charge to transmission and distribution customers.

o (7) EQUITY INVESTMENTS AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES

The Company accounts for investments in unconsolidated subsidiaries under the equity method of accounting where (i) the ownership interest in the affiliate ranges from 20% to 50%, (ii) the ownership interest is less than 20% but the Company exercises significant influence over operating and financial policies of such affiliate or (iii) the interest in the affiliate exceeds 50% but the Company does not exercise control over the affiliate.

The Company's equity investments and advances in unconsolidated subsidiaries at December 31, 1999 and 1998 were $1 billion and $1.1 billion, respectively. The Company's equity loss from these investments, was $14 million in 1999. For 1998 and 1997, the Company's equity income from these investments was $71 million and $49 million, respectively. Dividends received from these investments amounted to $14 million, $44 million and $46 million in 1999, 1998, and 1997, respectively.

(a) Reliant Energy Latin America.

Reliant Energy is evaluating the sale of the Company's Latin American assets in order to pursue business opportunities that are in line with its strategies for the U.S. and Western Europe.

As of December 31, 1999, Reliant Energy Latin America indirectly holds interests in Light Servicos de Electricidade S.A. (Light) (11.78%) which transmits and distributes electricity in Rio De Janeiro, Brazil and holds 77.81% of the common stock of Metropolitana Electricidade de Sao Paulo S.A. (Metroplitana) which transmits and distributes electricity in Sao Paulo, Brazil; three Columbian electric systems, Empresa de Energia del Pacifico S.A.E.S.P (EPSA) (28.35%), Electricaribe (34.61%), and Electrocosta (35.17%); and three electric systems in El Salvador (ranging from approximately 37% to 45%). In addition, Reliant Energy Latin America indirectly holds interests in natural gas systems in Columbia and a power generation plant in India.

As of December 31, 1999 and 1998, Light and Metropolitana had total borrowings of $2.29 billion and $3.2 billion denominated in non-local currencies. During the first quarter of 1999, the Brazilian real was devalued and allowed to float against other major currencies. The effects of devaluation on the non-local currency denominated borrowings caused the Company to record, as a component of its equity earnings, an after-tax charge for the year ended December 31, 1999 of $102 million as a result of foreign currency transaction losses recorded by both Light and Metropolitana. At December 31, 1999 and 1998, one U.S. dollar could be exchanged for 1.79 Brazilian real and 1.21 Brazilian real, respectively. Because the Company uses the Brazilian real as the functional currency to report Light's equity earnings, any decrease in the value of the Brazilian real below its December 31, 1999 level will increase Light's liability represented by the non-local currency denominated borrowings. This amount will also be reflected in the Company's consolidated earnings, to the extent of the Company's ownership interest in Light. Similarly, any increase in the value of the Brazilian real above its December 31, 1999 level will decrease Light's liability represented by such borrowings.

In April 1998, Light purchased 74.88% of the common stock of Metropolitana. The purchase price for the shares was approximately $1.8 billion and was financed with proceeds from bank borrowings. In August 1998, Reliant Energy Latin America and another unrelated entity jointly acquired, through subsidiaries, 65% of the stock of two Colombian electric distribution companies, Electricaribe and Electrocosta, for approximately $522 million. The shares of these companies are indirectly held by an offshore holding company jointly owned by the Company and the other entity. In addition, in 1998, the Company acquired, for approximately $150 million, equity interests in three electric distribution systems located in El Salvador.

In June 1997, a consortium of investors which included Reliant Energy Latin America acquired for $496 million a 56.7% controlling ownership interest in EPSA. Reliant Energy Latin America contributed $152 million of the purchase price for a 28.35% ownership interest in EPSA.

In May 1997, Reliant Energy Latin America increased its indirect ownership interest in an Argentine electric utility from 48% to 63%. The purchase price of the additional interest was $28 million. On June 30, 1998, Reliant Energy Latin America sold its 63% ownership interest in this Argentine affiliate and certain related assets for approximately $243 million, Reliant Energy Latin America acquired its initial ownership interests in the electric utility in 1992. The Company recorded an $80 million after-tax gain from this sale in the second quarter of 1998.

(b) Wholesale Energy Domestic.

In April 1998, the Company formed a limited liability corporation to construct and operate a 490 MW electric generation plant in Boulder City, Nevada in which the Company retained a 50% interest. The plant is anticipated to be operational in the second quarter of 2000. In October 1998, the Company entered into a partnership to construct and operate a 100 MW cogeneration plant in Orange, Texas in which its ownership interest is 50%. The plant began commercial operation in December, 1999. As of December 31, 1999, the Company's net investment in these projects is $78 million and its total projected net investment is approximately $90 million.

(c) Combined Financial Statement Data of Equity Investees and Advances to Unconsolidated Subsidiaries.

The following tables set forth certain summarized financial information of the Company's unconsolidated affiliates as of December 31, 1999 and 1998 and for the years then ended or periods from the respective affiliates' acquisition date through December 31, 1999, 1998 and 1997, if shorter:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
	(THOUSANDS OF DOLLARS)		
Income Statement:			
Revenues	$ 4,421,942	$ 2,449,335	$ 2,011,927
Operating expenses	3,329,559	1,762,166	1,460,248
Net income	(310,667)	514,005	403,323

	DECEMBER 31,	
	1999	1998
	(THOUSANDS OF DOLLARS)	
Balance Sheet:		
Current assets	$ 1,553,166	$ 1,841,856
Noncurrent assets	10,379,306	13,643,747
Current liabilities	2,714,621	4,074,603
Noncurrent liabilities	4,440,985	6,284,821
Owners' equity	4,776,866	5,126,180

o (8) INDEXED DEBT SECURITIES (ACES AND ZENS) AND TIME WARNER SECURITIES

(a) Original investment in Time Warner Securities.

On July 6, 1999, the Company converted its 11 million shares of Time Warner Inc. (TW) convertible preferred stock (TW Preferred) into 45.8 million shares of Time Warner common stock (TW Common). Prior to the conversion, the Company's investment in the TW Preferred was accounted for under the cost method at a value of $990 million in the Company's Consolidated Balance Sheets. The TW Preferred was redeemable after July 6, 2000) had an aggregate liquidation preference of $100 per share (plus accrued and unpaid dividends), was entitled to annual dividends of $3.75 per share until July 6, 1999 and was convertible by the Company. The Company recorded pre-tax dividend income with respect to the TW Preferred of $20.6 million in 1999 prior to the conversion and $41.3 million in both 1998 and 1997. Due to the conversion, the Company will no longer receive the quarterly dividend of $10.3 million that was paid on the TW Preferred but will receive dividends, if declared and paid, on its investments in TW Common. Effective on the conversion date, the shares of TW Common were classified as

trading securities under SFAS No. 115 and an unrealized gain was recorded in the amount of $2.4 billion ($1.5 billion after tax) to reflect the cumulative appreciation in the fair value of the Company's investment in Time Warner securities.

(b) ACES.

In July 1997, in order to monetize a portion of the cash value of its investment in TW Preferred, the Company issued 22.9 million of its unsecured 7% Automatic Common Exchange Securities (ACES) having an original principal amount of approximately $1.052 billion. The market value of ACES is indexed to the market value of TW Common. In July 2000, the ACES will be mandatorily exchangeable for, at the Company's option, either shares of TW Common at the exchange rate set forth below or cash with an equal value. The current exchange rate is as follows:

Market Price of TW Common	Exchange Rate
Below $22.96875	2.0 shares of TW Common
$22.96875 - $27.7922	Share equivalent of $45.9375
Above $27.7922	1.6528 shares of TW Common

Prior to maturity, the Company has the option of redeeming the ACES if (i) changes in federal tax regulations require recognition of a taxable gain on the Company's TW investment and (ii) the Company could defer such gain by redeeming the ACES. The redemption price is 105% of the closing sales price of the ACES as determined over a period prior to the day redemption notice is given. The redemption price may be paid in cash or in shares of TW Common or a combination of the two.

By issuing the ACES, the Company effectively eliminated the economic exposure of its investment in TW securities to decreases in the price of TW Common below $22.96875. In addition, the Company retained 100% of any increase in TW Common price up to $27.7922 per share and 17% of any increase in market price above $27.7922.

Prior to the July 1999 conversion of the TW Preferred, any increase in the market value of TW Common above $27.7922 was treated for accounting purposes as an increase in the payment amount of the ACES equal to 83% of the increase in the market price per share and was recorded by the Company as a non-cash expense. As a result, the Company recorded in 1999 (prior to conversion), 1998 and 1997 a non-cash, unrealized accounting loss of $435 million, $1.2 billion and $121 million, respectively (which resulted in an after-tax earnings reduction of $283 million, or $0.99 per share, $764 million, or $2.69 per share, and $79 million, or $0.31 per share, respectively). Following the conversion of TW Preferred into TW Common, changes in the market value of the Company's TW Common and the related offsetting changes in the liability related to the Company's obligation under the ACES will be recorded in the Company's Statement of Consolidated Income.

(c) ZENS.

On September 21, 1999, the Company issued approximately 17.2 million of its 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) having an original principal amount of approximately $1.0 billion. At maturity the holders of the ZENS will receive in cash the higher of the original principal amount of the ZENS or an amount based on the then-current market value of TW Common, or other securities distributed with respect to TW Common (one share of TW Common and such other securities, if any, are referred to as reference shares). Each ZENS has an original principal amount of $58.25 (the closing market price of the TW Common on September 15, 1999) and is exchangeable at any time at the option of the holder for cash equal to 95% (100% in certain cases) of the market value of the reference shares attributable to one ZENS. The Company pays interest on each ZENS at an annual rate of 2% plus the amount of any quarterly cash dividends paid in respect of the quarterly interest period on the reference shares attributable to each ZENS. Subject to certain conditions, the Company has

the right to defer interest payments from time to time on the ZENS for up to 20 consecutive quarterly periods. As of December 31, 1999, no interest Payments on the ZENS had been deferred.

Of the $980 million net proceeds from the Offering, the Company used $443 million for general corporate purposes, including repayment of Company indebtedness. The Company used $537 million of the net proceeds to purchase 9.2 million shares of TW Common, which are classified as trading securities under SFAS No. 115. Unrealized gains and losses resulting from changes in the market value of the TW Common are recorded in the Company's Statements of Consolidated Income.

An increase above $58.25 (subject to certain adjustments) in the market value per share of TW Common results in an increase in the Company's liability for the ZENS and is recorded by the Company as a non-cash expense. If the market value per share of TW Common declines below $58.25 (subject to certain adjustments), the liability for the ZENS would not decline below the original principal amount. However, the decline in market value of the Company's investment in the TW Common would be recorded as an unrealized loss as discussed above.

Prior to the purchase of additional shares of TW Common on September 21, 1999, the Company owned approximately 8 million shares of TW Common that were in excess of the 38 million shares needed to economically hedge its ACES obligation. For the period from July 6, 1999 to the ZENS issuance date, losses (due to the decline in the market value of the TW Common during such period) on these 8 million shares were $122 million ($79 million after tax). The 8 million shares of TW Common combined with the additional 9.2 million shares purchased are expected to be held to facilitate the Company's ability to meet its obligation under the ZENS.

The following table sets forth certain summarized financial information of the Company's investment in TW securities and the Company's ACES and ZENS obligations.

	TW Investment	ACES	ZENS
		(THOUSANDS OF DOLLARS)	
Balance at January 1, 1997	$ 990,000		
Issuance of indexed debt securities		$ 1,052,384	
Loss on indexed debt securities		121,402	
Balance at December 31, 1997	990,000	1,173,786	
Loss on indexed debt securities		1,176,211	
Balance at December 31, 1998	990,000	2,349,997	
Issuance of indexed debt securities			$ 1,000,000
Purchase of TW Common	537,055		
Loss on indexed debt securities		388,107	241,416
Gain on TW Common	2,452,406		
Balance at December 31, 1999	$ 3,979,461	$ 2,738,104	$ 1,241,416

o (14) COMMITMENTS AND CONTINGENCIES

(a) Commitments.

The Company has various commitments for capital expenditures, fuel, purchased power and operating leases. Commitments in connection with Electric Operations' capital program are generally revocable by the Company, subject to reimbursement to manufacturers for expenditures incurred or other cancellation penalties, Wholesale Energy has entered into commitments associated with various non-rate regulated generating projects aggregating S324 million along with various generating equipment purchases aggregating $318 million for delivery from 2000 to 2001 that are anticipated to be used for future development projects. The Company's other commitments have various quantity requirements and durations. However, if these requirements could not be met, various alternatives are available to mitigate the cost associated with the contracts' commitments.

(b) Fuel and Purchased Power.

Reliant Energy HL&P is a party to several long-term coal, lignite and natural gas contracts which have various quantity requirements and durations. Minimum payment obligations for coal and transportation agreements that extend through 2011 are approximately $187 million in 2000, $188 million in 2001 and $188 million in 2002. Purchase commitments related to lignite mining and lease agreements, natural gas purchases and storage contracts, and purchased power are not material to the operations of the Company,

Currently Reliant Energy HL&P is allowed recovery of these costs through base rates for electric service. As of December 31, 1999, certain of these contracts are above market. The Company anticipates that stranded cost associated with these obligations will be recoverable through the stranded cost recovery mechanisms contained in the Legislation. For information regarding the Legislation, see Note 3.

(c) Operations Agreement with City of San Antonio.

As part of the 1996 settlement of certain litigation claims asserted by the City of San Antonio with respect to the South Texas Project, the Company entered into a 10-year joint operations agreement under which the Company and the City of San Antonio, acting through the City Public Service Board of San Antonio (CPS), share savings resulting from the joint dispatching of their respective generating assets in order to take advantage of each system's lower cost resources. Under the terms of the joint operations agreement entered into between CPS and Electric Operations, the Company has guaranteed CPS minimum annual savings of $10 million and a minimum cumulative savings of $150 million over the 10-year term of the agreement. Based on current forecasts and other assumptions regarding

the combined operation of the two generating systems, the Company anticipates that the savings resulting from joint operations will equal or exceed the minimum savings guaranteed under the joint operating agreement. In 1999, 1998 and 1997, savings generated for CPS' account were approximately $14 million, $14 million and S22 million, respectively. Through December 31, 1999, cumulative earnings generated for CPS' account were approximately $64 million.

(d) Transportation Agreement.

Resources had an agreement (ANR Agreement) with ANR Pipeline Company (ANR) which contemplated that Resources would transfer to ANR an interest in certain of Resources' pipeline and related assets. The interest represented capacity of 250 Mmcf/day. Under the ANR Agreement, an ANR affiliate advanced $125 million to Resources. Subsequently, the parties restructured the ANR Agreement and Resources refunded in 1995 and 1993, $50 million and $34 million, respectively, to ANR. Resources recorded $41 million as a liability reflecting ANR's use of 130 Mmcf/day of capacity in certain of Resources' transportation facilities. The level of transportation will decline to 100 Mmcf/day in the year 2003 with a refund of $5 million to ANR. The ANR Agreement will terminate in 2005 with a refund of the remaining balance.

(e) Lease Commitments.

The following table sets forth certain information concerning the Company's obligations under non-cancelable long-term operating leases at December 31, 1999 which primarily relate to Resources principally consisting of rental agreements for building space, data processing equipment and vehicles, including major work equipment (in millions):

2000	$ 16
2001	15
2002	10
2003	8
2004	7
2005 and beyond	25
Total	$ 81

(f) Letters of Credit.

At December 31, 1999, the Company had letters of credit totaling approximately $14 million under which it is obligated to reimburse drawings, if any.

(g) Cross Border Leases.

During the period from 1994 through 1997, under cross border lease transactions, UNA leased several of its power plants and related equipment and turbines to non-Netherlands based investors and concurrently leased the facilities back under sublease arrangements with remaining terms as of December 31, 1999 of two to 25 years. Such transactions involve the Company providing to a foreign investor an ownership right in (but not necessarily title to) an asset, with a leaseback of the asset. The net proceeds to UNA of the transactions are being amortized to income over the lease terms. At December 31, 1999, the deferred gain on these transactions totaled $87 million assuming an exchange rate of 2.19 NLG per U.S. dollar (the exchange rate on December 31, 1999). UNA utilized proceeds from the head lease transactions to prepay sublease obligations as well as provide a source for payment of end of term purchase options and other financial undertakings. The leased property remains on the financial statements of UNA and continues to be depreciated. In the case of early termination of the cross border leases, UNA would be contingently liable for certain payments to the sublessors, which at December 31, 1999 are estimated to be $254 million. Prior to March 1, 2000, UNA will be required by some of the lease agreements to obtain standby letters of credit in favor of the sublessors in the event of early termination in the amount of $205 million (assumes an

exchange rate of 2.19 NLG per U.S. dollar, the exchange rate on December 31, 1999). Commitments for such letters of credit have been obtained as of December 31, 1999.

(h) Environmental Matters.

The Company is a defendant in litigation arising out of the environmental remediation of a site in Corpus Christi, Texas. The litigation was instituted in 1985 by adjacent landowners. The litigation is pending before the United States District Court for the Southern District of Texas, Corpus Christi Division. The site was operated by third parties as a metals reclaiming operation. Although the Company neither operated nor owned the site, certain transformers and other equipment originally sold by the Company may have been delivered to the site by third parties. The Company and others have remediated the site pursuant to a plan approved by appropriate state agencies and a federal court. To date, the Company has recovered or has commitments to recover from other responsible parties $2.2 million of the more than $3 million it has spent on remediation.

In 1992, the United States Environmental Protection Agency (EPA) (i) identified the Company, along with several other parties, as "potentially responsible parties" (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) for the costs of cleaning up a site located adjacent to one of the Company's transmission lines in La Marque, Texas and (ii) issued an administrative order for the remediation of the site. The Company believes that the EPA took this action solely on the basis of information indicating that the Company in the 1950s acquired record title to a portion of the land on which the site is located. The Company does not believe that it now or previously has held any ownership interest in the property covered by the order and has obtained a judgment to that effect from a court in Galveston County, Texas. Based on this judgment and other defenses that the Company believes to be meritorious, the Company has elected not to adhere to the EPA's administrative order, even though the Company understands that other PRPs are proceeding with site remediation. To date, neither the EPA nor any other PRP has instituted an action against the Company for any share of the remediation costs for the site. However, if the Company was determined to be a responsible party, the Company could be jointly and severally liable along with the other PRPs for the aggregate remediation costs of the site (which the Company currently estimates to be approximately $80 million in the aggregate) and could be assessed substantial fines and damage claims. Although the ultimate outcome of this matter cannot currently be predicted at this time, the Company does not believe that this matter will have a material adverse effect on the Company's financial condition, or results of operations or cash flows.

From time to time the Company has received notices from regulatory authorities or others regarding its status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. In addition, the Company has been named as defendant in litigation related to such sites and in recent years has been named, along with numerous others, as a defendant in several lawsuits filed by a large number of individuals who claim injury due to exposure to asbestos while working at sites along the Texas Gulf Coast. Most of these claimants have been workers who participated in construction of various industrial facilities, including power plants, and some of the claimants have worked at locations owned by the Company. The Company anticipates that additional claims like those received may be asserted in the future and intends to continue vigorously contesting claims which it does not consider to have merit. Although their ultimate outcome cannot be predicted at this time, the Company does not believe, based on its experience to date, that these matters, either individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

(i) Other.

The Company is involved in legal, tax and regulatory proceedings before various courts, regulatory commissions, and governmental agencies regarding matters arising in the ordinary course of business, some of which involve substantial amounts. The Company's management regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. The Company's management believes that the effect on the Company's respective financial statements, if any, from the disposition of these matters will not be material.

In February 1996, the cities of Wharton, Galveston and Pasadena filed suit, for themselves and a proposed class of all similarly situated cities in Reliant Energy HL&P's service area, against the Company and Houston Industries Finance Inc. (formerly a wholly owned subsidiary of the Company) alleging underpayment of municipal franchise fees. Plaintiffs in essence claim that they are entitled to 4% of all receipts of any kind for business conducted within city limits or with use of city rights-of-way. Plaintiffs advance their claims notwithstanding their failure to assert such claims over the previous four decades. Because all of the franchise ordinances affecting Electric Operations expressly impose fees only on the Company's own receipts and only from sales of electricity for consumption within a city, the Company regards plaintiffs' allegations as spurious and is vigorously contesting the case. The plaintiffs' pleadings assert that their damages exceed $250 million. The 269th Judicial District Court for Harris County has granted a partial summary judgment in favor of the Company dismissing all claims for franchise fees based on sales tax collections. Other motions for partial summary judgment were denied. A jury trial of the remaining individual claims of the three named cities (but not the entire class) began on February 14, 2000 and is expected to conclude by the end of March 2000. The extent to which issues resolved in this trial may affect the claims of the other class member cities cannot be determined until final judgment is rendered. The Company believes that it is very unlikely that resolution of this case will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): JULY 27, 2000

RELIANT ENERGY, INCORPORATED
(Exact name of registrant as specified in its charter)

TEXAS	1-3187	74-0694415
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1111 LOUISIANA HOUSTON, TEXAS	77002
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 207-3000

RELIANT ENERGY RESOURCES CORP.
(Exact name of registrant as specified in its charter)

DELAWARE	1-13265	76-0511406
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1111 LOUISIANA HOUSTON, TEXAS	77002
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 207-3000

This combined current report on Form 8-K is separately filed by Reliant Energy, Incorporated (Reliant Energy) and Reliant Energy Resources Corp. (Resources Corp.). Information contained herein relating to Resources Corp. is filed by Reliant Energy and separately by Resources Corp. on its own behalf. Resources Corp. makes no representation as to information relating to Reliant Energy (except as it may relate to Resources Corp.) and its subsidiaries, or any other affiliate of Reliant Energy. References herein to the businesses and operations of Reliant Energy include the businesses and operations of Reliant Energy's subsidiaries, including Resources Corp.

ITEM 5. OTHER EVENTS.

On July 27, 2000, Reliant Energy announced that it plans to file a business separation plan with the Texas Public Utility Commission under which it would divide into two publicly traded companies in order to separate its unregulated businesses from its regulated businesses. Upon receipt of necessary regulatory approvals, Reliant Energy plans an initial public offering (IPO) of approximately 20 percent of the common stock of a subsidiary that will hold its unregulated operations late this year or early in 2001, assuming market conditions remain favorable. Reliant Energy expects the IPO to be followed by a distribution to Reliant Energy's shareholders of the remaining stock of the unregulated company within twelve months after the IPO.

The unregulated company is expected to own Reliant Energy's:

- domestic unregulated power generation and energy trading and marketing operations,

- retail electric, telecommunications and internet services businesses, and

- European power generation and energy trading and marketing operations.

These businesses are expected to include the trading and marketing and certain electric and gas retail operations of Resources Corp., which are expected to be merged into wholly owned subsidiaries of the unregulated company. The business separation plan also contemplates that in 2004 the unregulated company will receive from the regulated company cash equal to the market value of the regulated company's interest in its Texas regulated generation operations. In addition, the unregulated company will have an option to purchase the regulated company's interest in these operations at a price equal to the market value.

Under the business separation plan, Reliant Energy would restructure its regulated operations into a holding company structure in which a new corporate entity would be formed as the parent with Reliant Energy's regulated businesses as subsidiaries. The regulated company is expected to own Reliant Energy's:

- electric transmission and distribution operations, its natural gas distribution businesses and, initially, its regulated electric generating assets in Texas,

- U.S. interstate pipelines and gas gathering operations, and

. interests in energy distribution companies in Latin America.

In connection with the formation of the new holding company for regulated businesses, Reliant Energy would transfer the stock of all of its subsidiaries to the new holding company and would transfer its regulated electric generating assets in Texas to a separate subsidiary of the new holding company until the stranded costs associated with those assets are valued in 2004. At that time, the unregulated company will have the right to exercise the option discussed above. As a result of the stock and asset transfers described above, Reliant Energy would become solely a transmission and distribution company, with its other businesses transferred to separate subsidiaries of the new holding company. Reliant Energy expects that the regulated holding company would be required to assume all of Reliant Energy's debt other than its first mortgage bonds, which would remain with Reliant Energy. The indebtedness of Reliant Energy's FinanceCo financing subsidiaries is expected to initially remain in place and be refinanced by the regulated holding company by the end of 2002.

For additional information, please refer to Reliant Energy's press release filed with this current report as Exhibit 99.1 and the simplified organizational chart of the proposed business separation plan filed with this current report as Exhibit 99.2, which press release and organizational chart are incorporated herein by reference.

The IPO and ultimate distribution of the stock of the unregulated company are subject to the development of definitive separation terms, further corporate approvals, market and other conditions, and government actions, including approval of the business separation plan by the Texas Public Utility Commission and receipt of a favorable Internal Revenue Service ruling that the distribution of stock would be tax-free to Reliant Energy and its shareholders for U.S. federal income tax purposes, as applicable. Aspects of the restructuring of Reliant Energy's regulated businesses would be subject to the approval of Reliant Energy's shareholders and approvals from the Securities and Exchange Commission under the Public Utility Holding Company Act and from the Nuclear Regulatory Commission. There can be no assurance that the IPO, the separation of Reliant Energy's unregulated and regulated businesses or the ultimate restructuring of Reliant Energy's regulated businesses will be completed as described or within the time periods outlined above.

The IPO of Reliant Energy's unregulated businesses will be registered under the Securities Act of 1933 and such shares of common stock will only be offered and sold by means of a prospectus. This current report does not constitute an offer to sell or the solicitation of any offer to buy any securities of Reliant Energy's unregulated businesses, nor will there be any sale of any such securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such state.

This current report includes forward-looking statements. Actual events and results may differ materially from those projected. Factors that could affect actual results include the timing and impact of future regulatory and legislative decisions, changes in Reliant Energy's business plans, financial market conditions and other factors discussed in Reliant Energy's filings with the Securities and Exchange Commission.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

The following exhibits are filed herewith:

99.1 Press Release issued July 27, 2000

99.2 Simplified Organizational Chart of Reliant Energy's proposed Business Separation Plan

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RELIANT ENERGY, INCORPORATED

Date: July 27, 2000

By: /s/ Mary P. Ricciardello

Mary P. Ricciardello
Senior Vice President and
Chief Accounting Officer

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RELIANT ENERGY RESOURCES CORP.

Date: July 27, 2000 By: /s/ Mary P. Ricciardello

Mary P. Ricciardello
Senior Vice President

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Press Release issued July 27, 2000
99.2	Simplified Organizational Chart of Reliant Energy's proposed Business Separation Plan

Exhibit 99.1

FOR FURTHER INFORMATION: (Media) Sandy Fruhman (713) 207-3123
(Investors) Randy Burkhalter (713) 207-3115

FOR IMMEDIATE RELEASE: Thursday, July 27, 2000

RELIANT ENERGY ANNOUNCES FILING OF BUSINESS SEPARATION PLAN

(Houston, TX) -- Reliant Energy announced today that it plans to file with the Texas Public Utility Commission a business separation plan under which it would divide into two publicly traded companies in order to separate its unregulated businesses from its regulated businesses. Upon receipt of necessary regulatory approvals, the company plans an initial public offering (IPO) of approximately 20 percent of the common stock of its unregulated operations late this year or early in 2001, assuming market conditions remain favorable. The company expects the IPO to be followed by a distribution to shareholders of the remaining stock of the unregulated company within 12 months. The remaining businesses which are predominantly regulated will be structured as a holding company.

The initiative is intended to satisfy regulatory requirements under Texas restructuring legislation, to enhance shareholder value, to highlight the specific investment appeals of each resulting entity, and to permit the individual units to focus on their respective business and market opportunities.

The unregulated company will own Reliant Energy's unregulated power generation and related energy trading and marketing operations, its unregulated retail businesses, which currently include energy, telecommunications and internet services and the company's European electric generating and trading/marketing operations. The plan also contemplates that in 2004 the unregulated company will receive from the regulated company cash equal to the market value of the regulated company's interest in its Texas regulated generation operations. In addition, the unregulated company will have an option to purchase the regulated company's interest in these operations at a price equal to the market value.

The regulated company will include Reliant Energy's electricity and natural gas companies, which serve about four million customers in the U.S. and include Reliant Energy HL&P/Entex, Reliant Energy Arkla, Reliant Energy Entex and Reliant Energy Minnegasco. Other operations in the entity will include its U.S. interstate pipelines, its interests in Latin America and, initially, its Texas regulated generation.

"Reliant Energy has undergone a fundamental transformation from a Texas-based utility into a leading energy services company," said Steve Letbetter, chairman, president and CEO. "In addition to our successful regulated energy delivery operations, we now have sizeable and very attractive growth businesses operating in competitive markets. Our primary business objective is to create shareholder value while also providing high-quality service to our customers. The restructuring initiative we are announcing today is another step in meeting that objective.

"Our growth businesses appeal to a different set of investors than do our regulated activities," Letbetter explained. "We expect the regulated company to be very similar to the company we have been for most of our history, and it should appeal to our traditional type of investor. "As a growth company, the new unregulated entity will be able to capitalize on existing and future investment opportunities more effectively, and should appeal to investors who are more growth-oriented and tolerant of risk," Letbetter continued. "Overall, this restructuring will allow us to better align our businesses with the interests of investors and allow the market to more effectively reflect the overall value of Reliant Energy's expanded business portfolio."

Letbetter added that Reliant Energy is committed to maintaining its current annual dividend of $1.50 per share until the time of the separation.

In addition to advancing shareholder interests, the initiative will satisfy competitive market and restructuring requirements of the Texas electric restructuring legislation, which calls for the Texas electric market to open to full competition on January 1, 2002. The new structure is an integral part of a separation plan which Reliant Energy HL&P will file in August for approval of the Public Utility Commission of Texas.

"As businesses that will remain regulated, Reliant Energy's electricity and natural gas distribution companies will continue to focus on providing reliable service at a reasonable cost, as we have been doing for more than 100 years," Letbetter said.

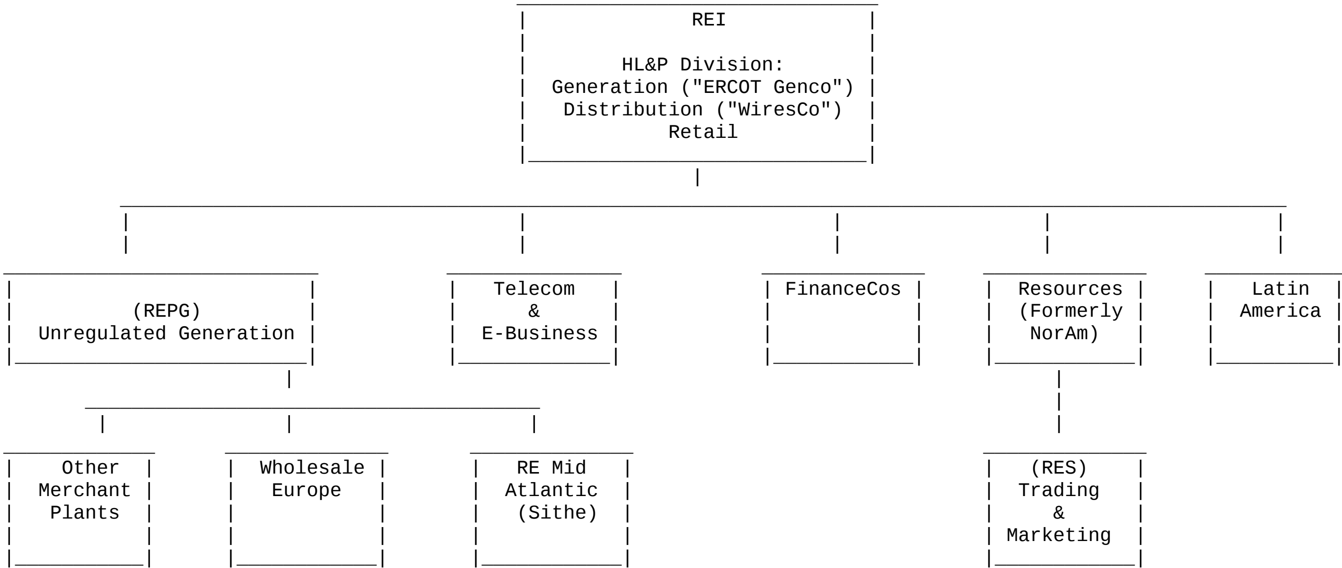
Reliant Energy (NYSE: REI), based in Houston, Texas, is an international energy delivery and energy services company with more than $15 billion in annual revenue and assets totaling $30 billion. The company has a wholesale energy trading and marketing business that ranks among the top five in the U.S. in combined electricity and natural gas volumes and has a presence in most of the major power regions of the U.S. It also has power generation and wholesale trading and marketing operations in Western Europe. The company has nearly 27,000 megawatts of power generation in operation in the U.S. and Western Europe and has announced development projects that will add another 5,000 megawatts. Reliant Energy also has marketing and distribution operations serving nearly four million electricity and natural gas customers in the U.S., has significant interests in power distribution operations serving more than 10 million customers in Latin America and has a telecommunications business serving the Houston area.

The IPO of the company's unregulated businesses will be registered under the Securities Act of 1933 and such shares of common stock will only be offered and sold by means of a prospectus. This news release does not constitute an offer to sell or the solicitation of any offer to buy any securities of the Company's unregulated businesses, nor will there be any sale of any such securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such state.

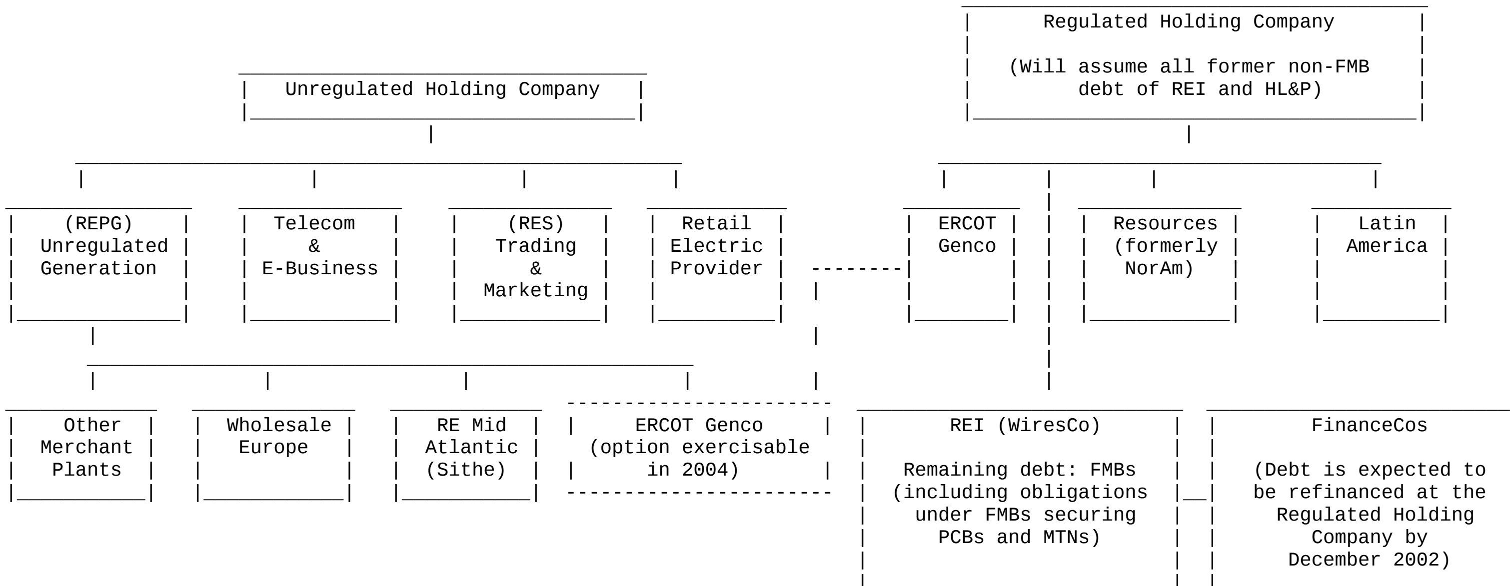
This news release includes forward-looking statements. Actual events and results may differ materially from those projected. Factors that could affect actual results include the timing and impact of future regulatory and legislative decisions, changes in Reliant Energy's business plans, financial market conditions and other factors discussed in Reliant Energy's filings with the Securities and Exchange Commission.

EXHIBIT 99.2

EXISTING STRUCTURE
(simplified)



PROPOSED BUSINESS SEPARATION PLAN
(simplified)



Definitions: FMBs: First Mortgage Bonds
PCBs: Pollution Control Bonds
MTNs: Medium Term Notes

EXHIBIT 12

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(THOUSANDS OF DOLLARS)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	TWELVE MONTHS ENDED SEPTEMBER 30, 2000
Income from continuing operations	$ 14,761	$ 44,565
Income taxes for continuing operations	41,119	59,321
	55,880	103,886
Fixed charges, as defined:		
Interest expense	100,108	129,375
Distribution on trust preferred securities	22	112
Interest component of rentals charged to operating expense	8,234	12,423
Total fixed charges	108,364	141,910
Earnings, as defined	$164,244	$245,796
Ratio of earnings to fixed charges	1.52	1.73

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM RERC'S FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0001042773
RELIANT ENERGY RESOURCES CORP.
1,000

9-MOS
DEC-31-2000
SEP-30-2000
PER-BOOK
1,503,044
1,509,331
3,997,621
2,921,156
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9,931,152
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350,000
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163,594
(7,606)
155,994
100,108
14,761
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14,761
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55,614
1,875
0
0

EXHIBIT 99.a

RELIANT ENERGY RESOURCES CORP.
Items Incorporated by Reference

ITEMS INCORPORATED BY REFERENCE FROM THE RELIANT ENERGY AND RESOURCES FORM 10-K:

o Item 3. LEGAL PROCEEDINGS

(b) Resources Corp.

For a description of certain legal and regulatory proceedings affecting Resources, see Note 8(d) to Resources' Consolidated Financial Statements, which note is incorporated herein by reference.

o Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE COMPANY -- CERTAIN FACTORS AFFECTING FUTURE EARNINGS OF THE COMPANY

Earnings for the past three years are not necessarily indicative of future earnings and results. The level of future earnings depends on numerous factors including (i) state and federal legislative or regulatory developments, (ii) national or regional economic conditions, (iii) industrial, commercial and residential growth in service territories of the Company, (iv) the timing and extent of changes in commodity prices and interest rates, (v) weather variations and other natural phenomena, (vi) growth in opportunities for the Company's diversified operations, (vii) the results of financing efforts, (viii) the ability to consummate and timing of consummation of pending acquisitions and dispositions, (ix) the speed, degree and effect of continued electric industry restructuring in North America and Western Europe, and (x) risks incidental to the Company's overseas operations, including the effects of fluctuations in foreign currency exchange rates.

In order to adapt to the increasingly competitive environment, the Company continues to evaluate a wide array of potential business strategies, including business combinations or acquisitions involving other utility or non-utility businesses or properties, internal restructuring, reorganizations or dispositions of currently owned businesses and new products, services and customer strategies.

COMPETITION AND RESTRUCTURING OF THE TEXAS ELECTRIC UTILITY INDUSTRY

The electric utility industry is becoming increasingly competitive due to changing government regulations, technological developments and the availability of alternative energy sources.

Texas Electric Choice Plan. In June 1999, the Texas legislature adopted legislation that substantially amends the regulatory structure governing electric utilities in Texas in order to allow retail competition beginning with respect to pilot projects for up to 5% of each utility's load in all customer classes in June 2001 and for all other customers on January 1,2002. In preparation for that competition, the Company expects to make significant changes in the electric utility operations it conducts through Reliant Energy HL&P. Under the Legislation, on January 1, 2002, most retail customers of investor-owned electric utilities in Texas will be entitled to purchase their electricity from any of a number of "retail electric providers" which will have been certified by the Texas Utility Commission. Power generators will sell electric energy to wholesale purchasers, including retail electric providers, at unregulated rates beginning January 1, 2002. For further information regarding the Legislation, see Note 3 to the Company's Consolidated Financial Statements.

Stranded Costs. Pursuant to the Legislation, Reliant Energy HL&P will be entitled to recover its stranded costs (i.e., the excess of net book value of generation assets, as defined by the Legislation, over the market value of those assets) and its regulatory assets related to generation. The Legislation prescribes specific methods for determining the amount of stranded costs and the details for their recovery. However, during the base rate freeze period from 1999 through 2001, earnings above the utility's authorized return formula will be applied in a manner to accelerate depreciation of generation related plant assets for regulatory purposes. In addition, depreciation expense for transmission and

distribution related assets may be redirected to generation assets for regulatory purposes during that period. The Legislation also provides for Reliant Energy HL&P, or a special purpose entity, to issue securitization bonds for the recovery of generation related regulatory assets and stranded costs. Any stranded costs not recovered through the securitization bonds will be recovered through a non-bypassable charge to transmission and distribution customers.

Accounting. At June 30, 1999, the Company performed an impairment test of its previously regulated electric generation assets pursuant to SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", on a plant specific basis. The Company determined that $797 million of electric generation assets were impaired as of June 30, 1999. Of such amounts, $745 million relate to the South Texas Project and $52 million relate to two gas-fired generation plants. The Legislation provides recovery of this impairment through regulated cash flows during the transition period and through non-bypassable charges to transmission and distribution customers. As such, a regulatory asset has been recorded for an amount equal to the impairment loss and is included on the Company's Consolidated Balance Sheets as a regulatory asset.

The impairment analysis requires estimates of possible future market prices, load growth, competition and many other factors over the lives of the plants. The resulting impairment loss is highly dependent on these underlying assumptions. In addition, after January 10,2004, Reliant Energy HL&P must finalize and reconcile stranded costs (as defined by the Legislation) in a filing with the Texas Utility Commission. Any difference between the fair market value and the regulatory net book value of the generation assets (as defined by the Legislation) will either be refunded or collected through future transmission and distribution rates. This final reconciliation allows alternative methods of third party valuation of the fair market value of these assets, including outright sale, stock valuations and asset exchanges. Because generally accepted accounting principles require the Company to estimate fair market values on a plant-by-plant basis in advance of the final reconciliation, the financial impacts of the Legislation with respect to stranded costs are subject to material changes. Factors affecting such change may include estimation risk, uncertainty of future energy prices and the economic lives of the plants. If events occur that make the recovery of all or a portion of the regulatory assets associated with the generation plant impairment loss and deferred debits created from discontinuance of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" pursuant to the Legislation no longer probable, the Company will write off the corresponding balance of such assets as a non-cash charge against earnings.

In the fourth quarter of 1999, Reliant Energy HL&P filed an application to securitize its generation related regulatory assets as defined by the Legislation. The Texas Utility Commission, Reliant Energy HL&P and other interested parties have been discussing proposed methodologies for calculating the amount of such assets to be securitized. The parties have reached an agreement in principle as to the amount to be securitized, which reflects the economic value of the nominal book amount which prior to the deregulation legislation would have been collected through rates over a much longer time period. The Company has determined that a pre-tax accounting loss of $282 million exists. Therefore, the Company recorded an after-tax extraordinary loss of $183 million for this accounting impairment of these regulatory assets in 1999.

Transmission System Open Access. In February 1996, the Texas Utility Commission adopted rules granting third-party users of transmission systems open access to such systems at rates, terms and conditions comparable to those available to utilities owning such transmission assets. Under the Texas Utility Commission order implementing the rule, Reliant Energy HL&P was required to separate, on an operational basis, its wholesale power marketing operations from the operations of the transmission grid and, for purposes of transmission pricing, to disclose each of its separate costs of generation, transmission and distribution. Within ERCOT, an independent system operator (ISO) manages the state's electric grid, ensuring system reliability and providing non-discriminatory transmission access to all power producers and traders.

Transition Plan. In June 1998, the Texas Utility Commission approved the Transition Plan filed by Reliant Energy HL&P in December 1997. Certain parties have appealed the order approving the Transition Plan. The provisions of the Transition Plan expired by their own terms as of December 31, 1999. For additional information, see Note 4 to the Company's Consolidated Financial Statements.

COMPETITION -- RELIANT ENERGY EUROPE OPERATIONS

The European energy market is highly competitive. In addition, over the next several years, an increasing consolidation of the participants in the Dutch generating market is expected to occur.

Reliant Energy Europe competes in the Netherlands primarily against the three other largest Dutch generating companies, various cogenerators of electric power, various alternate sources of power and non-Dutch generators of electric power, primarily from Germany. At present, the Dutch electricity system has three operational interconnection points with Germany and two interconnection points with Belgium. There are also a number of projects that are at various stages of development and that may increase the number of interconnections in the future including interconnections with Norway and the United Kingdom. The Belgian interconnections are used to import electricity from France but a larger portion of Dutch imports comes from Germany. In 1998, net power imports into the Netherlands were approximately 11.7 terawatt hours. Based on current information, it is estimated that net power imports into the Netherlands in 1999 increased significantly from 1998.

In 1999, UNA and the three other largest Dutch generators supplied approximately 60% of the electricity consumed in the Netherlands. Smaller Dutch producers supplied about 28% and the remainder was imported. The Dutch electricity market is expected to be gradually opened for wholesale competition including certain commercial and industrial customers beginning in 2001. Competition is expected to increase in subsequent years and it is anticipated that the market for small businesses and residential customers will become open to competition by 2007. The timing of the opening of these markets is subject, however, to change at the discretion of the Minister of Economic Affairs.

The trading and marketing operations of Reliant Energy Europe will also be subject to increasing levels of competition. As of March 1,2000, there were approximately 25 trading and marketing companies registered with the Amsterdam Power Exchange. Competition for marketing customers is intense and is expected to increase with the deregulation of the market. The primary elements of competition in both the generation and trading and marketing side of Reliant Energy Europe's business operations are price, credit-support and supply and delivery reliability.

COMPETITION -- OTHER OPERATIONS

Wholesale Energy By the third quarter of 2000, Reliant Energy expects that the Company will own and operate over 8,000 MW of non-rate regulated electric generation assets that serve the wholesale energy markets located in the states of California and Florida, and the Southwest, Midwest and Mid-Atlantic regions of the United States. Competitive factors affecting the results of operations of these generation assets include: new market entrants, construction by others of more efficient generation assets, the actions of regulatory authorities and weather.

Other competitors operate power generation projects in most of the regions where the Company has invested in non-rate regulated generation assets. Although local permitting and siting issues often reduce the risk of a rapid growth in supply of generation capacity in any particular region, over time, projects are likely to be built which will increase competition and lower the value of some of the Company's non-rate regulated electric generation assets.

The regulatory environment of the wholesale energy markets in which the Company invests may adversely affect the competitive conditions of those markets. In several regions, notably California and in the PJM Power Pool Region (in the Mid-Atlantic region of the United States), the independent system operators have chosen to rely on price caps and market redesigns as a way of minimizing market volatility.

The results of operations of the Company's non-rate regulated generation assets are also affected by the weather conditions in the relevant wholesale energy markets. Extreme seasonal weather conditions typically increase the demand for wholesale energy. Conversely, mild weather conditions typically have the opposite effect. In some regions, especially California, weather conditions associated with hydroelectric generation resources such as rainfall and snowpack can significantly influence market prices for electric power by increasing or decreasing the availability and timing of hydro-based generation which is imported into the California market.

Competition for acquisition of international and domestic non-rate regulated power projects is intense. The Company competes against a number of other participants in the non-utility power generation industry, some of which have greater financial resources and have been engaged in non-utility power projects for periods longer than the Company and have accumulated larger portfolios of projects. Competitive factors relevant to the non-utility power industry include financial resources, access to non-recourse funding and regulatory factors.

Reliant Energy Services competes for sales in its natural gas, electric power and other energy derivatives trading and marketing business with other energy merchants, producers and pipelines based on its ability to aggregate supplies at competitive prices from different sources and locations and to efficiently utilize transportation from third-party pipelines and transmission from electric utilities. Reliant Energy Services also competes against other energy marketers on the basis of its relative financial position and access to credit sources. This competitive factor reflects the tendency of energy customers, wholesale energy suppliers and transporters to seek financial guarantees and other assurances that their energy contracts will be satisfied. As pricing information becomes increasingly available in the energy trading and marketing business and as deregulation in the electricity markets continues to accelerate, the Company anticipates that Reliant Energy Services will experience greater competition and downward pressure on per-unit profit margins in the energy marketing industry.

Natural Gas Distribution. Natural Gas Distribution competes primarily with alternate energy sources such as electricity and other fuel sources. In addition, as a result of federal regulatory changes affecting interstate pipelines, it has become possible for other natural gas suppliers and distributors to bypass Natural Gas Distribution's facilities and market, sell and/or transport natural gas directly to small commercial and/or large volume customers.

Interstate Pipelines. The Interstate Pipelines segment competes with other interstate and intrastate pipelines in the transportation and storage of natural gas. The principal elements of competition among pipelines are rates, terms of service, and flexibility and reliability of service. Interstate Pipelines competes indirectly with other forms of energy available to its customers, including electricity, coal and fuel oils. The primary competitive factor is price. Changes in the availability of energy and pipeline capacity, the level of business activity, conservation and governmental regulations, the capability to convert to alternative fuels, and other factors, including weather, affect the demand for natural gas in areas served by Interstate Pipelines and the level of competition for transport and storage services.

FLUCTUATIONS IN COMMODITY PRICES AND DERIVATIVE INSTRUMENTS

For information regarding the Company's exposure to risk as a result of fluctuations in commodity prices and derivative instruments, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of this Report.

INDEXED DEBT SECURITIES (ACES AND ZENS) AND TIME WARNER INVESTMENT

For information on Reliant Energy's indexed debt securities and its investment in TW Common, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of this Report and Note 8 to the Company's Consolidated Financial Statements.

IMPACT OF THE YEAR 2000 ISSUE AND OTHER SYSTEM IMPLEMENTATION ISSUES

In 1997, the Company initiated a corporate wide Year 2000 project to address mainframe application systems, information technology (IT) related equipment, system software, client-developed applications, building controls and non-IT embedded systems such as process controls for energy production and delivery. The evaluation of Year 2000 issues included those related to significant customers, key vendors, service suppliers and other parties material to the Company's operations.

Remediation and testing of all systems and equipment were completed during 1999. The Company did not experience any Year 2000 problems that significantly affected the operations of the Company. The Company will

continue to monitor and assess potential future problems. Total direct costs of resolving the Year 2000 issue with respect to the Company were $29 million.

The Company is in the process of implementing SAP America, Inc.'s (SAP) proprietary R/3 enterprise software. Although the implementation of the SAP system had the incidental effect of negating the need to modify many of the Company's computer systems to accommodate the Year 2000 problem, the Company does not deem the costs of the SAP system as directly related to its Year 2000 compliance program. Portions of the SAP system were implemented in December 1998, March 1999 and September 1999, and it is expected that the final portion of the SAP system will be fully implemented by the fourth quarter of 2002. The cost of implementing the SAP system is currently estimated to be approximately $237 million, inclusive of internal costs. As of December 31, 1999, $192 million has been spent on the implementation.

ENTRY INTO THE EUROPEAN MARKET

Reliant Energy Europe owns, operates and sells power from generation facilities in the Netherlands and plans to participate in the emerging wholesale energy trading and marketing industry in the Netherlands and other countries in Europe. Reliant Energy expects that the Dutch electric industry will undergo change in response to market deregulation in 2001. These expected changes include the anticipated expiration of certain transition agreements which have governed the basic tariff rates that UNA and other generators have charged their customers. Based on current forecasts and other assumptions, the revenues of UNA could decline significantly from 1999 revenues after 2000.

One of the factors that could have a significant impact on the Dutch energy industry, including the operations of UNA, is the ultimate resolution of stranded cost issues in the Netherlands. The Dutch government is currently seeking to establish a transitional regime in order to solve the problem of stranded costs, which relate primarily to investments and contracts entered into by SEP and certain licensed generators prior to the liberalization of the market. SEP is owned in equal shares by each of the four large Dutch generating companies, including UNA.

In connection with the acquisition of UNA, the selling shareholders of UNA agreed to indemnify UNA for certain stranded costs in an amount not to exceed NLG 1.4 billion (approximately $639 million based on an exchange rate of 2.19 NLG per U.S. dollar as of December 31, 1999), which may be increased in certain circumstances at the option of the Company up to NLG 1.9 billion (approximately $868 million). Of the total consideration paid by the Company for the shares of UNA, NLG 900 million (approximately $411 million) has been placed by the selling shareholders in an escrow account to secure the indemnity obligations. Although Reliant Energy believes that the indemnity provision will be sufficient to cover UNA's ultimate share of any stranded cost obligation, this belief is based on numerous assumptions regarding the ultimate outcome and timing of the resolution of the stranded cost issue, the existing shareholders timely performance of their obligations under the indemnity arrangement, and the amount of stranded costs which at present is not determinable.

The Dutch government is expected to propose a legislative initiative regarding stranded costs to the Dutch cabinet in March 2000. The proposed legislation will be sent to the Dutch council of state for review. It is not anticipated that the legislation will be reviewed by parliament until late in the summer of 2000.

For information about the Company's exposure through its investment in Reliant Energy Europe to losses resulting from fluctuations in currency rates, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of this Form 10-K.

RISK OF OPERATIONS IN EMERGING MARKETS

Reliant Energy Latin America's operations are subject to various risks incidental to investing or operating in emerging market countries. These risks include political risks, such as governmental instability, and economic risks, such as fluctuations in currency exchange rates, restrictions on the repatriation of foreign earnings and/or restrictions on the conversion of local currency earnings into U.S. dollars. The Company's Latin American operations are also highly capital intensive and, thus, dependent to a significant extent on the continued availability of bank financing and other sources of capital on commercially acceptable terms.

Impact of Currency Fluctuations on Company Earnings. The Company owns 11.78% of the stock of Light Servicos de Eletricidade S.A. (Light) and, through its investment in Light, a 9.2% interest in the stock of Metropolitana Electricidade de Sao Paulo S.A. (Metropolitana). As of December 31, 1999 and 1998, Light and Metropolitana had total borrowings of $2.9 billion and $3.2 billion, respectively, denominated in non-local currencies. During the first quarter of 1999, the Brazilian real was devalued and allowed to float against other major currencies. The effects of devaluation on the non-local currency denominated borrowings caused the Company to record an after-tax charge for the year ended December 31, 1999 of $102 million as a result of foreign currency transaction losses recorded by both Light and Metropolitana in such periods. For additional information regarding the effect of the devaluation of the Brazilian real, see Note 7(a) in the Company's Consolidated Financial Statements.

Light's and Metropolitana's tariff adjustment mechanisms are not directly indexed to the U.S. dollar or other non-local currencies. To partially offset the devaluation of the Brazilian real, and the resulting increased operating costs and inflation, Light and Metropolitana received tariff rate increases of 16% and 21%, respectively, which were phased in during June and July 1999. Light also received its annual rate adjustment in November 1999 resulting in a tariff rate increase of 11%. The Company is pursuing additional tariff increases to mitigate the impact of the devaluation; however, there can be no assurance that such adjustments will be timely or that they will permit substantial recovery of the impact of the devaluation.

Certain of Reliant Energy Latin America's other foreign electric distribution companies have incurred U.S. dollar and other non-local currency indebtedness (approximately $600 million at December 31, 1999). For further analysis of foreign currency fluctuations in the Company's earnings and cash flows, see "Quantitative and Qualitative Disclosures About Market Risk -- Foreign Currency Exchange Rate Risk" in Item 7A of this Form 10-K.

Impact of Foreign Currency Devaluation on Projected Capital Resources. The ability of Light and Metropolitana to repay or refinance their debt obligations at maturity is dependent on many factors, including local and international economic conditions prevailing at the time such debt matures. If economic conditions in the international markets continue to be unsettled or deteriorate, it is possible that Light, Metropolitana and the other foreign electric distribution companies in which the Company holds investments might encounter difficulties in refinancing their debt (both local currency and non-local currency borrowings) on terms and conditions that are commercially acceptable to them and their shareholders. In such circumstances, in lieu of declaring a default or extending the maturity, it is possible that lenders might seek to require, among other things, higher borrowing rates, and additional equity contributions and/or increased levels of credit support from the shareholders of such entities. For a discussion of the Company's anticipated capital contributions in 2000, see "-- Liquidity and Capital Resources -- Future Sources and Uses of Cash Flows -- Reliant Energy Latin America Capital Contributions and Advances." In 2000, $1.6 billion of debt obligations of Light and Metropolitana will mature. The availability or terms of refinancing such debt cannot be assured. Currency fluctuation and instability affecting Latin America may also adversely affect the Company's ability to refinance its equity investments with debt.

ENVIRONMENTAL EXPENDITURES

The Company is subject to numerous environmental laws and regulations, which require it to incur substantial costs to operate existing facilities, construct and operate new facilities, and mitigate or remove the effect of past operations on the environment.

Clean Air Act Expenditures. The Company expects the majority of capital expenditures associated with environmental matters to be incurred by Electric Operations in connection with new emission limitations under the Federal Clean Air Act (Clean Air Act) for oxides of nitrogen (NOx). NOx reduction costs incurred by Electric Operations generating units in the Houston, Texas area totaled approximately $7 million in 1999 and $7 million in 1998. The Texas Natural Resources Conservation Commission (TNRCC) is currently considering additional NOx reduction requirements for electric generating units and other industrial sources located in the Houston metropolitan area and the eastern half of Texas as a means to attain the Clean Air Act standard for ozone. Although the magnitude and timing of these requirements will not be established by the TNRCC until November, 2000, NOx reductions approaching 90% of the emissions level are anticipated. Expenditures for NOx controls on Electric Operations' generating units have been estimated at $500 million to $600 million during the period 2000 through 2003, with an estimated $80 million to be incurred during 2000. In addition, the Legislation created a program mandating air emissions reductions for certain generating facilities of Electric Operations. The Legislation provides for stranded cost recovery for costs associated with this obligation incurred before May 1, 2003. For further information regarding the Legislation, see Note 3 to the Company's Consolidated Financial Statements.

Site Remediation Expenditures. From time to time the Company has received notices from regulatory authorities or others regarding its status as a potentially responsible party in connection with sites found to require remediation due to the presence of environmental contaminants. Based on currently available information, Reliant Energy believes that remediation costs will not materially affect its financial position, results of operations or cash flows. There can be no assurance, however, that future developments, including additional information about existing sites or the identification of new sites, will not require material revisions to Reliant Energy's estimates. For information about specific sites that are the subject of remediation claims, see Note 14(h) to the Company's Consolidated Financial Statements and Note 8(d) to Resources' Consolidated Financial Statements.

Mercury Contamination. Like other natural gas pipelines, the Company's pipeline operations have in the past employed elemental mercury in meters used on its pipelines. Although the mercury has now been removed from the meters, it is possible that small amounts of mercury have been spilled at some of those sites in the course of normal maintenance and replacement operations and that such spills have contaminated the immediate area around the meters with elemental mercury. Such contamination has been found by Resources at some sites in the past, and the Company has conducted remediation at sites found to be contaminated. Although the Company is not aware of additional specific sites, it is possible that other contaminated sites exist and that remediation costs will be incurred for such sites. Although the total amount of such costs cannot be known at this time, based on experience of the Company and others in the natural gas industry to date and on the current regulations regarding remediation of such sites, the Company believes that the cost of any remediation of such sites will not be material to the Company's or Resources' financial position, results of operations or cash flows.

Other. In addition, the Company has been named as a defendant in litigation related to such sites and in recent years has been named, along with numerous others, as a defendant in several lawsuits filed by a large number of individuals who claim injury due to exposure to asbestos while working at sites along the Texas Gulf Coast. Most of these claimants have been workers who participated in construction of various industrial facilities, including power plants, and some of the claimants have worked at locations owned by the Company. The Company anticipates that additional claims like those received may be asserted in the future and intends to continue its practice of vigorously contesting claims which it does not consider to have merit. Although their ultimate outcome cannot be predicted at this time, the Company does not believe, based on its experience to date, that these matters, either individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

OTHER CONTINGENCIES

For a description of certain other legal and regulatory proceedings affecting the Company, see Notes 3, 4 and 14 to the Company's Consolidated Financial Statements and Note 8 to Resources' Consolidated Financial Statements.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): JULY 27, 2000

RELIANT ENERGY, INCORPORATED
(Exact name of registrant as specified in its charter)

TEXAS	1-3187	74-0694415
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1111 LOUISIANA HOUSTON, TEXAS	77002
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 207-3000

RELIANT ENERGY RESOURCES CORP.
(Exact name of registrant as specified in its charter)

DELAWARE	1-13265	76-0511406
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1111 LOUISIANA HOUSTON, TEXAS	77002
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 207-3000

This combined current report on Form 8-K is separately filed by Reliant Energy, Incorporated (Reliant Energy) and Reliant Energy Resources Corp. (Resources Corp.). Information contained herein relating to Resources Corp. is filed by Reliant Energy and separately by Resources Corp. on its own behalf. Resources Corp. makes no representation as to information relating to Reliant Energy (except as it may relate to Resources Corp.) and its subsidiaries, or any other affiliate of Reliant Energy. References herein to the businesses and operations of Reliant Energy include the businesses and operations of Reliant Energy's subsidiaries, including Resources Corp.

ITEM 5. OTHER EVENTS.

On July 27, 2000, Reliant Energy announced that it plans to file a business separation plan with the Texas Public Utility Commission under which it would divide into two publicly traded companies in order to separate its unregulated businesses from its regulated businesses. Upon receipt of necessary regulatory approvals, Reliant Energy plans an initial public offering (IPO) of approximately 20 percent of the common stock of a subsidiary that will hold its unregulated operations late this year or early in 2001, assuming market conditions remain favorable. Reliant Energy expects the IPO to be followed by a distribution to Reliant Energy's shareholders of the remaining stock of the unregulated company within twelve months after the IPO.

The unregulated company is expected to own Reliant Energy's:

- domestic unregulated power generation and energy trading and marketing operations,
- retail electric, telecommunications and internet services businesses, and
- European power generation and energy trading and marketing operations.

These businesses are expected to include the trading and marketing and certain electric and gas retail operations of Resources Corp., which are expected to be merged into wholly owned subsidiaries of the unregulated company. The business separation plan also contemplates that in 2004 the unregulated company will receive from the regulated company cash equal to the market value of the regulated company's interest in its Texas regulated generation operations. In addition, the unregulated company will have an option to purchase the regulated company's interest in these operations at a price equal to the market value.

Under the business separation plan, Reliant Energy would restructure its regulated operations into a holding company structure in which a new corporate entity would be formed as the parent with Reliant Energy's regulated businesses as subsidiaries. The regulated company is expected to own Reliant Energy's:

- electric transmission and distribution operations, its natural gas distribution businesses and, initially, its regulated electric generating assets in Texas,
- U.S. interstate pipelines and gas gathering operations, and

. interests in energy distribution companies in Latin America.

In connection with the formation of the new holding company for regulated businesses, Reliant Energy would transfer the stock of all of its subsidiaries to the new holding company and would transfer its regulated electric generating assets in Texas to a separate subsidiary of the new holding company until the stranded costs associated with those assets are valued in 2004. At that time, the unregulated company will have the right to exercise the option discussed above. As a result of the stock and asset transfers described above, Reliant Energy would become solely a transmission and distribution company, with its other businesses transferred to separate subsidiaries of the new holding company. Reliant Energy expects that the regulated holding company would be required to assume all of Reliant Energy's debt other than its first mortgage bonds, which would remain with Reliant Energy. The indebtedness of Reliant Energy's FinanceCo financing subsidiaries is expected to initially remain in place and be refinanced by the regulated holding company by the end of 2002.

For additional information, please refer to Reliant Energy's press release filed with this current report as Exhibit 99.1 and the simplified organizational chart of the proposed business separation plan filed with this current report as Exhibit 99.2, which press release and organizational chart are incorporated herein by reference.

The IPO and ultimate distribution of the stock of the unregulated company are subject to the development of definitive separation terms, further corporate approvals, market and other conditions, and government actions, including approval of the business separation plan by the Texas Public Utility Commission and receipt of a favorable Internal Revenue Service ruling that the distribution of stock would be tax-free to Reliant Energy and its shareholders for U.S. federal income tax purposes, as applicable. Aspects of the restructuring of Reliant Energy's regulated businesses would be subject to the approval of Reliant Energy's shareholders and approvals from the Securities and Exchange Commission under the Public Utility Holding Company Act and from the Nuclear Regulatory Commission. There can be no assurance that the IPO, the separation of Reliant Energy's unregulated and regulated businesses or the ultimate restructuring of Reliant Energy's regulated businesses will be completed as described or within the time periods outlined above.

The IPO of Reliant Energy's unregulated businesses will be registered under the Securities Act of 1933 and such shares of common stock will only be offered and sold by means of a prospectus. This current report does not constitute an offer to sell or the solicitation of any offer to buy any securities of Reliant Energy's unregulated businesses, nor will there be any sale of any such securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such state.

This current report includes forward-looking statements. Actual events and results may differ materially from those projected. Factors that could affect actual results include the timing and impact of future regulatory and legislative decisions, changes in Reliant Energy's business plans, financial market conditions and other factors discussed in Reliant Energy's filings with the Securities and Exchange Commission.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

The following exhibits are filed herewith:

99.1 Press Release issued July 27, 2000

99.2 Simplified Organizational Chart of Reliant Energy's proposed Business Separation Plan

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RELIANT ENERGY, INCORPORATED

Date: July 27, 2000 By: /s/ Mary P. Ricciardello

Mary P. Ricciardello
Senior Vice President and
Chief Accounting Officer

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RELIANT ENERGY RESOURCES CORP.

Date: July 27, 2000   By: /s/ Mary P. Ricciardello

Mary P. Ricciardello
Senior Vice President

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Press Release issued July 27, 2000
99.2	Simplified Organizational Chart of Reliant Energy's proposed Business Separation Plan

Exhibit 99.1

FOR FURTHER INFORMATION: (Media) Sandy Fruhman (713) 207-3123
(Investors) Randy Burkhalter (713) 207-3115

FOR IMMEDIATE RELEASE: Thursday, July 27, 2000

RELIANT ENERGY ANNOUNCES FILING OF BUSINESS SEPARATION PLAN

(Houston, TX) -- Reliant Energy announced today that it plans to file with the Texas Public Utility Commission a business separation plan under which it would divide into two publicly traded companies in order to separate its unregulated businesses from its regulated businesses. Upon receipt of necessary regulatory approvals, the company plans an initial public offering (IPO) of approximately 20 percent of the common stock of its unregulated operations late this year or early in 2001, assuming market conditions remain favorable. The company expects the IPO to be followed by a distribution to shareholders of the remaining stock of the unregulated company within 12 months. The remaining businesses which are predominantly regulated will be structured as a holding company.

The initiative is intended to satisfy regulatory requirements under Texas restructuring legislation, to enhance shareholder value, to highlight the specific investment appeals of each resulting entity, and to permit the individual units to focus on their respective business and market opportunities.

The unregulated company will own Reliant Energy's unregulated power generation and related energy trading and marketing operations, its unregulated retail businesses, which currently include energy, telecommunications and internet services and the company's European electric generating and trading/marketing operations. The plan also contemplates that in 2004 the unregulated company will receive from the regulated company cash equal to the market value of the regulated company's interest in its Texas regulated generation operations. In addition, the unregulated company will have an option to purchase the regulated company's interest in these operations at a price equal to the market value.

The regulated company will include Reliant Energy's electricity and natural gas companies, which serve about four million customers in the U.S. and include Reliant Energy HL&P/Entex, Reliant Energy Arkla, Reliant Energy Entex and Reliant Energy Minnegasco. Other operations in the entity will include its U.S. interstate pipelines, its interests in Latin America and, initially, its Texas regulated generation.

"Reliant Energy has undergone a fundamental transformation from a Texas-based utility into a leading energy services company," said Steve Letbetter, chairman, president and CEO. "In addition to our successful regulated energy delivery operations, we now have sizeable and very attractive growth businesses operating in competitive markets. Our primary business objective is to create shareholder value while also providing high-quality service to our customers. The restructuring initiative we are announcing today is another step in meeting that objective.

"Our growth businesses appeal to a different set of investors than do our regulated activities," Letbetter explained. "We expect the regulated company to be very similar to the company we have been for most of our history, and it should appeal to our traditional type of investor. "As a growth company, the new unregulated entity will be able to capitalize on existing and future investment opportunities more effectively, and should appeal to investors who are more growth-oriented and tolerant of risk," Letbetter continued. "Overall, this restructuring will allow us to better align our businesses with the interests of investors and allow the market to more effectively reflect the overall value of Reliant Energy's expanded business portfolio."

Letbetter added that Reliant Energy is committed to maintaining its current annual dividend of $1.50 per share until the time of the separation.

In addition to advancing shareholder interests, the initiative will satisfy competitive market and restructuring requirements of the Texas electric restructuring legislation, which calls for the Texas electric market to open to full competition on January 1, 2002. The new structure is an integral part of a separation plan which Reliant Energy HL&P will file in August for approval of the Public Utility Commission of Texas.

"As businesses that will remain regulated, Reliant Energy's electricity and natural gas distribution companies will continue to focus on providing reliable service at a reasonable cost, as we have been doing for more than 100 years," Letbetter said.

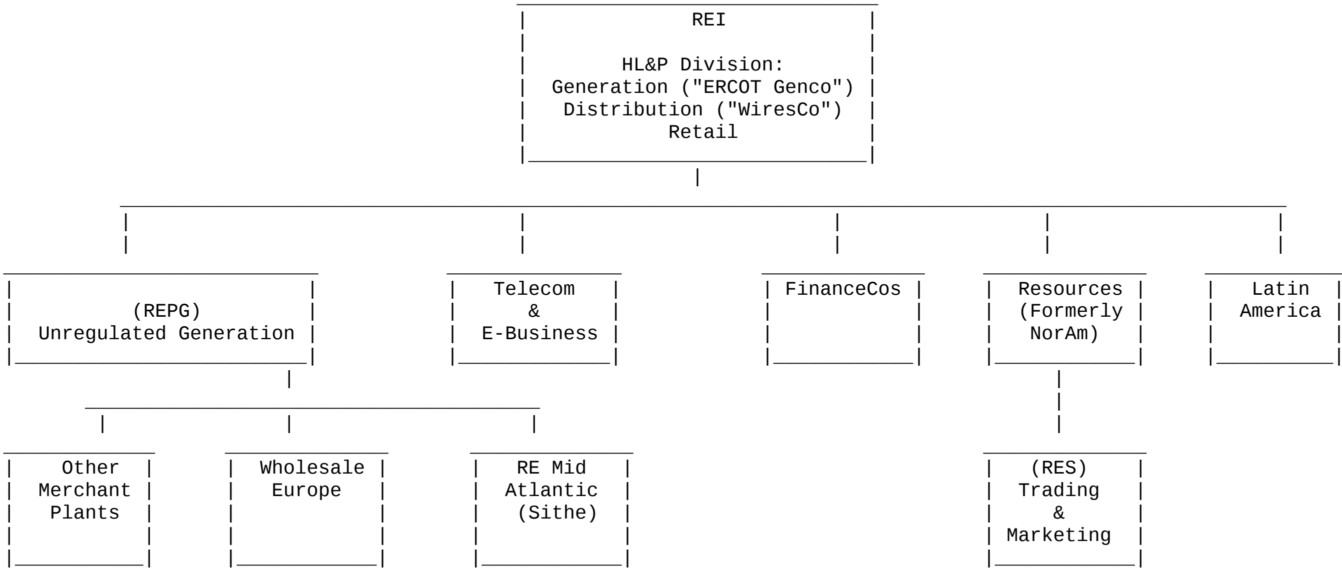
Reliant Energy (NYSE: REI), based in Houston, Texas, is an international energy delivery and energy services company with more than $15 billion in annual revenue and assets totaling $30 billion. The company has a wholesale energy trading and marketing business that ranks among the top five in the U.S. in combined electricity and natural gas volumes and has a presence in most of the major power regions of the U.S. It also has power generation and wholesale trading and marketing operations in Western Europe. The company has nearly 27,000 megawatts of power generation in operation in the U.S. and Western Europe and has announced development projects that will add another 5,000 megawatts. Reliant Energy also has marketing and distribution operations serving nearly four million electricity and natural gas customers in the U.S., has significant interests in power distribution operations serving more than 10 million customers in Latin America and has a telecommunications business serving the Houston area.

The IPO of the company's unregulated businesses will be registered under the Securities Act of 1933 and such shares of common stock will only be offered and sold by means of a prospectus. This news release does not constitute an offer to sell or the solicitation of any offer to buy any securities of the Company's unregulated businesses, nor will there be any sale of any such securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such state.

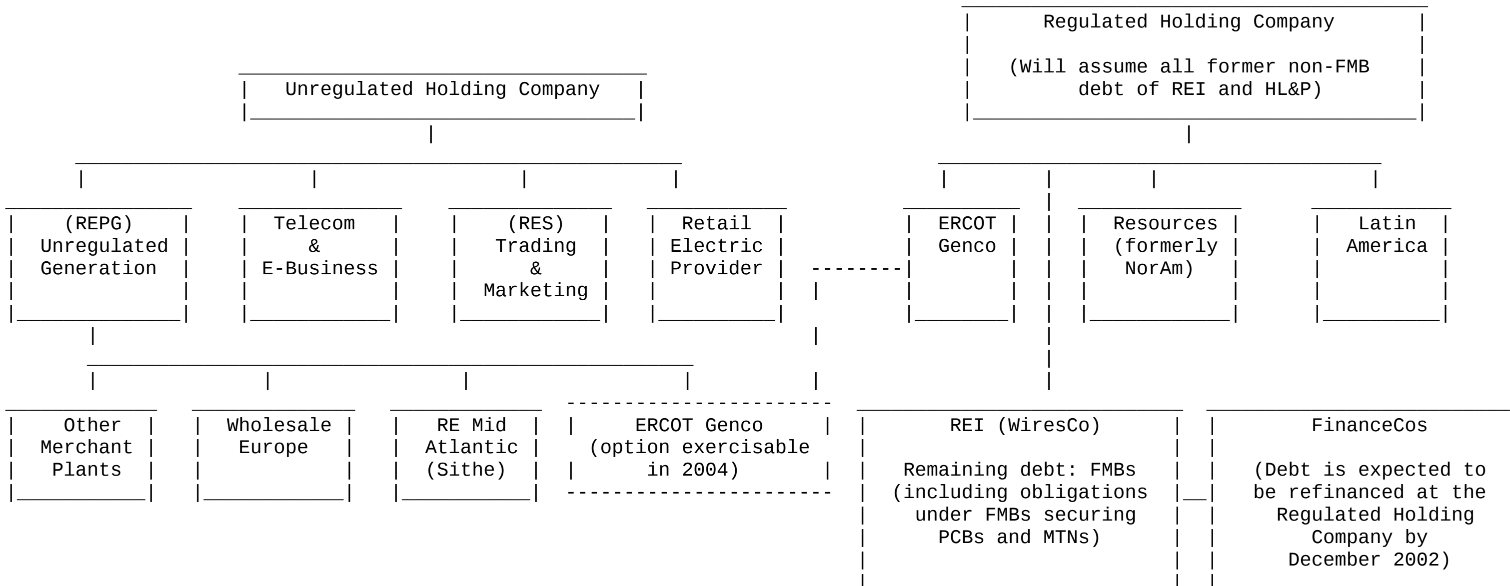
This news release includes forward-looking statements. Actual events and results may differ materially from those projected. Factors that could affect actual results include the timing and impact of future regulatory and legislative decisions, changes in Reliant Energy's business plans, financial market conditions and other factors discussed in Reliant Energy's filings with the Securities and Exchange Commission.

EXHIBIT 99.2

EXISTING STRUCTURE
(simplified)



PROPOSED BUSINESS SEPARATION PLAN
(simplified)



Definitions:

- FMBs: First Mortgage Bonds
- PCBs: Pollution Control Bonds
- MTNs: Medium Term Notes