File No. 070-09895

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

FORM U-1/A

AMENDMENT NO. 6 TO
APPLICATION/DECLARATION

UNDER

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Reliant Energy, Incorporated
CenterPoint Energy, Inc.
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Houston, Texas 77002

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

None

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TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of Rule 103A under the Public Utility Holding Company Act of 1935 or other provisions of the securities laws. Actual results may differ materially from those expressed or implied by these statements. In some cases, the reader can identify our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "should," "will," "forecast," "goal," "objective," "projection," or other similar words.

We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. We caution the reader that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure the reader that actual results will not differ materially from those expressed or implied by our forward-looking statements.

The following list identifies some of the factors that could cause actual results to differ from those expressed or implied by our forward-looking statements:

- state, federal and international legislative and regulatory developments, including deregulation; re-regulation and restructuring of the electric utility industry; and changes in, or application of environmental, siting and other laws and regulations to which we are subject,
- timing of the implementation of our business separation plan described herein,
- the effects of competition,
- industrial, commercial and residential growth in our service territories,
- our pursuit of potential business strategies,
- state, federal and other rate regulations in the United States and in foreign countries in which we operate,
- the timing and extent of changes in commodity prices, particularly natural gas,
- weather variations and other natural phenomena,
- political, legal and economic conditions and developments in the United States and in foreign countries in which we operate,
- financial market conditions and the results of our financing efforts, and
- other factors we discuss in this Form U-1/A.

The reader should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

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

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION

A. INTRODUCTION AND REQUEST FOR COMMISSION ACTION

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

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

The Restructuring will proceed in stages. Under Texas law, the first stage -- the separation of REI's electric utility operations into Texas Genco LP and the T&D Utility (the "Electric Restructuring") - must be completed as quickly as possible.(3) Accordingly, the Applicants ask the Commission to issue an order authorizing New REI to acquire indirectly the securities of Texas Genco LP, the T&D Utility, and Reliant Energy Resources Corp. ("GasCo"), which currently conducts REI's gas utility operations through three unincorporated divisions, the Entex division, the Arkla division and the Minnegasco division, and certain intermediate holding

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(1) Houston Indus., Holding Co. Act Release No. 26744, 1997 WL 414391 (July 24, 1997).

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

(3) Under Texas law, the Electric Restructuring was required to be completed by January 1, 2002. REI filed an update with the Texas Commission, advising them that not all regulatory approvals needed for the Electric Restructuring would be obtained by January 1, 2002.

companies. Texas Genco LP, the T&D Utility and GasCo are hereinafter referred to as the "Utility Subsidiaries." To enable REI to complete the first part of the Restructuring in a timely fashion pursuant to Texas law, Applicants ask the Commission to issue an order (the "Initial Order") approving the Electric Restructuring as expeditiously as possible.

Applicants contemplate that, soon after completion of the Electric Restructuring, New REI will distribute to shareholders (the "Distribution") the remaining common stock of Reliant Resources, Inc. ("Reliant Resources"), the entity through which REI currently conducts most of its nonutility operations, including merchant power generation and energy trading and marketing.(4) The Distribution is intended, among other things, to reduce the business risk profile of New REI. Upon completion of the Distribution, Reliant Resources will cease to be an affiliate of REI or New REI for the purposes of the Act.

On or before December 31, 2002, New REI expects to conduct an initial public offering of approximately 20% of the common stock of Texas Genco Holdings, the holding company for the Texas Genco assets, or to distribute the stock to New REI's shareholders (collectively referred to as the "Texas Genco IPO"). As explained more fully herein, the market value of the common stock will be used to determine the amount of stranded costs that New REI will be allowed to recover if the market value of the Texas Genco assets is less than the book value of the assets.

Finally, New REI will separate its gas utility operations into Entex, Inc., Arkla, Inc. and Minnegasco, Inc. (the "GasCo Separation"), a process that will require state, as well as Commission, approval and therefore may not be completed at the same time as the Electric Restructuring. Accordingly, the Applicants ask the Commission to reserve jurisdiction over the acquisition by New REI of the securities of the Entex, Arkla and Minnegasco subsidiaries pending completion of the record with respect to the second stage of the Restructuring.(5)

Upon completion of the GasCo Separation, Applicants believe that New REI will qualify for exemption under Section 3(a)(1) of the Act.(6) In the interim, however, pending receipt

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(4) On May 4, 2001, Reliant Resources completed an initial public offering of approximately 20% of its common stock.

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

(6) As explained more fully herein, Texas Genco Holdings, Inc. and GP LLC will be organized under Texas law and derive all of their utility revenues from sales within Texas. Accordingly, Applicants seek an order of exemption under Section 3(a)(1) for these entities, upon the completion of the Electric Restructuring. Because Utility Holding LLC will be formed under the laws of the State of Delaware, it will not meet the technical requirements for exemption under Section 3(a)(1). While Applicants will ask the Commission to "look through" Utility Holding LLC when New REI becomes an exempt holding company, in much the same way as the Commission treated the various intermediate holding companies in National Grid

of the state approvals for the GasCo Separation, there will be a period (anticipated not to exceed one year from the date of the Initial Order) during which New REI will not be fully in compliance with the standards for exemption. Specifically, although the New REI holding company system will be "predominantly intrastate in character" and carry on its business "substantially in a single state" (that is, Texas), under Commission precedent GasCo will be a material subsidiary with utility operations that are not predominantly and substantially confined to Texas.(7)

To address this situation, New REI will register as a holding company pursuant to Section 5 of the Act. Thus, in addition to the approvals required for the Electric Restructuring, New REI is seeking certain financing and other authority for it and its subsidiary companies.

B. BACKGROUND

1. Overview of REI and Its Principal Subsidiaries

REI is a public-utility holding company exempt from registration under the Act pursuant to Section 3(a)(2). REI is incorporated and maintains its principal place of business in the State of Texas. Its common stock is listed on the New York and Chicago Stock Exchanges. REI is also an "electric-utility company" within the meaning of Section 2(a)(3) of the Act. REI's electric utility operations are conducted through its unincorporated Reliant Energy HL&P division ("HL&P"), while its gas utility operations are conducted through GasCo, a wholly-owned subsidiary company. GasCo is a "gas utility company" as defined in Section 2(a)(4) of the Act.(8)

REI's existing holding company structure resulted from the acquisition by Houston Industries Incorporated ("Houston Industries") of NorAm Energy Corp. ("NorAm") in August 1997.(9) Prior to the acquisition, Houston Industries' principal utility operations had been conducted through its integrated electric utility subsidiary, Houston Lighting & Power Company. NorAm had no electric utility operations but did engage in gas distribution operations through its Entex, Arkla and Minnegasco divisions. In the merger, Houston Industries merged into Houston Lighting & Power Company (which then adopted the name Houston Industries Incorporated). Houston Lighting & Power Company (referred to herein as "HL&P"), became a division of the

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Group plc, HCAR No. 27154, 2000 WL 279236, for purposes of this application Utility Holding LLC will register under Section 5 of the Act.

(7) It is contemplated that, on or before the expiration of the one-year period, New REI will qualify for exemption under Section 3(a)(1) of the Act. If New REI does, in fact, seek an exemption, it will file an application for an order under Section 3(a)(1) of the Act.

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

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

holding company, Houston Industries, and NorAm became a first tier, wholly-owned subsidiary of the holding company.(10)

REI conducts its nonutility operations, including merchant power generation and energy trading and marketing, largely through its nonutility subsidiary company, Reliant Resources, Inc. ("Reliant Resources"), and Reliant Resources' subsidiary companies.(11) On May 4, 2001, Reliant Resources completed an initial public offering of approximately 20% of its common stock. Applicants contemplate that the remaining common stock of Reliant Resources will be distributed to shareholders soon after completion of the Electric Restructuring (the "Distribution").(12) Upon completion of the Distribution, Reliant Resources will cease to be an affiliate of REI or New REI for the purposes of the Act.

2. The REI Electric System

Through its HL&P division, REI generates, purchases, transmits and distributes electricity to approximately 1.7 million customers in the State of Texas, primarily serving a 5,000-square-mile area on the Texas Gulf Coast, including the Houston metropolitan area. All of REI's generation and operating properties are located within Texas. As an electric utility, HL&P is subject to regulation of its rates, services and operations by the Public Utility Commission of Texas (the "Texas Commission"). HL&P is subject to the provisions of the Texas Act, as that term is defined below.

As of December 31, 2001, HL&P owned: 25,998 pole miles of overhead distribution lines and 3,606 circuit miles of overhead transmission lines, including 452 circuit miles operated at 69,000 volts, 2,095 circuit miles operated at 138,000 volts and 1,059 circuit miles operated at 345,000 volts; 12,701 circuit miles of underground distribution lines and 15.6 circuit miles of underground transmission lines, including 4.5 circuit miles operated at 69,000 volts and 11.1 circuit miles operated at 138,000 volts; and 223 major substation sites (252 substations) having a total installed rated transformer capacity of 64,783 megavolt amperes.

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

(11) These nonutility subsidiaries include wholesale power, trading and communications operations. Reliant Resources' business and the offering of its stock are more fully described in Amendment No. 8 to Registration Statement on Form S-1 of Reliant Resources, Inc. (Registration No. 333-48038) filed with the Commission on April 27, 2001 and declared effective on April 30, 2001 (the "Reliant Resources Registration Statement"), which is included as Exhibit C-1 to this Application and incorporated by reference herein.

(12) As of December 31, 2001, REI owned approximately 83% of Reliant Resources, due to treasury stock repurchases of $189 million by Reliant Resources in 2001.

As of December 31, 2001, HL&P owned and operated 12 power generating facilities (62 generating units), with a net generating capacity of 14,095 megawatts (MW), including a 30.8% interest in the South Texas Project Electric Generating Station (South Texas Project). The South Texas Project is a nuclear generating plant with two 1,250 MW nuclear generating units. The following table contains information regarding the regulated electric generating assets, which will be transferred to Texas Genco LP at the time of the Electric Restructuring:

GENERATION FACILITIES	NET GENERATING CAPACITY AS OF DECEMBER 31, 2001 (IN MW)
W. A. Parish	3,661
Limestone(13)	1,532
South Texas Project	770
San Jacinto	162
Cedar Bayou	2,260
P. H. Robinson	2,213
T. H. Wharton	1,254
S. R. Bertron	844
Greens Bayou	760
Webster	387
Deepwater	174
H. O. Clarke	78
Total	14,095

As of December 31, 2001, HL&P's peak load was 13,228 megawatts and its total net capability (including firm purchase power capacity) at the time of the peak load was 14,360 megawatts. Effective January 1, 2002, HL&P no longer conducts electric operations as a traditional integrated electric utility, including generation, transmission and distribution, and retail electric sales operations.

As contemplated by the Texas electric restructuring law, described infra, full retail competition began in Texas on January 1, 2002. HL&P has functionally separated its generation, transmission and distribution operations and, upon receipt of this Commission's approval, will complete the process of separating those operations among different business entities. In December 2000, prior to the beginning of retail competition, HL&P transferred its retail electric sales operations to subsidiaries of Reliant Resources, though those retail customers remained customers of HL&P until their first meter reading following the onset of full retail competition on January 1, 2002. After that date those customers have been entitled to purchase their electricity from any of a number of certified retail electric providers, including Reliant Resources. Residential and small commercial customers who did not select another retail

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(13) The capacity of the Limestone facility was uprated from 1,532 MW to 1,612 MW on January 1, 2002.

electric provider became customers of Reliant Resources, where the bulk of those customers have remained to date.

The generation operations in the regulated business segment are now operated independently of the retail electric sales and transmission and distribution operations.

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

For the year ended December 31, 2001, HL&P reported operating income of $1.091 billion on total operating revenues (including base and reconcilable fuel revenues) of $5.5 billion. Total electric sales in gigawatt-hours were 71,325.

3. The REI Gas System

REI conducts natural gas distribution operations through three unincorporated divisions of GasCo, which is a "gas utility company" for purposes of the Act: (i) the Entex Division ("Entex") serves over 500 communities, located in Texas (including the Houston metropolitan area), Louisiana and Mississippi; (ii) the Arkla Division ("Arkla") serves over 245 communities located in Texas, Louisiana, Arkansas, and Oklahoma; and (iii) the Minnegasco Division ("Minnegasco") serves over 240 communities in Minnesota. The largest communities served by Arkla are the metropolitan areas of Little Rock, Arkansas and Shreveport, Louisiana. Minnegasco serves the Minneapolis metropolitan area.

In 2001, Arkla purchased approximately 53% of its natural gas supply from Reliant Energy Services, 29% pursuant to third-party contracts, (with terms varying from three months to one year), and 18% on the spot market. Arkla's major third-party natural gas suppliers in 2001 included Oneok Gas Marketing Company, Tenaska Marketing Ventures, Marathon Oil Company and BP Energy Company. Arkla transports substantially all of its natural gas supplies under contracts with GasCo subsidiaries.

In 2001, Entex purchased virtually all of its natural gas supply pursuant to term contracts, with terms varying from one to five years. Entex's major third-party natural gas suppliers in 2001 included AEP Houston Pipeline, Kinder Morgan Texas Pipeline, L.P., Gulf Energy Marketing, Island Fuel Trading and Koch Energy Trading. Entex transports its natural gas supplies on both interstate and intrastate pipelines under long-term contracts with terms varying from one to five years.

In 2001, Minnegasco purchased approximately 74% of its natural gas supply pursuant to term contracts, with terms varying from one to ten years, with more than 20 different suppliers. Minnegasco purchased the remaining 26% on the daily or spot market. Most of the natural gas volumes under long-term contracts are committed under terms providing for delivery during the winter heating season, which extends from November through March. Minnegasco

purchased approximately 67% of its natural gas requirements from four suppliers in 2001: Pan-Alberta Gas Ltd., Reliant Energy Services, TransCanada Gas Services Inc. and Tenaska Marketing Ventures. Minnegasco transports its natural gas supplies on various interstate pipelines under long-term contracts with terms varying from one to five years.

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

GasCo, through subsidiaries, also owns two interstate pipelines and a gas gathering system. Through Reliant Energy Gas Transmission Company ("REGT"), GasCo owns and operates a major interstate transmission system (approximately 6,100 miles of transmission lines) located in the United States Mid-continent region. Through the Mississippi River Transmission Corporation ("MRT"), GasCo owns and operates a major interstate transmission system (approximately 2,100 miles of transmission lines) that extends from East Texas and Northern Louisiana to the St. Louis metropolitan area. A majority of Arkla's gas supply and a portion of Entex's gas supply are transported by REGT. Reliant Energy Field Services ("Field Services") is comprised of approximately 300 separate gathering systems, consisting of approximately 4,300 miles of gathering pipelines connecting over 4,000 wells located in the Mid-continent region of the United States and gathers natural gas for major and independent exploration and production companies operating in Arkoma, Anadarko and ArkLaTex gas basins. Field Services gathers approximately 850 million cubic feet of gas per day. REGT and MRT are subject to regulation by the FERC.

As noted above, Entex provides natural gas distribution services in over 500 communities in Louisiana, Mississippi and Texas. The largest metropolitan area served by Entex is Houston, Texas. It delivers gas to approximately 1.5 million residential, commercial, industrial and transportation customers. Entex has 29,600 miles of main piping, 18,000 miles of service line and 1.5 million meters. Entex is subject to regulation by the Texas Railroad Commission, the Louisiana Public Service Commission (the "Louisiana Commission") and the Mississippi Public Service Commission (the "Mississippi Commission").

Arkla provides natural gas distribution services in Arkansas, northern Louisiana, Oklahoma and northeastern Texas. The largest metropolitan areas served by Arkla are Little Rock, Arkansas and Shreveport, Louisiana. It delivers gas to approximately 716,600 residential, commercial, industrial and transportation customers. Arkla has 19,800 miles of main piping, 8,800 miles of service line and 716,600 meters. Arkla is subject to regulation by the Texas Railroad Commission, the Louisiana Commission, the Arkansas Public Service Commission (the

"Arkansas Commission") and the Corporation Commission of the State of Oklahoma (the "Oklahoma Commission").

Minnegasco provides natural gas distribution services in over 240 communities in Minnesota. The largest metropolitan area served by Minnegasco is Minneapolis, Minnesota. It delivers gas to 711,000 residential, commercial and industrial customers. Minnegasco is subject to regulation by the Minnesota Public Utilities Commission (the "Minnesota Commission").

For the year ended December 31, 2001, Entex, Arkla and Minnegasco reported combined utility operating revenues of $4.7 billion and net utility operating income of $130 million. Reported net property, plant and equipment at December 31, 2001 was $1.6 billion.

4. Integration and Geographic Overlap of Electric and Gas Utilities

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

* * * * *

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

(i) Annual Report on Form 10-K of REI (Commission File Number 1-3187) and GasCo (Commission File Number 1-13265) for the fiscal year ended December 31, 2001, filed with the Commission on April 15, 2002;

(ii) Quarterly Reports on Form 10-Q of REI (Commission File Number 1-3187) for the quarter ended March 31, 2002, filed with the Commission on May 21, 2002 and GasCo (Commission File Number 1-13265), filed with the Commission on May 15, 2002;

(iii) Current Reports on Form 8-K dated December 18, 2001, filed on January 11, 2002; dated February 5, 2002 filed on February 5, 2002; dated February 19, 2002 filed on March 6, 2002; dated March 15, 2002 filed on March 15, 2002; dated April 5, 2002 filed on April 8, 2002; and dated April 29, 2002 filed on April 29, 2002;

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

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

C. OVERVIEW OF THE RESTRUCTURING

1. The Business Separation Plan

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

The Texas Commission has approved a business separation plan under which REI's existing electric utility operations will be separated into three businesses: generation, transmission and distribution, and retail sales.(14) Under the plan, Reliant Resources became the successor to REI as the retail electric provider ("REP") to customers in the Houston metropolitan

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

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

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

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

area when the Texas market opened to competition in January 2002.(15) The T&D Utility will be a subsidiary of New REI, and will retain its existing transmission and distribution businesses, which will remain subject to traditional utility rate regulation. The T&D Utility will be an "electric utility company" within the meaning of the Act. REI's Texas generation assets will be transferred to Texas Genco LP, a newly-formed indirect subsidiary that will also be an "electric utility company" within the meaning of the Act. New REI will hold such assets subject to an option by Reliant Resources as more fully described below.

The T&D Utility -- The T&D Utility will continue to be subject to cost-of-service rate regulation. The rates for transmission and distribution were set by the Texas Commission, effective January 1, 2002.

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

REP -- Reliant Resources has become the REP for all of REI's approximately 1.7 million residential and small commercial customers located in the Houston metropolitan area who have not selected another retail electric provider. Although, upon completion of the Distribution, Reliant Resources will cease to be an affiliate of REI or New REI for purposes of the 1935 Act, the Reliant Resources REPs are treated as affiliates of the T&D Utility for purposes of the Texas Act. Under the market framework required by the Texas Act, the Reliant Resources REPs are required to sell electricity to residential and small commercial customers within the utility's service territory at a specific price, which is referred to in the law as the "price to beat."(16) In contrast, new entrants may sell electricity to REI's retail and small commercial customers at any price. The initial price to beat for Reliant Resources was set to

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(15) Reliant Resources provides these services through subsidiary REPs. The REPs are power marketers and, as such, are not 1935 Act-jurisdictional electric utility companies because they do not own or operate physical facilities that are used for the generation, transmission or distribution of electric energy for sale. See Holding Co. Act Rule 58(b)(1)(v) (exempting investments in certain non-utility companies, including companies that derive substantially all of their revenues from the brokering and marketing of energy commodities).

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

provide a 6% reduction from the average rates, on a bundled basis, in effect for REI on January 1, 1999, adjusted to take into account a new fuel factor as of December 31, 2001. Reliant Resources will not be permitted to sell electricity to residential and small commercial customers in REI's service territory at prices other than the price to beat until January 1, 2005, unless the Texas Commission determines that 40% or more of the amount of electric power that was consumed in 2000 by the relevant class of customers is committed to be served by other REPs.(17)

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

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2. The Electric Restructuring

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

Texas Genco LP will be a Texas limited partnership and an "electric utility company" within the meaning of the Act. Texas Genco Holdings, Inc., will be a Texas corporation and a holding company that receives all of its utility revenues from operations within Texas. Accordingly, it will be entitled to an exemption under Section 3(a)(1) of the Act.

GP LLC and LP LLC are conduit entities that will exist solely to minimize certain Texas franchise tax liability. LP LLC, which will be a Delaware limited liability company, will acquire a 99% limited partnership interest with no voting rights in Texas Genco LP, nor will there be any overlap in management of GP LLC and LP LLC. Because it will not acquire 10% or more of the voting securities of Texas Genco LP, LP LLC will not be a holding company for purposes of the Act.(18) GP LLC, which will be a Texas limited liability company, will be a "holding company" because it will acquire the 1% general partnership interest in Texas Genco

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

(18) See Exhibits G-13 (limited partnership agreement) and G-13. (memorandum concerning the status of LP LLC for purposes of the Act).

LP. Because it too will derive all of its utility revenues from operations within Texas, GP LLC will qualify for exemption under Section 3(a)(1).(19)

At the conclusion of the transactions contemplated herein, GP LLC and LP LLC will not own the Texas Genco assets. A diagram of this stage of the Restructuring is attached hereto as Exhibit F-2.

The next steps relate to the formation of New REI as a holding company for the regulated operations. REI has formed New REI as a wholly-owned subsidiary.(20) New REI, in turn, will form a special-purpose wholly-owned subsidiary, Utility Holding LLC which, in turn, will form a special-purpose wholly-owned subsidiary company, MergerCo, which will merge with and into REI with REI as the surviving entity. REI common stock will be exchanged for New REI common stock in the merger, and New REI will become the holding company for Utility Holding LLC, REI and its subsidiaries.

REI will then convert to a Texas limited liability company, Reliant Energy, LLC ("REI LLC"). REI LLC will distribute the stock of all its subsidiaries to New REI.(21) Thereafter,

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

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

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

Because Utility Holding LLC will be a Delaware limited liability company, it will not qualify for exemption under Section 3(a)(1) of the Act and so Utility Holding LLC will register pursuant to Section 5 of the Act. However, as discussed more fully herein, Applicants believe it is appropriate to "look through" Utility Holding LLC for purposes of analysis under Section 11(b)(2) of the Act. Utility Holding LLC, which will be wholly-owned by New REI, will not be a means by which New REI seeks to diffuse control. Rather, Utility Holding LLC will be a special-purpose entity created for the sole purpose of helping the Applicants to capture economic

with the specific timing dependent on market conditions and obtaining appropriate approvals, New REI will effect a tax-free distribution to its shareholders of its remaining ownership interest in Reliant Resources (approximately 83%). As a result of the distribution, Reliant Resources will become a separate, publicly traded corporation.

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

The formation of Texas Genco LP and the T&D Utility has been expressly approved by the Texas Commission. The Louisiana Commission has issued a statement of nonopposition concerning the Electric Restructuring. In addition, as discussed below, certain aspects of the transaction have been approved by the Nuclear Regulatory Commission ("NRC"). With the exception of the approvals requested herein, no other regulatory approvals are required to complete the Electric Restructuring.

3. The Distribution

In July 2000, REI announced its intention to divide into two publicly-traded companies and separate its regulated and unregulated businesses. On May 4, 2001, Reliant Resources completed an initial public offering of approximately 20% of its common stock. As noted above, Applicants contemplate that soon after completion of the Electric Restructuring New REI will distribute to shareholders the remaining common stock of Reliant Resources. The Distribution is intended, among other things, to reduce the business risk profile of New REI and allow the company to reposition itself as a "pure" regulated utility. Upon completion of the Distribution, Reliant Resources will cease to be an affiliate of REI or New REI for the purposes of the Act. Applicants request Commission approval to effect the Distribution within one year of the date of the Initial Order.

4. Texas Genco IPO

The Texas Genco IPO relates to the determination and recovery of "stranded costs" associated with REI's Texas generation assets.(22)

As noted previously, on or before December 31, 2002, New REI expects to conduct an initial public offering of, or distribute to shareholders, approximately 20% of the common stock of Texas Genco Holdings, Inc., the holding company for the Texas Genco LP assets, or distribute such stock to its shareholders. Creation of the minority public ownership interest in Texas Genco Holdings, Inc. will permit REI to use the "partial stock valuation

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efficiencies that might otherwise be lost in this transaction. In this regard, it is analogous to the Intermediate Holding Companies that the Commission deemed consistent with Section 11(b)(2) of the Act in National Grid, supra, note 2.

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

method" under the Texas Act for purposes of determining the stranded costs associated with its regulated generation assets.(23)

Reliant Resources will have the right to purchase all of New REI's equity interest in Texas Genco LP remaining after the Texas Genco IPO, which retained equity interest will be at least 80% (the "Texas Genco Option").(24) The Texas Genco Option is exercisable in January 2004. The exercise price for the option will be determined by a market-based formula based on the formula employed by the Texas Commission for determining stranded costs under the partial stock valuation method referenced above.(25)

5. The GasCo Separation

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

Upon obtaining the necessary regulatory approvals, including consent from or approval by the Arkansas, Oklahoma, Louisiana, Minnesota, and Mississippi Commissions, GasCo will form two new subsidiary companies, Arkla, Inc. and Minnegasco, Inc., and will contribute to them the Arkla and Minnegasco assets, respectively, in exchange for the stock of the newly-formed companies.(26) GasCo will then distribute the stock of Arkla, Inc. and Minnegasco, Inc. to Utility Holding LLC.(27) GasCo, which will be renamed Entex, Inc. and reincorporated in Texas, will own the Entex assets as well as, through subsidiary companies, natural gas pipelines and gathering business. At the conclusion of this stage of the Restructuring,

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

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

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

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

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

Arkla, Minnegasco and Entex will be affiliated sister subsidiaries owned, through Utility Holding LLC, by New REI. For further detail regarding this stage of the Restructuring, please see Exhibit F-2.

D. OTHER REGULATION

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

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

In connection with the Electric Restructuring, the formation of Texas Genco LP and the T&D Utility has been expressly approved by the Texas Commission. The Louisiana Commission has issued a statement of nonopposition with respect to the Electric Restructuring, and the FERC and the NRC have approved the jurisdictional aspects of the transaction.

The GasCo Separation has been approved by the Minnesota Commission, the Oklahoma Commission and the Mississippi Commission. It will also require approval or review by the Arkansas Commission and the Louisiana Commission, where applications are currently pending.

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

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

1. Arkansas

The Arkansas Commission has broad jurisdiction over rates and other matters. It has authority to require the submission of "[a]ny additional information which the [Arkansas] Commission may by rule or regulation prescribe as necessary or appropriate for the protection of ratepayers of the domestic public utility or in the public interest."(28) It also can require the

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

production "of any books, accounts, papers, or records of the public utility, or of any affiliate of the utility relating to the public utility's business or affairs within the state, pertinent to any lawful inquiry . . . ."(29)

The GasCo Separation will require the approval of the Arkansas Commission under Sections 23-3-101 and 23-3-102 of the Arkansas Code. Section 23-3-101 of the Arkansas Code provides that (i) "[n]o organization or reorganization [of a public utility] shall be had or given effect without the written approval of the [Arkansas Commission]," and (ii) no plan of organization or reorganization shall be approved unless applicant establishes that approval of the plan is "consistent with the public interest." Section 23-3-102 provides that "[w]ith the consent and approval of the [Arkansas Commission], but not otherwise . . . [a]ny public utility may sell, acquire, lease or rent any public utility plant or property constituting an operating unit or system." An application for approval of a transaction covered by Section 23-3-102 must be made by "the interested public utility and shall contain a concise statement of the proposed action, the reasons therefor, and such other information as may be required by the commission."(30) The Arkansas Commission has authority to hold hearings on the application, but it is not required to do so.

The Arkansas Commission is required to approve the application if it finds that the proposed action is "consistent with the public interest."(31) The statute does not, however, impose any time limit for action by the Arkansas Commission.

2. Louisiana

The Louisiana Commission has broad jurisdiction over rates and other matters. The Louisiana Commission has authority to review all utility contracts, including those between utilities and their affiliates.(32) Further, when setting rates, the Louisiana Commission can review contracts and interactions between the regulated utility and its affiliates and disallow any amount it determines "to be unjust, or unreasonable and designed for the purpose of concealing, abstracting or dissipating the net earnings of the public utility."(33)

The Electric Restructuring has been reviewed and the GasCo Separation will be subject to review by the Louisiana Commission, pursuant to a Louisiana Commission General Order which provides that, "without prior official action of approval or official action of non-opposition by the [Louisiana Commission]," no utility shall, inter alia, "sell, lease, transfer, mortgage, or otherwise dispose of or encumber the whole or any part of its franchise, works,

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

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

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

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

(33) Id.

property or system . . ."(34) The General Order is "intended to apply to any transfer of the ownership and/or control of public utilities . . . regardless of the means used to accomplish that transfer." The General Order lists eighteen factors that the Commission will take into account, dealing with various aspects of financial strength, quality of service, and impact on ratepayers, shareholders and employees, in determining whether to approve, or not oppose, such a transaction.

The Louisiana Commission has discretion to approve (or not oppose) a transaction if it concludes, based on its consideration of all of the eighteen factors that the transaction is in the "public interest." On January 16, 2002, the Louisiana Commission issued a statement of nonopposition with respect to the Electric Restructuring. A copy is attached as Exhibit D-9.

3. Minnesota

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

The Minnesota Commission also has authority over transactions between affiliates within a utility system. In rate proceedings, or proceedings involving utility practices, the Minnesota Commission can exclude any payment made to an affiliate unless the utility establishes the reasonableness of the payment.(35) In addition, the Minnesota Department of Commerce has broad authority to "inspect at all reasonable times, and copy the books, records, memoranda and correspondence or other documents of any person relating to any regulated business."(36)

The GasCo restructuring has been approved by the Minnesota Commission pursuant to Minn. Stat. Ann. Section 216B.50, which states, in pertinent part:

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

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

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

(36) Minn. Stat. Ann. Section 216A.07.

find that the proposed action is consistent with the public interest it shall give its consent and approval by order in writing.

The Minnesota Commission has interpreted the "consistent with the public interest" standard contained in Section 216B.50 as requiring a showing that a transaction subject to that Section will not adversely affect customers or the public.(37) The four main issues considered by the Minnesota Commission have been the merger's potential impacts on (i) rates; (ii) day-to-day utility operations and reliability of service; (iii) combined market power of the merging companies; and (iv) the Minnesota regulatory process, including the authority of the Minnesota Commission.(38) The GasCo Separation has been approved by the Minnesota Commission. A copy of the Minnesota order is attached as Exhibit D-15.

4. Mississippi

The Mississippi Commission has broad jurisdiction over rates and other matters, including affiliate transactions. A public utility must file with the Mississippi Commission "copies of contracts with any person selling services of any kind."(39) No public utility may "pay any fees, commission or compensation of any description whatsoever to any affiliated or subsidiary holding, managing, operating, constructing, engineering or purchasing company for services rendered or to be rendered without first filing copies of all agreements and contracts therefore with the [Mississippi] commission."(40) When establishing rates, the Mississippi Commission can disallow any payment to be capitalized or included as a utility operating cost if it finds the cost to be unjust or unreasonable. In addition, if the utility unreasonably refuses to provide relevant accounts and records of itself or its affiliates, the Mississippi Commission can disallow associated costs.(41)

The GasCo Separation has been approved under Section 77-3-23 of the Mississippi Code of 1972. A copy of the Mississippi order is attached as Exhibit D-11.

5. Oklahoma

The Oklahoma Commission has broad authority over rates and other matters. It has:

full visitorial and inquisitorial power to examine such public utilities, and keep informed as to their general conditions, . . . the

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

(38) Id.

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

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

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

management, conduct, operation, practices and services; not only with respect to the adequacy, security and accommodation afforded by their service, but also with respect to their compliance with the provisions of this act, and with the Constitution and laws of this state, and with the orders of the Commission.(42)

To the extent a utility's records and activities reflect any affiliate transactions, the Oklahoma Commission can disallow costs that would adversely affect the ratepayer.

The GasCo Separation has been approved by the Oklahoma Commission.(43) A copy of the Oklahoma order is attached as Exhibit D-13.

6. Texas

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

As explained in Item 1.C.1. supra, the Restructuring was prompted by, among other things, the unbundling of retail, transmission and distribution and generation functions required by the Texas Act. The Electric Restructuring is subject to the jurisdiction of the Texas Commission under Section 39.051 of the Texas Act. REI, as an electric utility company, also is generally subject to the jurisdiction of the Texas Commission pursuant to Sections 14.001 and 32.001 of the Texas Utilities Code. In December 2000, the Texas Commission voted to approve the Electric Restructuring and issued an order to that effect on March 15, 2001 (the "Texas Order"). The Texas Order was modified on rehearing and a copy of the Texas Order, as modified, is attached as Exhibit D-1, and the requirements of the Texas Act are described supra in Item 1.C.1.

In addition, the Texas Commission has ongoing authority to adopt and enforce rules as may be necessary to assure reliable electricity and the protection of consumers.(44) The T&D Utility remains subject to cost-of-service rate regulation.(45) The Texas Commission has express authority "to govern transactions or activities between a transmission and distribution utility and its competitive affiliates to avoid potential market power abuses and cross-subsidizations between regulated and competitive activities."(46) The Texas Commission may require a public utility to report information relating to the utility and a transaction between the

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(42) 17 Okl. St. Ann. Section 152(c).

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

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

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

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

utility and an affiliate inside or outside the state, to the extent the transaction is jurisdictional.(47) In addition, each public utility is required to "keep and provide to the regulatory authority, in the manner and form prescribed by the [Texas] commission, uniform accounts of all business transacted by the utility."(48)

The Texas Railroad Commission has exclusive original jurisdiction over the rates and services of a gas utility distributing natural or synthetic gas in areas outside a municipality.(49) The Texas Railroad Commission may require a gas utility to report information relating to the gas utility and an affiliate inside or outside the state; require the filing of any affiliate contracts; and require that affiliate contracts not in writing be reduced to writing and filed with the commission.(50) Unless a gas utility reports to the Texas Railroad Commission in a reasonable time, it may not sell, acquire or lease Texas facilities for a total consideration of more than $1 million or merge or consolidate with another Texas gas utility.(51) The Texas Railroad Commission has jurisdiction over an affiliate to the extent of access to an account or a record of the affiliate relating to an affiliate transaction.(52) The Texas Railroad Commission may require the examination and audit of the accounts of a gas utility.(53) It may also require the production of out of state records.(54) Although the Texas Railroad Commission will not have jurisdiction over the GasCo Separation, Applicants have discussed the Restructuring with the commissioners and staff members of the Texas Railroad Commission. The GasCo Separation will not adversely affect the authority of the Texas Railroad Commission over the Entex gas utility operations.

7. Federal Energy Regulatory Commission

Section 203 of the Federal Power Act of 1935, as amended (the "FPA"), provides that no "public utility" shall sell or otherwise dispose of or change ownership or control of its jurisdictional facilities or directly or indirectly merge or consolidate such facilities with those of any other person or acquire any security of any other public utility, without first having obtained authorization from the FERC. In accordance with this requirement, on September 27, 2000, certain subsidiaries submitted to the FERC an application for approval of the transfer of their common stock to Reliant Resources, to the extent the transfer was considered to involve the transfer of certain FERC-jurisdictional facilities owned or controlled by such subsidiaries,

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(47) Tex. Util. Code Ann. Section 14.003(b).

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

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

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

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

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

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

(54) Tex. Util. Code Ann. Section 102.206(a).

including market-based rate schedules, books and records, and certain transmission facilities used to interconnect generating stations to the transmission grid. The application was supplemented on November 1, 2000 and approved by FERC by an order dated November 30, 2000. On October 22, 2001, these subsidiaries of Reliant Resources filed a similar application seeking authorization of the indirect transfers of their jurisdictional facilities upon the formation of New REI and the distribution of the stock of Reliant Resources to the shareholders of New REI. On November 21, 2001, FERC approved that application. Copies of the orders from the FERC are attached as Exhibits D-18 and D-19, respectively.

8. Nuclear Regulatory Commission

REI owns a 30.8% interest in the South Texas Project electric generating station, a nuclear generating plant consisting of two 1,250 MW generating units, and holds NRC licenses with respect to its interest. As part of the Restructuring, this interest is being transferred to Texas Genco LP, which will be a subsidiary of New REI. Section 184 of the Atomic Energy Act provides that no license may be directly or indirectly transferred unless the NRC finds that the transfer is in accordance with the provisions of the Atomic Energy Act and gives its consent in writing. The NRC approved the transfer of control of its NRC licenses and the ownership by New REI of Texas Genco LP in connection with the Restructuring, by order dated December 20, 2001. A copy of the order is attached as Exhibit D-1.

9. Internal Revenue Service

REI is in the process of seeking an extension for certain private letter rulings from the Internal Revenue Service relating to the Restructuring and the Distribution. These rulings, among other things, confirm the tax-free treatment of the spin-off of Reliant Resources stock to occur in the Distribution.

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

E. OTHER REQUESTED APPROVALS

As noted above, New REI, which will become a holding company upon completion of the Electric Restructuring, will register pursuant to Section 5 of the Act and operate as a registered holding company. It is contemplated that, once it is able to obtain the additional approvals needed to complete the GasCo Separation, New REI will qualify for exemption under Section 3(a)(1) of the Act. Applicants believe that this interim period will not exceed twelve months from the date of the Initial Order. As discussed more fully infra, New REI is seeking financing and other "housekeeping" authority, similar to that granted other newly-formed registered holding companies, for a period of one year from the date of the Initial Order. In addition, New REI is requesting Commission approval in the Initial Order for the Distribution

of Reliant Resources stock to shareholders and the sale or distribution of Texas Genco Holdings, Inc. stock in connection with the Texas Genco IPO.

ITEM 2. FEES, COMMISSIONS AND EXPENSES

The fees, commissions and expenses to be paid or incurred, directly or indirectly, in connection with the Application are estimated to be $1 million.

ITEM 3. APPLICABLE STATUTORY PROVISIONS

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

Section of the Act Transactions to which Section or Rule is or may be applicable -
Section 3(a)(1) Exemption of Texas Genco Holdings, Inc. and GP LLC Section 5 Registration of New REI
Sections 6, 7, 9, 10, 12(b) and 12(c), Financings by New REI and its subsidiary companies and Rules 45 and 46
Sections 9 and 10 Acquisition by New REI of Utility Holding LLC, Texas Genco Holdings, Inc., GP LLC, Texas Genco LP, the T&D Utility and GasCo
Acquisition by New REI and Utility Holding LLC of Entex, Inc., Arkla, Inc. and Minnegasco, Inc.
Sections 12(a), 12(c) and 12(f), Rule Distribution of Reliant Resources stock and related transactions
46 Sections 6 and 7, or 12(c) and Rule 46 Texas Genco IPO Sections 13(a) and

13(b) Authorization for New REI to provide goods and services to the Utility Subsidiaries, and affiliate service, sales and construction contracts, generally.	

* * *

Section 9(a)(2) of the Act makes it unlawful, without approval of the Commission under Section 10, "for any person . . . to acquire, directly or indirectly, any security of any public-utility company, if such person is an affiliate . . . of such company and of any other public

utility or holding company, or will by virtue of such acquisition become such an affiliate."(55) As set forth more fully below, the Restructuring complies with all of the applicable provisions of Section 10 of the Act and should therefore be approved by the Commission. Among other things:

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

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

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

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

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

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

A. SECTION 10(b)

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

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

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

(3) such acquisition will unduly complicate the capital structure of the holding-company system of the applicant or will be detrimental to the

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

public interest or the interest of investors or consumers or the proper functioning of such holding-company system.(56)

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

1. Section 10(b)(1)

The Restructuring will not give rise to any of the abuses that Section 10(b)(1) was intended to prevent. The purpose of Section 10(b)(1) is to prohibit utility acquisitions that result in an undue concentration of economic power.57 Although the Restructuring will reorganize the corporate relationships within the present REI system, it differs significantly from the vast majority of transactions analyzed under Section 10(b)(1) in that it will not involve the acquisition of additional utility systems or entry into new geographic markets and therefore will not involve any additional concentration of control of public-utility companies.

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

The Commission has approved transactions involving registered holding companies with much larger public utility systems.(58) As the table below shows, both after the Electric Restructuring and post-Distribution, New REI will be smaller than a number of other registered holding companies. The table compares New REI on a pro forma basis to Southern Company, American Electric Power Company, Inc., Exelon Corp., and Xcel Energy Inc. - all large registered holding companies.

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(56) Act Section 10(b).

(57) Section 10(b)(1) is intended to avoid "an excess of concentration and bigness" that results in "huge, complex and irrational holding company systems." American Elec. Power Co., Holding Co. Act Release No. 20633, 46 S.E.C. 1299, 1309 (July 21, 1978). As such, Section 10(b)(1) is not concerned with a transaction such as the Restructuring which involves no acquisition of additional utility systems or assets, but is confined to the organization and relationships of integrated utilities.

(58) See, e.g., American Electric Power Co., Inc., Holding Co. Act Release No. 27186, 2000 WL 870888 (June 14, 2000); and Exelon Corp., Holding Co. Act Release No. 27256, 2000 WL 1671969 (Oct. 19, 2000).

COMPANY	TOTAL ASSETS (000'S)	OPERATING REVENUES (000'S)	CUSTOMERS
New REI pre-Distribution*	$30,681,000	(confidential treatment requested)	3,500,000****
New REI post-Distribution**	$18,939,000	(confidential treatment requested)	3,500,000****
Southern Company***	$29,824,000	$10,155,000	4,000,000
AEP***	$47,281,000	$61,257,000	4,930,000
Exelon***	$34,821,000	$15,140,000	5,540,000
Xcel***	$28,735,062	$15,028,204	4,881,600

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* As of December 31, 2001.

** On a pro-forma basis, as of December 31, 2001.

*** 2001 data. Source: U.S. Securities and Exchange Commission, Financial and Corporate Report, Holding Companies Registered under the Public Utility Holding Company Act of 1935, dated June 7, 2002.

**** The T&D Utility will continue to transport electricity that customers are purchasing from the REPs. As a technical matter, however, since January 1, 2001, the transmission and distribution services have been provided to the REPs who, in turn, bill the end-use customer.

As explained more fully elsewhere in this Application, the proposed transactions will not create a "complex and irrational system", but will create a company focused on reliability, competitive pricing and high quality customer service.

Post-Distribution, there will be two overlapping directors between New REI and Reliant Resources: (1) R. Steve Letbetter, the Chairman and Chief Executive Officer of Reliant Resources, will serve for a transitional period as non-executive Chairman of the New REI Board, and (2) Milton Carroll will serve as a non-employee, board member for both Reliant Resources and New REI. REI's Board of Directors has determined that Mr. Letbetter, who currently serves as Chairman of both REI's and Reliant Resources' Boards of Directors, should remain as Chairman at New REI for the remainder of his current term (i.e., until May 2004) and that Mr. Carroll should remain as a non-employee director of both companies.

Mr. Letbetter will provide a continuity of leadership for New REI. Mr. Letbetter began his career with REI in 1974 and has vast experience with all aspects of REI's business. He joined in 1974 as Assistant Secretary and Assistant Treasurer. In 1977, he was promoted to Assistant Comptroller and in 1978, Comptroller. He was elected Vice President and Comptroller in 1981, and in 1983 began serving as Vice President, Regulatory Relations. In 1988, he was elected Group Vice President, Finance and Regulatory Relations and in July 1993 was elected President and Chief Operating Officer of the regulated utility. He was named President and Chief Operating Officer in January 1997 of the holding company. He currently serves as

Chairman, President, and Chief Executive Officer of REI. He was elected to this position effective January 1, 2000 after serving as President and Chief Executive Officer since June 1999.

Mr. Letbetter's experience will be an important resource to New REI for the transitional period after the Distribution. Mr. Letbetter will also ease the transition for New REI at a critical time. New REI will benefit from Mr. Letbetter's counsel as it operates in the new deregulated environment in Texas.

Mr. Letbetter will also help ease negotiations of New REI with state regulatory bodies. Mr. Letbetter serves on the board of directors of the Association of Electric Companies of Texas, and on the boards and executive committees of the Edison Electric Institute and the Greater Houston Partnership. He also serves as a member of the Governor's Business Council. Mr. Letbetter has vast experience with the state regulatory bodies with whom New REI must negotiate, and he will be able to assist New REI in such negotiations for the transitional period after the Distribution.

Mr. Carroll is a local businessman who has significant goodwill and influence in the community. Milton Carroll has been a director of REI (and its predecessor Houston Industries Incorporated) since 1992. He is the Chairman and Chief Executive Officer of Instrument Products, Inc., an oil tool manufacturing company in Houston, Texas that he founded in 1977. Mr. Carroll currently serves as a director of Ocean Energy, Inc., Texas Eastern Products Pipeline Company and Health Care Services Corporation, the parent company of Blue Cross Blue Shield of Texas. He previously served as director of PanEnergy Corp. and the Federal Reserve Bank of Dallas and its Houston Branch.

Mr. Carroll is an active leader both in the Houston community and beyond. He is the Chairman of Houston Endowment, having served as a director since 1990. Houston Endowment is a private foundation supporting a broad spectrum of charitable organizations which was formed in 1937 and has assets of $1.5 billion. Mr. Carroll also served as the Chairman of the Board of Regents of Texas Southern University. He served for six years as a Port Commissioner of the Port of Houston Authority, traveling worldwide to promote Houston's economy and helping the Port of Houston become one of the leading ports in the nation and the world. He has also served as a board member of the Greater Houston Partnership and Baylor College of Medicine.

A recipient of numerous awards and honors, Mr. Carroll has received the Phi Beta Kappa Alumni Association Outstanding Contribution to Education Award, the Prevent Blindness Texas People of Vision Award and the Congressional Black Caucus of Washington, D.C. George C. Collins Award for Community Service.

These individuals will provide important continuity for the two companies during the transition period after the Restructuring, yet their services will not tend towards interlocking relations or the concentration of control of public-utility companies of a kind or to the extent detrimental to the public interest or the interests of investors or consumers.

2. Section 10(b)(2)

This matter involves an internal restructuring and so does not implicate the question of "adequacy of consideration" in the same way that a merger or acquisition of new properties would. In the context of corporate restructurings, the Commission has found the requirements of Section 10(b)(2) satisfied where the proportion of each shareholder's interest in the underlying venture is unchanged as a result of the proposed reorganization.59 In this matter, the jurisdictional transactions, involving the reorganization of existing utility operations, do not affect the proportion of each shareholder's interest. Nor will the larger transaction, the separation of New REI and Reliant Resources, affect the proportion of each shareholder's interest. At the conclusion of the Restructuring, a shareholder with stock in REI will have stock, in the same proportions, in two companies (New REI and Reliant Resources).

The specific consideration for each of the constituent parts of the Restructuring is explained in the text accompanying notes 18 through 22. Of interest here, each of the Utility Subsidiaries will maintain 30% or greater common equity capitalization and, further, it is anticipated that the electric and gas utility subsidiary companies issuing public debt will each maintain an investment grade credit rating from one or more Nationally Recognized Statistical Rating Organizations ("NRSROs"). Thus, both from a consumer as well as investor perspective, the consideration will be fair and reasonable under the standards of Section 10(b)(2).

The overall fees, commissions and expenses that REI and New REI will incur in connection with this Application, approximately $1 million, are reasonable and fair in light of the size and complexity of the Application and the anticipated benefits of the Restructuring to the public, investors and consumers. Further, they are consistent with the fees for previously approved, similar transactions.60 Therefore, they meet the standards of Section 10(b)(2).

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

(60) In connection with the recent Xcel tender offer, for example, the Commission approved fees of $4.1 million, including legal fees of $650,000. Xcel Energy, Inc., Holding Co. Act Release No. 27533 (May 30, 2002). The larger legal fees in this matter are commensurate with the length of this project (almost two years) and the number of state approvals that are being sought, in addition to the requested approvals under the Act. Compare CP&L Energy, Inc., Holding Co. Act Release No. 27284, 2000 WL 1741681 (Nov. 27, 2000); NiSource, Inc., Holding Co. Act Release No. 27263, 2000 WL 1629977 (Oct. 30, 2000); Exelon Corp., Holding Co. Act Release No. 27256, 2000 WL 1671969 (Oct. 19, 2000); Cinergy Corp., Holding Co. Act Release No. 26146, 1994 WL 596377 (Oct. 21, 1994); Entergy Corp., Holding Co. Act Release No. 25952, 1993 WL 541317 (Dec. 17, 1993); Northeast Utilities, Holding Co. Act Release No. 25548, 1992 WL 129531 (June 3, 1992).

3. Section 10(b)(3)

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

It is contemplated that New REI will initially own 100% of the common equity of each of Texas Genco LP, the T&D Utility and GasCo (the "Utility Subsidiaries"). As noted above, to comply with Texas law, New REI plans to conduct an initial public offering of approximately 20% of the common stock of Texas Genco Holdings, Inc. or distribute such stock to its shareholders on or before December 31, 2002. Creation of a minority public ownership interest in Texas Genco Holdings, Inc. is one of the methods prescribed in the Texas Act for the determination of stranded costs associated with REI's existing regulated generation assets in Texas, and so should not be deemed to create an unduly complicated capital structure within the meaning of Section 10(b)(3) of the Act.

Each of the Utility Subsidiaries will maintain 30% or greater common equity capitalization and, further, it is anticipated that the electric and gas utility subsidiaries issuing public debt will each maintain an investment grade credit rating from one or more NRSROs. New REI has received indicative investment grade debt ratings from Moody's (Baa2) and Standard & Poor's (BBB) for its senior unsecured debt. Further, New REI itself expects to maintain an investment grade credit rating from one or more NRSROs.(61)

Immediately upon completion of the Electric Restructuring, New REI on a consolidated basis will have greater than 30% common equity capitalization. Although the Distribution of Reliant Resources stock, for which authority is requested below, will initially reduce the New REI system's common equity, Applicants believe the Distribution is both necessary and appropriate under the standards of the Act because it will have the effect of

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

Formal and informal recognition by the Commission of the importance of NRSRO determinations is a well-understood, established theme in the fabric of Commission regulation. As Investment Company Act Rule 3a-7 demonstrates, the Commission has considerable authority to determine the extent to which it gives weight to the factors underlying these ratings.

reducing the business risk profile of the regulated business. Further, New REI's capital structure will be improved significantly with the sale of Texas Genco and securitization of any stranded investment that is anticipated to occur in 2004. Net of securitization debt, New REI's projected equity capitalization will be approximately 35% in 2005, and the growth of equity as a percentage of capitalization is anticipated to continue in subsequent years.(62)

As discussed infra, Applicants believe the Commission should consider the 2005 capital structure as the appropriate measure of the financial health of the new registered system, consistent with the treatment accorded New REI by the rating agencies. In addition, Applicants ask the Commission to consider the investment grade ratings which reflect certain underlying indicators of financial stability, including:

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

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

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

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

The investment grade rating also reflects the fact that the Restructuring will improve the "business risk profile" of the regulated companies. The Restructuring will allow the market to distinguish between the risk profiles associated with REI's two most significant lines of business, a fact recognized by Standard & Poor's in its assessment of the business risk profile of REI

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(62) Net of securitization debt, New REI's projected equity capitalization will be approximately 35% in 2005 (rather than 27% as originally projected). Exhibit G-6, as amended, sets forth the projected capital structure for New REI through 2005. Briefly stated, the increased equity component reflects a planned equity issuance, reduced capital expenditures and increased confidence that there will not be a book loss in connection with the sale and/or stranded cost recovery associated with Texas Genco.

If securitization debt is included, then New REI would have consolidated equity capitalization of 20%, similar to that approved for PECO Energy Company in Exelon Corporation, Holding Co. Act Release No. 27266, 2000 WL 1644531 (Nov. 2, 2000). In that matter, the order stated that "PECO's equity ratio was approximately 16.3% as of June 30, 2000; however, Applicants indicate that this is due to the issuance by PECO of transition bonds." In a footnote, the Commission noted, "Moody's Investors Service, in a September 1999 ratings review of PECO, stated that it would treat PECO's transition bonds as fully nonrecourse to PECO." Id. at n. 19. In the case of New REI, the securitization debt similarly is non-recourse to the utility.

currently and each of New REI and Reliant Resources following the Restructuring.(63) Whereas Standard & Poor's assigned REI a business risk profile of 5 prior to the announcement regarding the proposed spin-off of Reliant Resources, it has assigned New REI a business risk profile of 3 (indicating a lower overall business risk) and Reliant Resources a business risk profile of 7.

Under the Restructuring, New REI will remain almost in its entirety a regulated business: (i) it will no longer be responsible for making retail electric sales to customers, as that role will be the responsibility of Reliant Resources' retail segment; (ii) the T&D Utility will be precluded by the Texas Act from selling electricity at retail; and (iii) unlike the regulated entity under most other deregulation schemes, the T&D Utility will have no obligation to serve as a provider of last resort and will only provide the wires and service to deliver the electricity from the generating company to the retail provider's customers. Nor will the T&D Utility retain the utility power sourcing obligation, which has traditionally been the origin of most risk for electric utilities. Generation will be the obligation of separate power generation companies, which incur the risks associated with obtaining fuel, constructing new generating capacity and selling power to the retail providers. Although New REI initially will retain the Texas Genco business as a separate subsidiary, it will not have an obligation to construct additional generation capacity, nor will it be responsible for sourcing power for retail customers.

Under the deregulation law, each power generator that is unbundled from an integrated electric utility in Texas has an obligation to conduct state-mandated capacity auctions of 15 percent of its capacity. In addition, under a master separation agreement between REI and Reliant Resources, Texas Genco is contractually obligated to auction all capacity in excess of the state-mandated capacity auctions. The auctions conducted periodically between September 2001 and March 2002 were consummated at prices below those assumed by the Texas Commission's ECOM model. Under the Texas restructuring law, a regulated utility may recover any difference between market prices received through the auction process and the Texas Public Utility Commission's earlier estimates of those market prices. This difference, recorded as a regulatory asset, produced the $141 million of earnings before interest and taxes ("EBIT") in the first quarter of 2002.

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

Given the unique circumstances of this matter, including the specific protections afforded by Texas law, Applicants believe that the proposed transactions will not have an adverse effect on the Utility Subsidiaries, their customers or the ability of their respective state regulators to protect these companies and their customers. Based upon the foregoing, the Commission should find that the standards of Section 10(b)(3) are satisfied.

B. SECTION 10(c)

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

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

(ii) the acquisition of securities or utility assets of a public-utility or holding company unless the Commission finds that such acquisition will serve the public interest by tending towards the economical and the efficient development of an integrated public-utility system.(64)

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

1. Section 10(c)(1)

Section 10(c)(1) requires that an acquisition be lawful under Section 8 of the Act. Section 8 prohibits an acquisition by a registered holding company of an interest in an electric utility and a gas utility that serve substantially the same territory without the express approval of the state commission when that state's law prohibits or requires approval of the acquisition. In the present case, Section 8 is not implicated because the Restructuring will not create any new situations of common ownership of combination systems within a given state. Following the Restructuring, New REI will continue to provide electric and gas utility services in the State of Texas. Because the Texas Act does not prohibit combination gas and electric utilities serving the same area, the Restructuring does not raise any issue under Section 8 or the first clause of Section 10(c)(1).

In addition, Section 10(c)(1) directs the Commission to disapprove an acquisition that would be detrimental to broad policies set forth in Section 11 of the Act. Section 11(b)(1) generally requires a registered holding company system to limit its operations "to a single integrated public-utility system [either gas or electric], and to such other businesses as are

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(64) Act Section 10(c).

reasonably incidental, or economically necessary or appropriate to the operations of such integrated public-utility system."(65) The Commission has explained that "the limitation [set forth in Section 11(b)(1)] is intended to eliminate evils that Congress found to exist 'when the growth and extension of holding companies bears no relation to . . . the integration and coordination of related operating properties.'"(66) The particular evil at which Section 11(b)(1) is directed is not presented in this case, as the Restructuring does not involve any growth or extension of the REI system. The legislative history makes clear that a central purpose of Section 11 is "simply to provide a mechanism to create conditions under which effective Federal and State regulation will be possible."(67) The disaggregation of the electric utility operations in this matter is being undertaken to comply with the requirements of Texas law while the GasCo Separation will provide greater transparency for the regulators of the company's gas utility operations.

For this reason, the Restructuring is not at all detrimental to the policy goals of Section 11(b)(1) of the Act.

New REI will also satisfy the technical requirements of Section 10(c)(1) by reference to Section 11(b)(1). As discussed below, each of the New REI gas and electric systems will be an "integrated public-utility system" within the meaning of Section 2(a)(29) of the Act. It is contemplated that the T&D Utility will comprise the "primary" integrated system and each of the additional systems identified below (Texas Genco, Entex and Arkla-Minnegasco) will be retainable under the (A)-(B)-(C) clauses of Section 11(b)(1) of the Act.(68) Further, the nonutility operations of New REI, both prior to and following the Reliant Resources distribution, will be reasonably incidental, or economically necessary or appropriate to New REI's primary utility business.(69)

(i) Integration of the electric utility operations

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

(66) New Century Energies, Inc., Holding Co. Act Release No. 27212, 2000 WL 1160583 at n.27 (Aug. 16, 2000) (quoting Actss.1(b)(4)) [hereinafter "2000 NCE Order"].

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

(68) Section 2(a)(29) sets forth the definition of an "integrated public-utility system," as applied to electric and gas utility companies. Section 10(c)(2) of the Act prohibits the Commission from approving the acquisition of utility assets unless it finds that the acquisition will "[tend] towards the economical and the efficient development of an integrated public-utility system." The Commission regularly considers the integration requirement set forth in these two sections in a single integration analysis, and the Applicants do so here. See, e.g., CP&L Energy, HCAR No. 27284, 2000 WL 1741681 at *8-16; NiSource, HCAR No. 27263, 2000 WL 1629977 at *14; Exelon, HCAR No. 27256, 2000 WL 1671969 at *10; 2000 NCE Order, HCAR No. 27212, 2000 WL 1160583 at *9; New Century Energies, Inc., Holding Co. Act Release No. 26748, 1997 WL 429612 at *9 (Aug. 1, 1997).

(69) Attached as Exhibits G-3.1 and G-3.2 are lists of New REI nonutility subsidiary companies, pre- and post-Distribution, and the basis for retention of each.

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

> a system consisting of one or more units of generating plants and/or transmission lines and/or distributing facilities, whose utility assets, whether owned by one or more electric utility companies, are physically interconnected or capable of physical interconnection and which under normal conditions may be economically operated as a single interconnected and coordinated system confined in its operation to a single area or region, in one or more States, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation.(70)

Upon completion of the Electric Restructuring, the electric utility assets of REI will be divided between Texas Genco LP and the T&D Utility, each of which will be an integrated electric utility system for purposes of the Act.

As explained more fully above, the separation of REI's electric utility assets and the independent operation of Texas Genco and the T&D Utility are necessary to comply with the requirements of Texas law. Upon completion of the Electric Restructuring, the generation assets of the Texas Genco LP will continue to be interconnected by the transmission lines that will be owned and operated by the T&D Utility. The operation of those generation assets and, in particular, the sale at auction of certain of Texas Genco's installed generating capacity, will be in accordance with Texas law. In operating the generation facilities, Texas Genco will be managing the 25 MW "entitlements" for varying periods of time that are sold through the auctions and will operate the facilities as an integrated system to deliver those entitlements in an efficient and cost-effective manner. The facilities will continue to be confined to the State of Texas and, since the Electric Restructuring has been expressly approved by the Texas Commission, there will be no impairment of the advantages of localized management, efficient operation, and the effectiveness of regulation.

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

Similarly, the transmission and distribution assets of the T&D Utility will continue to be interconnected. They will be economically operated and managed to achieve the efficient transmission of electricity to customers in the preexisting service territory, which is limited to the State of Texas and comprises an approximately 5,000-square mile area on the Texas Gulf Coast. Again, since the Electric Restructuring has been expressly approved by the Texas Commission, there will be no impairment of the advantages of localized management, efficient operation, and the effectiveness of regulation.

As a result of the separation required by the Texas Act, the generation assets, on the one hand, and the transmission and distribution assets, on the other, will be run as separate systems, each of which will be an "integrated public-utility system" within the meaning of Section 2(a)(29)(A). See Environmental Action Inc. v. SEC, 895 F.2d 1255 (9th Cir. 1990), in which the Court of Appeals agreed that an integrated public-utility system could be comprised of only generation, only transmission or only distribution assets.

Although technically separate systems for purposes of the 1935 Act, the Texas Genco LP and the T&D Utility will continue to be operated under common senior management; the generation assets of the Texas Genco LP will be interconnected through the transmission facilities of the T&D Utility; the combined operations will be confined to the State of Texas, primarily a 5,000-square-mile area on the Texas Gulf Coast; and the New REI customers will continue to enjoy the advantages of localized management, efficient operations, and effective state regulation. The Restructuring does not involve the acquisition or combination of any new utility assets. Accordingly, the Restructuring is consistent with the requirements of Section 10(c) with respect to REI's electric utility assets.

(i) Integration of the gas utility operations

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

> a system consisting of one or more gas utility companies which are so located and related that substantial economies may be effectuated by being operated as a single coordinated system confined in its operations to a single area or region, in one or more States, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation; Provided, That gas utility companies deriving natural gas from a common source of supply may be deemed to be included in a single area or region.(71)

Each standard of Section 2(a)(29)(B) must be read in connection with the other provisions of the Section and in light of the facts under consideration.(72) In recent orders, the Commission has

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

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

noted developments that have occurred in the gas industry, and has interpreted the Act and analyzed proposed transactions in light of these changing circumstances.(73)

The GasCo system has operated historically with one central management, both as a division of REI and prior to that as a stand-alone, publicly-traded company. While GasCo conducts its gas distribution operations through three unincorporated divisions, all significant management and administrative functions, such as supply planning and gas acquisition services, as well as financial, accounting, tax, purchasing and other essential management functions are performed by a central management located in Houston and, in a generic sense, the GasCo utility operations are conducted in an "integrated" manner.

Section 2(a)(29)(B) of the Act, however, requires a further showing that an integrated gas system be "confined in its operations to a single area or region," with the proviso that "gas utility companies deriving natural gas from a common source of supply may be deemed to be included in a single area or region." Under this language, the Commission has found a single integrated gas-utility system comprising operations in California and Maine where the requisite "common source of supply" existed. See Sempra Energy, Holding Co. Act Release No. 27095 (Oct, 25, 1999). In this matter, however, although the gas divisions are effectively operated in a coordinated manner as a single system, there is not the requisite common source of supply between the Entex division, on the one hand, and the Arkla-Minnegasco division, on the other. Accordingly, Applicants believe it is appropriate to analyze the gas utility operations for purposes of analysis under the 1935 Act as two integrated gas-utility systems. The Entex gas utility operations can be viewed as constituting an integrated gas utility system, and the Arkla-Minnegasco system can be viewed as constituting a second integrated gas utility system.

Integration of the Entex gas utility operations

The Entex system currently satisfies the criteria set forth in Section 2(a)(29)(B) and will continue to do so following the Restructuring. The Entex system has operated historically as an integrated system with one central management, both as a division of REI and prior to that as part of a stand-alone, publicly-traded company. All significant management and administrative functions, such as supply planning and gas acquisition services, as well as financial, accounting, tax, purchasing and other essential management functions are performed by a central management located in Houston - which is the major metropolitan area served by the Entex system.

The system derives 51% of its gas supply from the South Texas basin, 40% from the Western Gulf (coastal Texas, Louisiana and Mississippi) and 9% from the Mid-continent basin.

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

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

Integration of the Arkla-Minnegasco gas utility operations

The Arkla-Minnegasco system similarly satisfies the criteria set forth in Section 2(a)(29)(B) currently and will continue to do so following the Restructuring. The Arkla-Minnegasco system has operated historically as part of an integrated system with one central management, both as a division of REI and prior to that as part of a stand-alone, publicly-traded company. While the Arkla-Minnegasco system conducts its gas distribution operations through two unincorporated divisions, significant management and administrative functions are performed by a central management located in Houston.

Further, the Arkla-Minnegasco system also procures natural gas from a common source of supply and therefore is deemed under Section 2(a)(29)(B) to operate in a single area or region.74 The Commission has stated that its consideration of "common source of supply" within the meaning of Section 2(a)(29)(B) is based on its understanding of the contemporary gas industry.75 The Commission has stated that with respect to the concept of a common source of supply, the relevant inquiry today is whether the system utilities purchase substantial quantities of gas produced in the same supply basins and whether there is sufficient transportation capacity available in the marketplace to assure delivery on an economic and reliable basis.76

Arkla and Minnegasco have overlapping sources of gas supply. Currently, a subsidiary of Reliant Resources sells gas to Minnegasco (18% of supply) and Arkla (56% of supply). A majority of this gas is purchased from the Mid-continent region. Arkla receives approximately 76% of its supply from the Mid-continent region, Minnegasco receives

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

(75) 2000 NCE Order, HCAR No. 27212, 2000 WL 1160583 at *18.

(76) 2000 NCE Order, HCAR No. 27212, 2000 WL 1160583 at *18 (citing NIPSCO Indus., HCAR No. 26975, 1999 WL 61423). Compare NiSource, HCAR No. 27263, 2000 WL 1629977 at *17.

approximately 64%.(77) In addition, because of the centralized way in which GasCo conducts its bidding process for gas supplies, the local distribution companies could receive supplies from other common suppliers at any time. The Commission has stated that the risk sought to be addressed by the "single area" or region requirement is the potential for "scatteration" -- the ownership of widely dispersed utility properties that do not lend themselves to efficient operation and effective state regulation.(78) In the present case, there is no such risk as the Arkla-Minnegasco system as part of GasCo will be managed, operated and regulated in the same manner both before and after the Restructuring. For these reasons, the Arkla-Minnegasco system satisfies the "single area or region" requirement.

Finally, a finding that the Arkla-Minnegasco system constitutes an integrated gas utility system will not impair localized management, efficient operation, or effective regulation of GasCo. The local operations of the Arkla-Minnegasco system will continue to be handled in the same manner as they are currently, allowing managers to remain close to the gas operation and preserving the advantages of local management while reaping the benefits of scale in certain centralized functions such as gas procurement and operations support. Further, the same state regulatory bodies will continue to exercise regulatory authority over the Arkla-Minnegasco gas utility operations. For these reasons, the Commission should conclude that the Arkla-Minnegasco system satisfies the integration requirements of Section 2(a)(29)(B) of the Act.

(ii) New REI will comprise a primary system (the T&D Utility) and retainable additional systems (Texas Genco, Entex and Arkla-Minnegaso)

It is most important to understand, first, that the Restructuring will not involve the acquisition of new utility assets or operations and, second, that the Commission implicitly passed on the appropriateness of this particular combination of gas and electric utility operation in 1997, when it granted REI an exemption under Section 3(a)(2) of the Act in connection with its acquisition of NorAm.(79) Among other things, the entire 5,000+ square mile service territory of

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(77) These percentages are consistent with those approved in other matters in which the Commission found an integrated gas utility system. See, e.g., NIPSCO, supra (noting that each part of system "has contracted for a significant percentage (36% and 27%, respectively) of its total 'firm' transportation" on a common pipeline system); see also MCN Corp., Holding Co. Act Release No. 26576, 1996 WL 529043 (Sept. 17, 1996) (finding common source of supply where the two existing Michigan utilities received 46% and 55%, respectively, of their gas supply from two common basins).

(78) NiSource, HCAR No. 27263, 2000 WL 1629977 at *17. In this regard, the Commission has noted that the Act is particularly directed against the growth and extension of holding companies that bear no relation to the economy of management and operation or the integration and coordination of related operating properties and the lack of effective public regulation. Id. at n.33.

(79) See Houston Indus., supra (finding that there was no detriment under the "unless and except" clause).

the T&D Utility overlaps the gas service territory of Entex and, from a management perspective, the electric utility operations and Entex's Houston operations are operated under a combined management. In terms of customers, approximately 925,000 of Entex's gas customers are also electric customers of HL&P. There is also a close relationship between the gas utility operations of Entex on the one hand, and the Arkla-Minnegasco system on the other. The two systems both operate in Texas and Louisiana, and are contiguous in East Texas. As a practical matter, the gas and electric systems have been operated under common control since 1997 and share, among other things, corporate services. The continued combination of these operations will not give rise to any of the abuses, such as ownership of scattered utility properties, inefficient operations, lack of local management or evasion of state regulation, that Section 11(b)(1) of the Act was intended to address. Further, Applicants believe that the proposed Restructuring will facilitate the ability of state ratemaking authorities to carry out their statutory duties.

As a technical matter, the T&D Utility will comprise the primary system for purposes of analysis under Section 10(c)(1) by reference to Section 11(b)(1) and each of the Texas Genco, Entex and Arkla-Minnegasco systems (together, the "Additional Systems") will be a retainable additional system under the (A)-(B)-(C) clauses of Section 11(b)(1).

Clause (A) requires that the additional system cannot be operated as an independent system without loss of substantial economies. The Commission has "recognized that significant economies and competitive advantages inhere in the ownership of both gas and electric operations."(80) Clause A requires a showing by Applicants that there would be a "substantial loss of economies" if the Additional Systems were divested. In the 1997 NCE Order, the Commission found that increased expenses of separate operation could be compounded by a loss of the competitive advantage to the registered holding company, that ownership of combined gas and electric properties could provide. The Commission has also recognized in matters involving the combination of gas and electric properties under a registered holding company that certain factors operate to compound the loss of economies represented by increased costs. In particular, the Commission has recognized that the gas and electric industries are converging and that, in these circumstances, separation of gas and electric businesses may cause the separated entities to be weaker competitors than they would be together. The gas and electric industries are converging nationwide and companies in the retail energy delivery business must be able to offer customers a range of options to meet their energy needs. Similarly, there are significant economies associated with the continued ownership and operation of Texas generation.

These benefits, which are discussed infra in connection with the standards of Section 10(c)(2) of the Act, include the continued implementation of various administrative measures designed to ensure the economical and efficient operation of New REI's utility operations. Following REI's acquisition of NorAm (GasCo), REI initiated efforts to centralize

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(80) CP&L Energy, HCAR No. 27284, 2000 WL 1741681 at *18; NiSource, HCAR No. 27263, 2000 WL 1629977 at *19; Exelon, HCAR No. 27256, 2000 WL 1671969 at *15 (citing WPL Holdings, Holding Co. Act Release No. 26856, 1998 WL 172800 (Apr. 14, 1998)); New Century Energies, Inc., HCAR No. 26748, 1997 WL 429612; TUC Holding Co., Holding Co. Act Release No. 26749, 1997 WL 429581 (Aug. 1, 1997).

many of the activities and administrative functions of the gas and electric utility operations. Accounting, treasury and human resources functions have been centralized for Arkla, Entex and HL&P and preparations are underway for the inclusion of Minnegasco in that centralization. REI is also in the process of centralizing information systems, with that process to be completed in mid-2002. Other functions, such as mapping and trenching for the gas and electric utilities, are being combined.

Clause (B) requires that all additional systems be located in the same state as, or in "adjoining states" to, the primary system. The Commission has interpreted this language, consistent with its interpretation of an integrated system under Section 2(a)(29), to reflect a policy against "scatteration" - that is, the ownership of widely dispersed utility properties that do not lend themselves to efficient operation and effective state regulation. Thus, in Engineers, although there was arguably technical compliance with the statute, the Commission rejected an interpretation that would have permitted retention of a distant, additional system.(81)

The present case does not raise any concern of scatteration as the Additional Systems are either located in or are contiguous to Texas. In construing Clause (B), the Commission has regularly found separate systems to satisfy Clause (B) where the service territories of the two systems at some point overlap, are adjacent, or are in close proximity to one another.(82) The combination of systems in this matter will closely resemble the model approved in NiSource, that is, multi-state gas operations, electric operations confined to a single state and both gas and electric utility operations in that single state. The NiSource electrical system is located only in Indiana while the NiSource gas system is located in Indiana, Ohio, Kentucky, Pennsylvania, Maryland, Virginia, Massachusetts, New Hampshire and Maine. Similarly, in this matter, the electric utility operations of New REI will be located only in Texas, while the gas utility operations will continue to be located in Texas, Louisiana, Mississippi, Oklahoma, Arkansas and Minnesota.(83)

Clause (C) requires that the combined systems be "not so large (considering the state of the art and the area or region affected) as to impair the advantages of localized management, efficient operation, or the effectiveness of regulation." Again, it is important to consider that the Restructuring will not involve the acquisition of any new utility assets, and the existing systems are currently operating efficiently on a combined basis. With respect to localized management, the management of the Utility Subsidiaries is and will remain geographically close to the operations, thereby preserving the advantages of localized

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(81) Engineers Public Serv. Co., Holding Co. Act Release No. 2897, 1941 WL 1520 (July 23, 1941).

(82) See, e.g., NiSource, HCAR No. 27263, 2000 WL 1629977 at n.36 (finding Clause (B) satisfied where portions of two integrated systems generally overlapped in a single state).

(83) The only technical distinction is that, in NiSource, the gas operations were deemed to constitute the primary system, with the electrical system as a permissible additional system. In this matter, the primary system will be the T&D Utility, with the electric generation and the gas distribution systems each comprising a permissible additional system.

management. From the standpoint of regulatory effectiveness, the same state regulatory bodies will continue to exercise regulatory authority over New REI and the Utility Subsidiaries following the Restructuring as do currently. Far from impairing the advantages of efficient operation, the continued combination of the gas and electric operations under New REI will facilitate and enhance the efficiency of the System's operations. (84) Thus, the requirements of Clause (C) are satisfied.

(iii) Retention of nonutility businesses

Section 11(b)(1) permits a registered holding company to retain "such other businesses as are reasonably incidental, or economically necessary or appropriate to the operations of [an] integrated public-utility system."(85) Under the cases interpreting Section 11, an interest is retainable if (i) there is an operating or functional relationship between the operations of the utility system and the non-utility business sought to be retained, and retention is in the public interest; or (ii) if the business evolved out of the system's utility business, the investment is not significant in relation to the system's total financial resources, and the investment has the potential to produce benefits for investors and/or consumers.(86) In addition, the Commission has stated that "retainable non-utility interests should occupy a clearly subordinate position to the integrated system constituting the primary business of the registered holding company."(87) As set forth in Exhibit G-3.1 and G-3.2, and except for those businesses for which Applicants request a reservation of jurisdiction, New REI's nonutility interests, both before and after the Reliant Resources Distribution, will meet the Commission's standards for retention. Applicants seek authority for New REI to retain these nonutility interests. Attached as Exhibit G-3 is a list of New REI's nonutility interests and the basis for retention of each.

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

Section 11(b)(2) of the Act requires the Commission to ensure that "the corporate structure or continued existence of any company in the holding company system does not unduly or unnecessarily complicate the structure, or unfairly or inequitably distribute voting power among security holders, of such holding company system." Section 11(b)(2) also directs the Commission to require each registered system company "to take such action as the Commission shall find necessary in order that such holding company shall cease to be a holding company

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(84) Compare discussion of Clause (C) in CP&L Energy, HCAR No. 27284, 2000 WL 1741681 at *17.

(85) Act Section 11(b)(1).

(86) CSW Credit, Inc., Holding Co. Act Release No. 25995, 1994 WL 65941 (Mar. 2, 1994); Jersey Central Power & Light Co., Holding Co. Act Release No. 24348, 1987 WL 111988 (Mar. 18, 1987).

(87) United Light & Railways Co., Holding Co. Act Release No. 12317, 1954 WL 1381 at *7 (Jan. 22, 1954).

with respect to each of its subsidiary companies which itself has a subsidiary company which is a holding company," in other words, to eliminate "great-grandfather" holding companies.

The interposition of Utility Holding LLC does not create a problem under Section 11(b)(2) with respect to GasCo and the T&D Utility. The technical issue arises solely with respect to the interposition of Utility Holding LLC, Texas Genco Holdings, Inc. and GP LLC between New REI and Texas Genco LP. In this limited regard, New REI will be a holding company with respect to subsidiaries that have holding company subsidiaries.

As discussed previously, Applicants are forming Utility Holding LLC, Texas Genco Holdings, Inc. and the GP LLC (and LP LLC) for tax efficiency purposes as explained in Exhibit G-5. The Intermediate Holding Companies will not serve as a means by which New REI seeks to diffuse control of the Utility Subsidiaries. Rather, these companies will be created as special-purpose entities for the sole purpose of helping the parties to capture economic efficiencies that might otherwise be lost in the proposed Restructuring.(88) Further, there is no potential for detriment to consumers, in that the only operating company in the chain, Texas Genco LP, will have no retail customers.

Applicants do not believe in any event that the proposed corporate structure of the New REI system implicates the abuses that section 11(b)(2) of the Act was intended to prevent. These abuses, facilitated by the pyramiding of holding company groups, involved the diffusion of control and the creation of different classes of debt or stock with unequal voting rights. Those abuses are not at issue in this matter. Accordingly, Applicants believe that it is appropriate to "look through" the Intermediate Holding Companies (or to treat them as a single company) for purposes of the analysis under section 11(b)(2) of the Act, consistent with Commission precedent. See, e.g., Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000).

2. Section 10(c)(2)

The Commission's findings under Section 10(c)(2) are part of a comprehensive pre-acquisition review under the Act. Section 10(c)(2) is intended to ensure that an acquisition results in an integrated public-utility system, and that economies and efficiencies will be produced as a result of the transaction.(89) The Restructuring will create a new holding company above integrated gas and electric systems, consistent with Commission precedent. It will also involve the corporate separation of REI's electric utility operations in compliance with Texas law and further, will result in the use of separate corporate subsidiaries for the gas utility operations that are currently conducted through divisions of GasCo. The question for the Commission is whether the Restructuring further tends towards the economical and efficient development of the integrated utility systems.

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

(89) Wisconsin's Envtl. Decade, Inc. v. SEC, 882 F.2d 523, 528 (D.C. Cir. 1989), quoting Union Elec. Co., 45 S.E.C. 489, 494 (April 10, 1974).

The "standard of section 10(c)(2) is elastic and . . . must be applied against the background of the circumstances of each particular case."(90) The Commission has previously determined that structural changes, such as the Restructuring at issue here, can provide advantages that will tend to produce economies and efficiencies in utility operations and benefit both utility ratepayers and investors.(91) Although some of the anticipated economies and efficiencies will be fully realizable only in the longer term, they are properly considered in determining whether the standards of Section 10(c)(2) have been met.(92) While some potential benefits -- such as the reduction in business risk - -- cannot be precisely estimated, they should be considered by the Commission.(93)

For the reasons that follow, the proposed Restructuring offers advantages that will tend to produce economies and efficiencies in the operation of New REI and its utility affiliates.(94)

Concerning the formation of New REI, the Court of Appeals has noted that "the planned use of the holding company as a mechanism to maintain appropriate capital levels is plainly related to the operation of the utility."(95) The holding company structure offers a flexible means to adjust the Utility Subsidiaries' capital ratios from time to time through dividends to, or equity investments from, the holding company. This mechanism allows capital ratios to be maintained at levels determined to be appropriate by state regulatory authorities.

The Electric Restructuring, in particular, is necessary to comply with the requirements of the Texas Act which reflects a legislative finding that "it is in the public interest to implement on January 1, 2002, a competitive retail electric market that allows each retail customer to choose the customer's provider of electricity and that encourages full and fair competition among all providers of electricity."(96)

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(90) Central U.S. Utilities, 8 S.E.C. 691, 701 (March 1, 1941). See also American Elec. Power Co., Inc., HCAR No. 20633, 46 S.E.C. 1299.

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

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

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

(94) As explained in the discussion under Section 10(b)(3), the distribution to shareholders of New REI's approximately 83% ownership interest in Reliant Resources will improve the business risk profile of the remaining regulated businesses.

(95) Wisconsin's Envtl. Decade, Inc., 882 F.2d at 527.

(96) Section 39.001 of the Texas Act.

The Restructuring will also facilitate the continued implementation of various administrative measures designed to ensure economical and efficient operation of New REI's utility operations. Following REI's acquisition of NorAm (GasCo), REI initiated efforts to centralize many of the activities and administrative functions of the gas and electric utility operations. Accounting, treasury and human resources functions have been centralized for Arkla, Entex and HL&P and preparations are underway for the inclusion of Minnegasco in that centralization. REI is also in the process of centralizing information systems, with that process to be completed in mid-2002. Other functions, such as mapping and trenching for the gas and electric utilities, are being combined.

And, finally, the GasCo Separation will provide greater transparency concerning the gas utility operations and thus will facilitate the work of state regulators.

C. SECTION 10(f)

Section 10(f) of the Act provides that:

> The Commission shall not approve any acquisition as to which an application is made under this section unless it appears to the satisfaction of the Commission that such State laws as may apply in respect of such acquisition have been complied with, except where the Commission finds that compliance with such State laws would be detrimental to the carrying out of the provisions of section 11.(97)

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

D. SECTION 3(a)(1)

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

> shall exempt any holding company, and every subsidiary company thereof as such, from any provision or provisions of this title, unless and except insofar as it finds the exemption detrimental to the public interest or the interest of investors or consumers, if such holding company, and every subsidiary company thereof which is a public-utility company from which such holding company derives, directly or indirectly, any material part of its income, are predominantly intrastate in character and carry on their business substantially in a single State in which such holding company and every such subsidiary company thereof are organized.(98)

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(97) Act Section 10(f).

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

Upon completion of the Electric Restructuring, Texas Genco Holdings, Inc. and GP LLC will be Texas holding companies for New REI's generation operations which will be conducted exclusively in Texas. Accordingly, Applicants request that the Commission grant Texas Genco Holdings, Inc. and GP LLC each an exemption under Section 3(a)(1) of the Act.

E. AFFILIATE TRANSACTIONS

Because it is contemplated that New REI will qualify for exemption upon completion of the GasCo Separation and, further, that the approvals necessary for that separation will be obtained within a year of the Initial Order, the Applicants do not intend to form a service company. Instead, New REI will provide a variety of services to the New REI system companies, in areas such as accounting, rates and regulation, internal auditing, strategic planning, external relations, legal services, risk management, marketing, financial services and information systems and technology. Charges for all services will be on an at-cost basis, as determined under Rules 90 and 91 of the Act.(99) It is estimated that such charges will total approximately $300 million through June 30, 2003.

F. FINANCING REQUEST

1. Introduction

New REI, on behalf of itself and the Subsidiaries, requests authorization to engage in the transactions set forth herein through June 30, 2003 (the "Authorization Period").(100) The authorizations requested herein relate to:

(i) with respect to New REI: (a) securities issuances, (b) guarantees of obligations of affiliated or unaffiliated persons, including guarantees or

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(99) Section 13(a) of the Act authorizes the Commission to exempt "such transactions, involving special or unusual circumstances or not in the ordinary course of business" from the general prohibition on a registered holding company providing goods and services to subsidiary public-utility companies. Cf. Emera Inc., Holding Co. Act Release No. 27445, 2001 WL 1159971 (Oct. 1, 2001) (authorizing registered holding company to provide services for a limited period of time). If New REI is unable to complete the GasCo Separation and qualify for exemption within the Authorization Period, New REI will take such action as may be necessary to ensure compliance with Commission precedent.

(100) For purposes of this Section F, the term "Subsidiary" shall mean each directly and indirectly owned subsidiary of New REI as well as other direct or indirect subsidiaries that New REI may form after the Electric Restructuring with the approval of the Commission or in reliance on rules or statutory exemptions, other than Utility Holding, LLC, GP LLC and LP LLC. The term "Intermediate Holding Company" shall mean Utility Holding, LLC, Texas Genco Holdings, Inc. and GP LLC. The term "Utility Subsidiaries," as previously defined, shall mean Texas Genco LP, the T&D Utility and GasCo. The term "Nonutility Subsidiary" shall mean any subsidiary company other than an Intermediate Holding Company or a Utility Subsidiary.

support of others for indebtedness, and (c) hedging transactions, all as described below;

(ii) with respect to the Subsidiaries, issuances of securities, guarantees and the entering into of hedging transactions to the extent not exempt pursuant to Rule 52;

(iii) the establishment of a New REI Group Money Pool (the "Money Pool");

(iv) the continuation of certain existing financing arrangements, guarantees and hedging arrangements, including extending the terms of existing obligations, and the assumption by New REI of other existing financing arrangements, guarantees and hedging arrangements;

(v) the payment of dividends out of capital or unearned surplus;

(vi) the formation of financing entities (including special purpose subsidiaries, or affiliates) and the issuance by such entities of securities, including intra-system guarantees of such securities and the retention of existing financing entities; and

(vii) the ability of the nonutility Subsidiaries to reorganize from time to time for tax and other purposes.

2. Parameters for Financing Authorization

The requested financing authority is subject to the following general terms and conditions:

(a) Effective Cost of Money

The effective cost of money on debt financings will not exceed the greater of 500 basis points over the comparable term London Interbank Offered Rate ("LIBOR") or market rates available at the time of issuance to similarly-situated companies with comparable credit ratings for debt with similar maturities and terms.

The dividend rate on any series of preferred securities will not exceed the greater of 500 basis points over LIBOR or a rate that is consistent with similar securities of comparable credit quality and maturities issued by other companies.

(b) Maturity

The maturity of long-term debt will not exceed 50 years.

(c) Issuance Expenses

The underwriting fees, commissions or other similar remuneration paid in connection with the non-competitive issue, sale or distribution of a security pursuant to this Application (not including any original issue discount) will not exceed 5% of the principal or total amount of the securities being issued.

(d) Investment Grade Credit Rating

All ratable long-term debt and preferred stock and securities that are issued to third parties will, when issued, be rated investment grade by an NRSRO.(101)

(e) Minimum Capitalization Ratios

Each of the Utility Subsidiaries will maintain common stock equity as a percentage of capitalization of at least 30%.(102)

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(101) New REI requests the Commission reserve jurisdiction over its issuance of any security that is rated below investment grade.

(102) As noted previously, immediately upon completion of the Electric Restructuring, New REI on a consolidated basis will have greater than 30% common equity capitalization. Although the Distribution of Reliant Resources stock will significantly reduce the New REI's system's common equity, Applicants believe the Distribution is both necessary and appropriate under the standards of the Act because it will have the effect of reducing the business risk profile of the regulated business. Further, New REI's capital structure will be improved significantly with the sale of Texas Genco and securitization of any stranded investment that is anticipated to occur in 2004. Net of securitization debt, New REI's projected equity capitalization will be approximately 35% in 2005, and the growth of equity as a percentage of capitalization is anticipated to continue in subsequent years.

Actual results may be affected by a number of factors, including state or federal legislative and regulatory developments, including deregulation, re-regulation and restructuring of the electric utility industry and changes in or application of environmental and other laws and regulations to which Applicants are subject; industrial, commercial and residential growth in the service territories; weather variations and other natural phenomena; and political, legal and economic conditions and developments.

The Private Securities Litigation Reform Act of 1995 created a statutory safe harbor for certain forward-looking statements. Pub. L. No. 104-67, 109 Stat. 737. See Section 27A of the Securities Act of 1933. The legislation codified and expanded the Commission's long-standing administrative practice. See, e.g., SAR No. 6084 (June 25, 1979) (adopting Rule 175 under the Securities Act to provide a safe harbor for certain forward-looking statements made with a "reasonable basis" and in "good faith"). The comprehensive nature of the Texas law and the conservative nature of the assumptions underlying the projections establish that these are not the type of "smoke and mirrors" pro forma statements criticized recently by Commissioner Hunt. See Accountants as Gatekeepers - Adding Security and Value to the Financial Reporting System, Address at the Federation of Schools of Accountancy, Arlington, Virginia (Oct. 26, 2001).

3. Use of Proceeds

The proceeds from the sale of securities in external financing transactions will be used for general corporate purposes, including: the financing, in part, of the capital expenditures of the New REI system; refinancing existing obligations; the financing of working capital requirements of the New REI system; the acquisition, retirement or redemption of securities previously assumed or issued by New REI or its Subsidiaries without the need for prior Commission approval; and other lawful purposes.

4. Proposed Financing Program

The aggregate amount of financing pursuant to the authority requested by New REI, exclusive of guarantees and obligations assumed by New REI at the time of the Electric Restructuring, shall not exceed $6 billion at any one time outstanding during the Authorization Period. The types of securities that New REI may issue are described more fully herein, subject to the following limits:

Common stock	$2 billion
Preferred securities	$1 billion
Debt securities	
Long-term debt	$5 billion
Short-term debt	$6 billion

The aggregate amount of external financing pursuant to the authority requested by the Subsidiaries, exclusive of guarantees and exempt financings, shall not exceed $4 billion at any one time outstanding during the Authorization Period. The types of securities that the Subsidiaries may issue are described more fully herein, subject to the following limits:

Common stock	$1 billion
Preferred securities	$1 billion
Debt securities	
Long-term debt	$4 billion
Short-term debt	$3 billion

The aggregate amount of nonexempt guarantees shall not exceed $2 billion for the New REI system at any one time outstanding during the Authorization Period.(103)

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Accordingly, Applicants ask the Commission to consider the investment grade ratings, among other factors, as evidence of financial stability during the one-year Authorization Period requested in this filing.

(103) This limit applies to guarantees of financial obligations but not to performance guarantees entered into in the normal course of a system company's duly-authorized business, which will be subject to a separate $2 billion limit.

Applicants are asking the Commission to reserve jurisdiction over the request for financing authority, exclusive of guarantees, in excess of $7.75 billion at any one time outstanding during the Authorization Period.(104)

5. Description of Specific Types of Financing

(A) New REI External Financing

As indicated on Exhibit G-7 hereto, upon completion of the Electric Restructuring, New REI will have outstanding long-term debt, obligations relating to tax-exempt debt issued by governmental authorities (such as pollution control bonds) and obligations relating to trust preferred securities issued by a subsidiary. In addition, New REI will have executed bank facilities that may be utilized in the form of direct borrowings, commercial paper support or letters of credit.

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(104) The $7.75 billion currently required is based on the projected need of New REI and its Subsidiaries (other than Reliant Resources and its subsidiary companies) to refinance approximately $6.75 billion in outstanding debt over the next year. The Applicants are requesting an additional $1 billion for other financing transactions which may be necessary through this period.

By way of background, without taking into account the debt of Reliant Resources and its subsidiary companies, New REI and the Subsidiaries will have approximately $12.18 billion in outstanding debt and unused capacity under credit facilities existing at the time of the Electric Restructuring. Of this amount, it is contemplated that New REI and its Subsidiaries will or may refinance approximately $6.75 billion during the Authorization Period.

(a) New REI seeks the ability to refinance certain bank facilities totaling $5.2 billion. The current $5.2 billion of facilities is composed of (1) $4.7 billion of facilities scheduled to expire July 12, 2002 (that Applicants are now seeking to extend); (2) a $350 million bank facility at GasCo that terminates in early 2003; and (3) a $150 million receivables facility at GasCo that will need to be renewed later this year.

(b) In addition to the bank facilities, there is approximately $1 billion in other debt that New REI and its Subsidiaries may seek to refund or remarket during the Authorization Period.

(c) Finally, New REI and the Utility Subsidiaries may be obligated to provide collateral (up to $550 million) in the form of new securities having liens (First Mortgage Bonds, for example) to certain current debt holders under the terms of existing financing agreements, should Applicants elect to issue secured debt at the T&D Utility.

As noted above, it is contemplated that Applicants may engage in other financing transactions up to an aggregate amount of $1 billion at any one time outstanding during the Authorization Period.

New REI requests authorization to assume the debt and obligations described in the previous paragraph and to replace the bank facilities of REI subsidiary companies with bank facilities of New REI at the time of the Electric Restructuring. In addition, New REI requests authority to assume obligations under certain hedging transactions to manage its risk and for other lawful purposes.

New REI also requests authority to issue and sell securities including common stock, preferred securities (either directly or through a subsidiary), long-term and short-term debt securities and convertible securities and derivative instruments with respect to any of the foregoing. New REI also requests authorization to enter into obligations with respect to tax-exempt debt issued on behalf of New REI by governmental authorities. Such obligations may relate to the refunding of outstanding tax-exempt debt or to the remarketing of tax-exempt debt. New REI seeks authorization to enter into lease arrangements, and certain hedging transactions in connection with the foregoing issuances of taxable or tax-exempt securities.

(i) New REI External Financing: Common Stock

New REI is authorized under its restated articles of incorporation to issue 1 billion shares of common stock, par value $.01 per share, and related preferred stock purchase rights. Common stock issued by New REI after completion of the Electric Restructuring will be valued, for purposes of determining compliance with the aggregate financing limitation set out herein, at its market value as of the date of issuance (or, if appropriate, at the date of a binding contract providing for the issuance thereof).

New REI proposes, from time to time during the Authorization Period, to issue and/or acquire in open market transactions or negotiated block purchases, up to 7.5 million shares of New REI common stock for allocation under certain incentive compensation plans and certain other employee benefit plans.(105) Such acquisitions would comply with applicable law and Commission interpretations then in effect.

New REI proposes, from time to time during the Authorization Period, to issue and/or acquire in open market transactions or by negotiated block purchases, up to 4 million shares of New REI common stock under the New REI Investors' Choice Program, a plan that

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(105) New REI will assume the obligations of REI under existing plans. REI maintains the Reliant Energy, Incorporated Savings Plan, a tax-qualified defined contribution plan, which includes an employee stock ownership plan intended to qualify under Sections 401(a), 401(k), 501(a) and 4975(e)(7) of the Internal Revenue Code of 1986, as amended. Participants under the Savings Plan may elect to invest any portion of their contributions to the Plan in the common stock of the Company. REI maintains various long-term incentive plans to attract, retain and provide incentives to certain employees selected for participation by the Compensation Committee of the Board of Directors. Generally, employee awards may be in the form of options to purchase company common stock, stock appreciation rights, restricted or unrestricted grants of common stock or units denominated in common stock or any other property or grants denominated in cash. The vesting of such grants may be made subject to the attainment of one or more performance goals.

allows shareholders to acquire additional shares in lieu of cash dividends and to make additional cash investments in company stock (or similar or successor program), attached as Exhibit G-9 to this Application.

New REI has established a Stockholder Rights Plan under which each share of its common stock will include one right to purchase from New REI a fraction of a share of New REI preferred stock. The rights will be issued pursuant to a rights agreement between New REI and a nationally-recognized bank that will serve as the rights agent. As currently contemplated, the rights will become exercisable shortly after (i) any public announcement that a person or group of associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of New REI common stock; or (ii) the start of a tender or exchange offer that would result in a person or group of associated persons becoming a 15% owner. New REI expects that the Stockholder Rights Plan will also provide for the rights to be exercisable for shares of (i) New REI common stock in the event of certain tender or exchange offers not approved by the New REI board; and (ii) the common stock of an acquiring company in the event of certain mergers, business combinations, or substantial sales or transfers of assets or earning power. The rights will attach to all certificates representing the outstanding shares of common stock and will be transferable only with such certificates. The Stockholder Rights Plan will provide for the rights to be redeemable at New REI's option prior to their becoming exercisable and for the rights to expire at a date certain. The terms of the New REI Stockholders Rights Plan will be described in greater detail in the New REI Form S-4.

(ii) New REI External Financing: Preferred Securities

New REI seeks to have the flexibility to issue its authorized preferred stock or other types of preferred securities (including trust preferred securities) directly or indirectly through one or more subsidiaries, including special-purpose financing subsidiaries organized for such purpose. The proceeds of preferred securities would provide an important source of future financing for the operations of and investments in businesses in which New REI or its Subsidiaries are authorized to invest.(106) Preferred stock or other types of preferred securities may be issued in one or more series with such rights, preferences, and priorities as may be designated in the instrument creating each such series, as determined by New REI's board of directors, or a pricing committee or other committee of the board performing similar functions. Preferred securities may be redeemable or may be perpetual in duration. Dividends or distributions on preferred securities will be made periodically and to the extent funds are legally available for such purpose, but may be made subject to terms which allow New REI to defer dividend payments for specified periods. Preferred securities may be convertible or exchangeable into

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(106) Recently, the Commission approved a similar financing application filed by Southern Company in which Southern Company requested approval to issue preferred securities and long-term debt, directly or indirectly through special-purpose financing entities. See Southern Co., Holding Co. Act Release No. 27134, 2000 WL 143332 (Feb. 9, 2000).

shares of New REI common stock, other forms of equity or indebtedness, or into other securities.(107)

Preferred securities may be sold directly through underwriters or dealers in any manner and for purposes similar to those described for common stock above.

(iii) New REI External Financing: Long-Term Debt

Long-term debt securities could include notes or debentures under one or more indentures (each, the "New REI Indenture") or long-term indebtedness under agreements with banks or other institutional lenders directly or indirectly. Long term securities could also include obligations relating to the refunding or remarketing of tax-exempt debt issued on behalf of New REI by governmental authorities. Long-term debt will be unsecured. Long-term debt may be convertible or exchangeable into shares of New REI common stock, other forms of equity or indebtedness, or into other securities.(108) Specific terms of any borrowings will be determined by New REI at the time of issuance and will comply in all regards with the parameters on financing authorization set forth above.

(iv) New REI External Financing: Short-Term Debt

New REI seeks authority to arrange short term financing, including institutional borrowings, commercial paper and privately-placed notes.

New REI may sell commercial paper or privately placed notes ("commercial paper") from time to time, in established domestic or European commercial paper markets. Such commercial paper may be sold at a discount or bear interest at a rate per annum prevailing at the date of issuance for commercial paper of a similarly situated company.

New REI may, without counting against the limit on parent financing set forth above, maintain back up lines of credit in connection with one or more commercial paper programs in an aggregate amount not to exceed the amount of authorized commercial paper.

Credit lines may also be set up for use by New REI for general corporate purposes. Such credit lines may support commercial paper, may be utilized to obtain letters of credit or may be borrowed against, from time to time, as it is deemed appropriate or necessary.

(v) New REI External Financing: Risk Management Devices

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(107) New REI would seek such further approval as may be required in connection with any exercise of the conversion feature.

(108) New REI would seek such further approval as may be required in connection with any exercise of the conversion feature.

New REI requests authority to assume and to enter into hedging arrangements intended to reduce or manage the volatility of financial or other business risks to which New REI is subject, including, but not limited to, interest rate swaps, caps, floors, collars and forward agreements or any other similar agreements ("Hedging Instruments"). The transactions would be for fixed periods and stated notional amounts. Each Hedging Instrument will be treated for accounting purposes under GAAP. New REI may employ interest rate hedges and other derivatives as a means of prudently managing the risk associated with any of its outstanding debt issued pursuant to this authorization or an applicable exemption by, in effect, synthetically (i) converting variable rate debt to fixed-rate debt; (ii) converting fixed-rate debt to variable rate debt; (iii) limiting the economic or accounting impact of changes in interest rates resulting from variable rate debt; and (iv) managing other risks that may attend outstanding securities. Transactions will be entered into for fixed or determinable periods. Thus, New REI will not engage in speculative transactions. New REI will only enter into agreements with counterparties having a senior debt rating at the time the transaction is executed of at least BBB or its equivalent as published by a NRSRO ("Approved Counterparties"). In no case will the notional principal amount of any interest rate swap exceed that of the underlying debt instrument and related interest rate exposure.

In addition, New REI requests authorization to assume and to enter into hedging transactions with respect to anticipated debt offerings (the "Anticipatory Hedges"), subject to certain limitations and restrictions. Anticipatory Hedges will only be entered into with Approved Counterparties, and will be used to fix and/or limit the risk associated with any issuance of securities through appropriate means, including (i) forwards and futures (a "Forward Sale"); (ii) the purchase of put options (a "Put Options Purchase"); (iii) a purchase of put options in combination with the sale of call options (a "Collar"); (iv) some combination of a Forward Sale, Put Options Purchase, Collar and/or other derivative or cash transactions, including, but not limited to structured notes, caps and collars, appropriate for the Anticipatory Hedges; or (v) other financial derivatives or other products including Treasury rate locks, swaps, forward starting swaps, and options on the foregoing. Anticipatory Hedges may be executed on-exchange ("On-Exchange Trades") with brokers through the opening of futures and/or options positions traded on the Chicago Board of Trade ("CBOT"), "off-exchange" through the execution of agreements with one or more counterparties ("Off-Exchange Trades"), or a combination of On-Exchange Trades and Off-Exchange Trades. New REI or a Subsidiary will determine the optimal structure of each Anticipatory Hedge transaction at the time of execution. Each Anticipatory Hedge will be treated for accounting purposes under GAAP. New REI or a Subsidiary may decide to lock in interest rates and/or limit its exposure to interest rate increases.

Fees, commissions and other amounts payable to the counterparty or exchange (excluding, however, the swap or option payments) in connection with Hedging Instruments will not exceed those generally obtainable in competitive markets for similarly-situated parties of comparable credit quality. Hedge Instruments and Anticipatory Hedges will qualify for hedge accounting treatment under the current Financial Accounting Standards Board ("FASB") guidelines in effect and as determined at the time those Hedge Instruments or Anticipatory Hedges are entered into. New REI and its Subsidiaries will comply with Statement of Financial Accounting Standards ("SFAS") 133 ("Accounting for Derivatives Instruments and Hedging

Activities") and SFAS 138 ("Accounting for Certain Derivative Instruments and Certain Hedging Activities") or other standards relating to accounting for derivative transactions as are adopted and implemented by the Financial Accounting Standards Board.

(B) Subsidiary External Financings

As indicated on Exhibit G-8 hereto, the Utility Subsidiaries will have outstanding long-term debt and trust preferred securities upon completion of the Electric Restructuring. In addition, the Utility Subsidiaries will have a receivables facility and bank facilities that may be utilized in the form of direct borrowings, commercial paper support or letters of credit.

To the extent such transactions are not otherwise exempted, the Subsidiaries request authority to issue and sell securities, including common equity, preferred securities (either directly or through a subsidiary), long-term and short-term debt securities and derivative instruments with respect to any of the foregoing on the same terms and conditions discussed above for New REI, except that Subsidiary debt may be secured or unsecured.(109) The Subsidiaries also request authorization to enter into obligations with respect to tax-exempt debt issued on behalf of a Subsidiary by governmental authorities in connection with the refunding of outstanding tax-exempt debt assumed by New REI at the time of the Electric Restructuring. The Subsidiaries also request authority to enter into hedging transactions to manage their risk in connection with the foregoing issuance of securities subject to the limitations and requirements applicable to New REI, provided, that the Intermediate Holding Companies will not enter into such hedging transactions.

External borrowings by the Utility Subsidiaries shall not exceed the following amounts at any one time outstanding during the Authorization Period:

Texas Genco LP	$500	million
T&D Utility	$3.55	billion
GasCo	$2.7	billion

(C) Guarantees, Intra-system Advances and Intra-System Money Pool

(i) Guarantee and Intra-system Advances

New REI requests authorization to enter into guarantees, obtain letters of credit, enter into expense agreements or otherwise provide credit support with respect to the obligations of its Subsidiaries in the ordinary course of New REI's business ("New REI Guarantees") in an amount, together with the Subsidiary Guarantees (defined below), not to exceed $2 billion outstanding at any one time (not taking into account obligations exempt pursuant to Rule 45).

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(109) There will be no cross-subsidization or cross-collateralization. The assets of a given Subsidiary will be used only to secure the obligations of that Subsidiary. No financing authority is requested for Reliant Resources or its subsidiary companies, which will rely on the authority provided by Rules 45 and 52 under the Act.

Any such guarantees shall also be subject to the limitations of Rule 53(a)(1) or Rule 58(a)(1), as applicable.

Certain of the guarantees referred to above may be in support of obligations that are not capable of exact quantification. In such cases, New REI will determine the exposure under such guarantee by appropriate means including estimation of exposure based on loss experience or projected potential payment amounts. As appropriate, such estimates will be made in accordance with generally accepted accounting principles and/or sound financial practices.

(ii) Subsidiary Guarantees

The Utility Subsidiaries request authority to provide to their respective Subsidiaries guarantees and other forms of credit support, subject to the terms and conditions outlined above.(110)

Each of the Intermediate Holding Companies also seeks authority to issue guarantees and other forms of credit support to direct and indirect subsidiary companies, subject to the terms and conditions outlined above.

(iii) Authorization and Operation of the Money Pool

New REI and certain of its subsidiary companies (together, the "Parties") hereby request authorization to establish and manage a centralized system of intercompany borrowings and investments (the "Money Pool") that will be used as a short-term cash management system by the participating companies, provided that no loans through the Money Pool will be made to, and no borrowings through the Money Pool will be made by, New REI, Houston Industries Funding Company or CenterPoint Energy International, Inc.(111) Reliant Resources and its subsidiary companies will not participate in the Money Pool.

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(110) See, e.g., Exelon Corporation, HCAR No. 27266, 2000 WL 1644531 (authorizing Genco to enter into guaranties and other forms of credit support with respect to the obligations of its subsidiaries). It is contemplated that the Nonutility Subsidiaries will rely on the exemptions provided by Rules 45 and 52.

(111) The participants in the Money Pool will be New REI, Texas Genco Holdings, Inc., Texas Genco GP, LLC, the Utility Subsidiaries and Houston Industries FinanceCo GP, LLC, Houston Industries FinanceCo LP, by Houston Industries FinanceCo GP, LLC, its General Partner, Reliant Energy FinanceCo II GP, LLC, Reliant Energy FinanceCo II LP, by Reliant Energy FinanceCo GP, LLC, its General Partner, Reliant Energy Properties, Inc., Houston Industries Funding Company, CenterPoint Energy International, Inc., CenterPoint Energy Products, Inc. and CenterPoint Energy Thermal Systems, Inc. Houston Industries Funding Company and CenterPoint Energy International, Inc. are both entities through which New REI has funded or acquired foreign utility companies within the meaning of Section 33 of the Act and so, these companies will be investors in but not borrowers from the Money Pool.

Under the proposed terms of the Money Pool, each Party will determine each day the amount of funds each desires to contribute to the Money Pool, and will contribute such funds to the Money Pool. The determination of whether a Party has funds to contribute (either from surplus funds or from external borrowings) and the determination whether a Party shall lend such funds to the Money Pool will be made by such Party's treasurer, or by a designee thereof, in such Party's sole discretion. Each Party may withdraw any of its funds at any time upon notice to New REI as administrative agent of the Money Pool.

Short-term funds would be available from the following sources: (1) surplus funds in the treasuries of the Parties, and (2) proceeds from bank loans, the sale of notes and/or the sale of commercial paper by the Parties (all such borrowings by the Parties herein referred to as "External Borrowings"), in each case to the extent permitted by applicable laws and regulatory orders. See Exhibit G-10 for a copy of the Form of Money Pool Agreement.

Each borrowing Party will borrow pro rata from each fund source in the same proportion that the amount of funds provided from that fund source bears to the total amount then loaned through the Money Pool. On a day when more than one source of funds is invested in the Money Pool with different rates of interest used to fund loans through the Money Pool, each borrower would borrow pro rata from each such funding source from the Money Pool in the same proportion that the amount of funds provided by that fund source bears to the total amount of funds invested into the Money Pool.

The determination of whether a Party has funds to lend to the Money Pool will be made by its Treasurer, or by a designee thereof. New REI, as administrator of the Money Pool, will provide each Party with a report for each business day that includes, among other things, cash activity for the day and the balance of loans outstanding. All borrowings from the Money Pool shall be authorized by the borrowing Party's treasurer, or by a designee thereof. No Party shall be required to effect a borrowing through the Money Pool if such Party determines that it can (and is authorized to) effect such borrowing more advantageously directly from banks or through the sale of its own notes or commercial paper.

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

The interest rate applicable on any day to then outstanding loans through the Money Pool, whether or not evidenced by a promissory demand note, will be the composite weighted average daily effective cost incurred by New REI for External Borrowings outstanding on that date. The daily effective cost shall be inclusive of interest rate swaps related to such

External Funds. If there are no External Borrowings outstanding on that date, then the rate will be the certificate of deposit yield equivalent of the 30-day Federal Reserve "AA" Non-Financial Commercial Paper Composite Rate (the "Composite"), or if no Composite is established for that day, then the applicable rate will be the Composite for the next preceding day for which a composite is established. If the Composite shall cease to exist, then the rate will be the composite which then most closely resembles the Composite and/or most closely mirrors the pricing New REI would expect if it had External Borrowings.

Interest income related to External Investments will be calculated daily and allocated back to lending Parties on the basis of their relative contribution to the Investment Pool on that date.

Each Party receiving a loan from the Money Pool hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand by the administrator and in any event not later than the expiration date of the SEC authorization for the operation of the Money Pool. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty.

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

Texas Genco LP	$1 billion
T&D Utility	$500 million
GasCo	$500 million

(iv) Other Intra-System Financing

The Utility Subsidiaries may also finance their capital needs through borrowings from New REI, directly or indirectly through one or more Intermediate Holding Companies.

Each of the Intermediate Holding Companies requests authority to issue and sell securities to their respective parent companies and to acquire securities from their subsidiary companies.

(D) Changes in Capital Stock of Majority Owned Nonutility Subsidiaries

Request is made for authority to change the terms of any 50% or more owned Nonutility Subsidiary's authorized capital stock capitalization or other equity interests by an amount deemed appropriate by New REI or other intermediate parent company. A Nonutility Subsidiary would be able to change the par value, or change between par value and no-par stock, without additional Commission approval, provided that no such action would be taken without the consent of any minority shareholders. New REI will be subject to all applicable laws regarding the fiduciary duty of fairness of a majority shareholder to minority shareholders in any such 50% or more owned Nonutility Subsidiary and will undertake to ensure that any change implemented under this paragraph comports with such legal requirements.

(E) Payment of Dividends out of Capital or Unearned Surplus

As a result of the accounting treatment for the Restructuring, New REI and the Subsidiaries are requesting authority to declare and pay dividends out of capital or unearned surplus. As explained below, depending on the market value of Reliant Resources at the time of the Distribution, New REI may initially have zero or negative retained earnings. In such event, New REI requests authority to pay dividends up to $200 million through the Authorization Period. Again, solely as a result of the accounting treatment for the Electric Restructuring, Texas Genco LP, the T&D Utility and GasCo may require authority to pay dividends through the Authorization Period in amounts not to exceed $100 million, $200 million and $100 million, respectively, provided that no Utility Subsidiary would declare or pay a dividend if the effect would be to reduce the common equity component of such company below 30%. The Commission has granted similar authority in recognition of the effect of the purchase method of accounting in connection with mergers and acquisitions. See, e.g., National Grid Group plc, Holding Co. Act Release No. 27154 (March 15, 2000) (permitting the payment of dividends by registered holding company and its public-utility subsidiary companies). Although the dividend policy of New REI has not been finally determined, it is contemplated that New REI will seek to maintain a pay-out ratio comparable to that of REI currently.

(F) Financing Subsidiaries

New REI proposes to organize and acquire, directly or indirectly, the common stock or other equity interests of one or more subsidiaries (collectively, the "Financing Subsidiary") for the purpose of effecting various financing transactions from time to time through the Authorization Period involving the issuance and sale of up to an aggregate of $1 billion (cash proceeds to New REI or the respective subsidiary company) in any combination of common stock, preferred securities, debt securities, stock purchase contracts and stock purchase units, as well as its common stock issuable pursuant to such stock purchase contracts and stock purchase units, all as defined below and described herein. The proceeds of such transactions will be counted against the financing limits for New REI or the respective subsidiary, as appropriate. Any security issued pursuant to the authority granted in this File will be appropriately disclosed in the system's financial statements. No Financing Subsidiary shall acquire or dispose of, directly or indirectly, any interest in any utility asset, as that term is defined under the Act, without first obtaining such further approval as may be required.

The business of the Financing Subsidiary will be limited to effecting financing transactions for New REI and its associates. In connection with such financing transactions, New REI or the Subsidiaries may enter into one or more guarantee or other credit support agreements in favor of the Financing Subsidiary.

Any Financing Subsidiary organized pursuant to this File shall be organized only if, in management's opinion, the creation and utilization of such Financing Subsidiary will likely result in tax savings, increased access to capital markets and/or lower cost of capital for New REI or the Subsidiaries.

The ability to use finance subsidiaries in financing transactions can sometimes offer increased state and/or federal tax efficiency. Increased tax efficiency can result if a financing subsidiary is located in a state or country that has tax laws that make the proposed financing transaction more tax efficient relative to the sponsor's existing taxing jurisdiction. For example, foreign finance subsidiaries, depending upon the identity of the borrowers, can often earn income that is not subject to current U.S. federal income taxation. However, decreasing tax exposure is usually not the primary goal when establishing a financing subsidiary. Because of the potential significant non-tax benefits of such transactions, discussed below, use of a financing subsidiary can benefit an issuer even without a net improvement in its tax position.

Financing subsidiaries can increase a company's ability to access new sources of capital by enabling it to undertake financing transactions with features and terms attractive to a wider investor base. Financing subsidiaries can be established in jurisdictions and/or in forms that have terms favorable to its sponsor and that at the same time provide targeted investors with attractive incentives to provide financing. Many of these investors would not be participants in the sponsor's bank group, and they typically would not hold sponsor bonds or commercial paper. Thus they represent potential new sources of capital.

One aspect of transactions involving finance subsidiaries is that they can enable a more efficient allocation of risks among investors and the sponsor, resulting in a lower all-in financing rate. In a simple example, finance subsidiaries can be used to securitize specific assets, or pools of assets, at reasonable-to-attractive rates. The financing cost could be lower because the assets may have a unique risk profile that is especially appealing to specific investors, or because the diversification achieved by pooling assets reduces the total level of risk.

New REI will file, on a quarterly basis corresponding with the periodic reporting requirements of the Securities Exchange Act of 1934, the information required pursuant to Rule 24 with respect to any Financing Subsidiary organized or otherwise acquired pursuant to this File. Such filings, if any, will include a representation that the financial statements of New REI shall account for any Financing Subsidiary in accordance with generally accepted accounting principles and shall further disclose, with respect to any such subsidiary, (i) the name of the subsidiary; (ii) the value of New REI's investment account in such subsidiary; (iii) the balance sheet account where the investment and the cost of the investment are booked; (iv) the amount invested in the subsidiary by New REI; (v) the type of corporate entity; (vi) the percentage owned by New REI; (vii) the identification of other owners if not 100% owned by New REI; (viii) the purpose of the investment in the subsidiaries; and (ix) the amounts and types of securities to be issued by the subsidiaries. Regardless if any such duty to file is triggered, New REI will maintain sufficient internal controls to enable it to monitor the creation and use of any such entity.

Each of New REI and the Subsidiaries also requests authorization to enter into an expense agreement with its respective financing entity, pursuant to which it would agree to pay all expenses of such entity. Any amounts issued by such financing entities to third parties pursuant to this authorization will be included in the additional external financing limitation

authorized herein for the immediate parent of such financing entity. However, the underlying intra-system mirror debt and parent guarantee shall not be so included.(112)

REI currently has two financing subsidiaries ("FinanceCos") with external debt. The FinanceCos are Delaware limited partnerships whose limited partnership interests are wholly-owned, directly or indirectly, by REI. Each of the FinanceCos has issued debt, the proceeds of which have been used to purchase separate series of cumulative preference stock of REI. Dividends on the preference stock accrue based on the net interest requirements on the debt, subject to reduction of any payments previously made by REI under REI support agreements relating to each series of debt. After giving effect to this credit, REI must pay aggregate cash dividends on the preference stock equal to the lesser of the aggregate amount of interest then payable on the debt or its excess cash flow (excess funds of REI remaining after taking into account its cash requirements and other expenditures required by sound utility financial and management practices).

(G) Authority to Reorganize Nonutility Interests

New REI proposes to restructure its nonutility interests from time to time as may be necessary or appropriate. New REI will engage, directly or indirectly, only in businesses that are duly authorized, whether by order, rule or statute.

G. OTHER AUTHORITY

1. Distribution of Reliant Resources Stock to Shareholders

As discussed previously, in addition to the approvals needed to effectuate the restructuring required by Texas law, Applicants are seeking authority under Section 12(c) of the Act to distribute to New REI's shareholders all of the shares the company owns of Reliant Resources. The Distribution will complete the separation of REI's "regulated" and "unregulated" operations into two unaffiliated publicly-traded corporations.

Applicants believe that this is the type of transaction that should be viewed favorably under the 1935 Act, since it will serve to protect both investors and consumers of the regulated business from what has become increased volatility associated with the unregulated operations. Timely approval of the proposed transactions will serve the purposes of the Act by helping to protect the regulated operations and their investors and consumers from the potentially adverse effects of unregulated activities. It will also enable the regulated entities to raise needed capital in what has become a somewhat troubled market.

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(112) The authorization sought herein with respect to financing entities is substantially the same as that given to New Century Energies and others. See New Century Energies, HCAR No. 26750, 1997 WL 429588; Conectiv, HCAR No. 26832, 1998 WL 78803; Cinergy Corp., HCAR No. 26984 1999 WL 101873 (Mar. 1, 1999); Dominion Resources, HCAR No. 27112, 1999 WL 1206667; and SCANA Corp., Holding Co. Act Release No. 27135, 2000 WL 158996 (Feb. 14, 2000).

As noted previously, the Distribution will reposition New REI as a traditional regulated utility, with significantly reduced business risk. Once separation is completed, the regulated and unregulated businesses will have independent management structures, and those who will remain with the regulated businesses should be able to focus completely on those businesses. Further, the indemnification provisions of the companies' Master Separation Agreement are intended to place sole financial responsibility on Reliant Resources and its subsidiaries for all liabilities associated with the current and historical businesses and operations they conduct, regardless of the time those liabilities arise.

(A) Background

In 2000, REI management determined that it would be in the best interests of shareholders to separate the company's regulated and unregulated operations. Among other things, the separation was intended to address problems created by the company's dual identity as a utility/merchant energy company. At the time, it was believed that the separation would "unlock value" associated with the merchant energy operations. On a more basic level, the separation will better align investors' interests by allowing more risk-averse investors to continue their investments in the regulated utility business of New REI and more risk-tolerant investors to invest in Reliant Resources' growth-oriented merchant energy business.

Prior to the May 2001 initial public offering of Reliant Resources' common stock, REI entered into a Master Separation Agreement and associated ancillary agreements with Reliant Resources providing for the separation of their businesses. These agreements generally provided for the transfer to Reliant Resources of assets relating to Reliant Resources' business, and the assumption by Reliant Resources of associated liabilities.

The Master Separation Agreement provides for the separation of REI's assets and businesses from those of Reliant Resources. It also provides for cross-indemnities intended to place sole financial responsibility on Reliant Resources and its subsidiaries for all liabilities associated with the current and historical businesses and operations they conduct, regardless of the time those liabilities arise, and to place sole financial responsibility for liabilities associated with REI's other businesses with REI and its other subsidiaries. REI and Reliant Resources also agreed to assume and be responsible for specified liabilities associated with activities and operations of the other party and its subsidiaries to the extent performed for or on behalf of their respective current or historical businesses. The Master Separation Agreement also contains indemnification provisions under which REI and Reliant Resources will each indemnify the other with respect to breaches by the indemnifying party of the Master Separation Agreement or any ancillary agreements.(113)

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(113) The indemnification provisions are similar to those considered by the Commission in connection with the spin-off of the nonutility subsidiary of The Southern Company. See Southern Co., Holding Co. Act Release No. 27303 (Dec. 15, 2000). In that matter, the applicants explained that an "indemnification agreement of this nature incidental to a genuine transaction does not involve an upstream loan or any extension of credit and is not an `indemnity' within the meaning of Section 12 of the Act." Amendment No. 2 to Application-Declaration in File No. 70-9727, citing Mississippi Valley Generating Co., Holding Co. Act Release No. 12794, 1955 WL 5769 (Feb. 9, 1955) and

Under these arrangements, REI and New REI will not provide credit support to Reliant Resources and its subsidiaries after the Distribution. One category of that credit support has been corporate guarantees provided by GasCo as the former parent of Reliant Resources' trading and marketing subsidiaries. Although the Applicants expect that all previously existing guarantees will be extinguished either by cancellation or by the substitution of a Reliant Resources guarantee and release of GasCo, it may not be possible to be certain that all old guarantees have been identified and effectively released at the time of Distribution. To ensure compliance with the commitment to extinguish all credit support, REI and Reliant Resources will execute the agreement attached as Exhibit ___ under which Reliant Resources will provide a letter of credit, cash or treasury bonds to secure any guarantee obligations that either (i) have not been satisfactorily extinguished as of the date of Distribution or (ii) which might be identified subsequent to the Distribution. (114)

Also under the Master Separation Agreement, Reliant Resources has undertaken the indemnification of REI (and New REI as its successor) from liability arising out of the shareholders' actions and regulatory proceedings associated with the recent announcements by Reliant Resources concerning hedges and certain past trading activities. Reliant Resources also is indemnifying REI and New REI against liability associated with the currently pending litigation and regulatory proceedings associated with its operations in California during 2000-2001.

The Master Separation Agreement requires Texas Genco (and, prior to the Electric Restructuring, REI) to auction capacity remaining after it conducts the mandated auctions of its capacity required by the Texas restructuring law. After certain deductions, Reliant Resources has the right to purchase 50% (but no less than 50%) of the capacity that would otherwise be auctioned at the prices to be established in the auctions required by the Master Separation Agreement.

The Master Separation Agreement also requires Reliant Resources to make a payment to REI equal to the amount, if any, required to be credited to REI Energy by Reliant Resources REPs pursuant to Texas law. This payment, which is sometimes referred to as the "clawback" payment, will be required unless 40% or more of the amount of electric power that was consumed before the onset of retail competition by residential or small commercial customers within HL&P's service territory is being served by retail electric providers other than Reliant Resources by January 1, 2004. The payment by Reliant Resources will be the lesser of (a) the amount that the price to beat, less non-bypassable delivery charges, is in excess of the prevailing market price of electricity during such period per customer or (b) $150, multiplied by the number of residential or small commercial customers in HL&P's service territory that are buying electricity at the price to beat on January 1, 2004, less the number of new customers obtained by Reliant Resources outside HL&P's service area.

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Southern Co., HCAR No. 27134, 2000 WL 143332 (construing and applying Section 12(a) of the Act in accordance with Section 1(c) of the Act and the legislative history showing an intent to protect public utility subsidiaries).

(114) The maximum remaining obligations currently are less than $24 million.

The Master Separation Agreement contains provisions relating to certain nuclear decommissioning assets, the exchange of information, provision of information for financial reporting purposes, dispute resolution, and provisions limiting competition between the parties in certain business activities and provisions allocating responsibility for the conduct of regulatory proceedings and limiting positions that may be taken in legislative, regulatory or court proceedings in which the interests of both parties may be affected.

* * * * *

It has been a fundamental premise of the separation that both New REI and Reliant Resources emerge from the restructuring with their debt securities being rated as "investment grade" by one or more NRSROs. To achieve this goal, REI management, in consultation with the rating agencies and others, determined it was necessary to ensure that Reliant Resources initially had relatively little debt on its balance sheet. Accord Moody's View on Energy Merchants: Long on Debt - - Short on Cash Flow, Moody's Investors Service (May 2002) (emphasizing the need for "well-capitalized" merchant energy companies).

At the same time, it was of paramount importance to management that the regulated utility maintain investment grade ratings. The decision to allocate relatively more of the debt to REI and its successor New REI was made only after extensive consultations with the rating agencies, and was based in large part on the fact that Texas law provides for the recovery by New REI of all stranded costs in 2004-2005. As explained by Standard & Poor's in its recent release reaffirming the ratings of REI:

> The stable outlook for Reliant Energy (to be named CenterPoint Energy) extends out through 2005, which is beyond the current one- to two-year horizon because it is based on the timing incorporated in the Texas law that deregulates the retail electricity market. The outlook is based on Standard & Poor's expectation that Reliant Energy will recover its investment in plant costs as allowed by Texas law. The outlook is also based on Standard & Poor's expectations that Reliant Energy will receive SEC approval to spin off Reliant Resources, and will successfully renew its bank facilities prior to the July 12, 2002, deadline.
>
> The law that permitted retail electric competition to begin in Texas on Jan. 1, 2002, obliged the separation of assets (transmission and distribution from generation) and the creation of retail electric providers (REPs) to supply electricity to retail customers (managing market and commodity risk), and assured the utilities' right to recover their generating plant investment--including a reasonable margin from 2002 to 2004, which is accrued and added to the generating plants' recoverable value. In 2004, utilities are allowed to issue debt in an amount equal to the difference between the market and regulatory book values of the generating plants.

The debt is securitized by that difference, which is a regulatory asset. Proceeds from the debt issuance, the expected sale of the generating assets, and other elements of the eventual "true-up" will be used to pay down an equal amount of debt--about $5 billion.

Reliant Energy chose to separate completely the generating assets from the transmission and distribution business. Reliant Resources owns the REP. CenterPoint Energy owns the transmission and distribution business, as well as the gas distribution businesses in Texas, Louisiana, Mississippi, Arkansas, Oklahoma, and Minnesota. When the separation is complete, CenterPoint Energy will have almost no commodity risk and very little market risk, giving it an above-average business position. However, because CenterPoint will be carrying all the debt once carried by the combined company, leverage will be very high until securitization of the regulatory assets is completed. Thereafter, Standard & Poor's expects CenterPoint Energy's financial profile to meet the targets for the ratings.

By the end of 2005, New REI will have 35% consolidated equity capitalization, net of securitization debt. Further, the Utility Subsidiaries will at all times have 30% or more equity capitalization and both New REI and the Utility Subsidiaries are anticipated to maintain investment grade credit ratings. As explained more fully below, Applicants believe that the Distribution thus is consistent with the policies and provisions of the Act.

(B) Statutory Analysis

Section 12(c), and Rule 46(a) thereunder, generally require prior Commission approval for the payment of any dividend "out of capital or unearned surplus."

To account for the spin-off of Reliant Resources to its shareholders, New REI will first reduce its retained earnings to reflect any impairment in the value of its investment in Reliant Resources (i.e., the difference between book and market value of the stock)(115) and then will reduce its additional paid-in capital by the net book value of its investment (following the adjustment) in Reliant Resources. To the extent its additional paid-in capital balance is insufficient, Reliant Energy will further reduce its retained earnings for the balance.(116) Because

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(115) The impairment adjustment is in accordance with Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions" (APB 29) and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). This guidance results in the distribution to shareholders being recorded at fair value.

(116) The New REI Board of Directors is expected to approve the distribution of Reliant Resources stock to its shareholders as a return of capital. New REI will reduce its additional paid-in capital by the net book value of its investment in Reliant Resources. A distribution in a

the Distribution will be made, in part, out of additional paid-in capital, Commission approval is required.

Section 12(c) directs the Commission to consider the effect of the Distribution on "the financial integrity of companies" in the New REI system. In this matter, each of the Utility Subsidiaries will maintain 30% or greater common equity capitalization and, further, it is anticipated that the electric and gas utility subsidiaries issuing public debt will each maintain an investment grade credit rating from one or more NRSROs. Further, New REI has received indicative investment grade debt ratings from Moody's (Baa2) and Standard & Poor's (BBB) for its senior unsecured debt. On a qualitative basis, the Distribution will increase the financial integrity of the system by reducing the business risk profile of New REI from "5" to "3".

The Commission in recent years has relied on a combination of a minimum of 30% common equity capitalization and the maintenance of investment grade credit ratings to safeguard the financial integrity of a registered holding company and its public-utility subsidiary companies. There are, however, two sets of circumstances in which the Commission has approved variances from these standards.

First, the Commission has granted newly-registered holding companies a period of time in which to come into compliance with the 30% standard. See, e.g., National Grid Group plc, Holding Co. Act Release No. 27154 (March 15, 2000) (requiring compliance by March 31, 2002); E.ON AG, Holding Co. Act Release No. 27539 (June 14, 2002) (granting newly registered holding company up to seven years to divest certain nonutility businesses).

Second, the Commission has acknowledged that it is appropriate to consider the special nature of securitization debt in the calculation of capitalization to determine compliance with its traditional test of a minimum equity component of capitalization of 30%. See, e.g., Conectiv, Holding Co. Act Release No. 27213 (Aug. 17, 2000) and Holding Co. Act Release No. 27192 (June 29, 2000) (acknowledging unique nature of securitization debt); West Penn Power Co., Holding Co. Act Release No. 27091 (Oct. 19, 1999) (granting exemption from 30% equity standard where utility's equity ratio was 15% because of transition bonds and other factors; excluding transition bonds, utility would satisfy 30% test). This approach is consistent with the

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spin-off should be charged to retained earnings unless the distribution can legally be paid out of additional paid-in capital and the distribution is approved as a return of capital. Such distributions are referred to as "liquidating" or "partial liquidating" dividends. One example of a distribution being recorded as a reduction in additional paid-in capital is when a company is making a permanent reduction in the size of its operations, which is our circumstance. The Applicants and Deloitte & Touche LLP have identified another example within the utility industry where a distribution approved as a return of capital has been reflected as a reduction in additional paid-in capital.

The proposed accounting for the distribution of the Reliant Resources shares was developed in consultation with Deloitte & Touche. Accordingly, the Applicants believe, and Deloitte & Touche concurs, that any distribution of Reliant Resources facilitated by a New REI board declaration of a return of capital would be recorded as a reduction in additional paid-in capital in the first instance, rather than retained earnings.

rating agencies' analysis of the impact of securitization on a utility's capital structure. In connection with Exelon Corporation, Holding Co. Act Release No. 27266 (Nov. 2, 2000), the applicants cited the analysis provided by Moody's in its September 1999 rating review of PECO Energy Company:

> The major advantages of securitization from a credit perspective are the lower financing costs of higher rated securities and the greater certainty of recovery of stranded costs. As we analyze PECO post-securitization, Moody's will treat the securitized debt as fully non-recourse to the company. Moody's has grown comfortable with this analytical approach despite the fact that the Securities and Exchange Commission's guidelines require the debt to appear on the company's balance sheet. Under this approach, we will adjust cash flow downward to account for the setting aside of cash flows derived from collection of reimbursable transition charges to serve the fixed charges associated with the securitization bonds. This approach, we believe, better reflects the cash flow streams available for protection of PECO's traditional fixed income investors.

The same is true in the instant matter.

In the instant matter, immediately upon completion of the Distribution, New REI will have approximately 15% common equity. As discussed elsewhere in this Application, New REI's capital structure will be improved significantly with the sale of Texas Genco and securitization of any stranded investment in 2004 and 2005, as contemplated by Texas law. Net of securitization debt, New REI's projected equity capitalization will be approximately 35% in 2005, and the growth of equity as a percentage of capitalization is anticipated to continue in subsequent years.(117) Consistent with Commission precedent, and particularly in view of the reduced business risk for New REI, Applicants believe that the Distribution is not detrimental to the financial integrity of the New REI system.

(C) Need for Timely Approval of the Distribution

Events in recent months have underscored the need to separate the "regulated" and "unregulated" businesses of REI as quickly as possible:

When REI proposed the separation of its regulated and unregulated businesses in July 2000, the company contemplated that the process would be completed by the beginning of 2002, when retail choice began for its Texas electric customers. Accordingly, last July, REI put

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(117) Immediately upon completion of the Distribution, the Utility Subsidiaries will have the following percentages of common equity as part of their capitalization: Texas Genco (100%), the T&D Utility (41%) and GasCo (49%). While these percentages may vary over time, it is contemplated that at all times throughout the Authorization Period, each of the Utility Subsidiaries will maintain well in excess of 30% common equity capitalization.

in place 364-day credit facilities that were designed to provide credit support for the regulated businesses. Now those facilities are expiring, and the Applicants must renew or put in place new facilities. However, the Applicants' banks and credit rating agencies are extremely concerned about New REI's ability, in particular, to complete the proposed Restructuring and the separation of the regulated and unregulated businesses in a timely fashion.

Recent developments in the unregulated energy industry in general (including the Enron bankruptcy, California regulatory uncertainties, and declines in sector stock prices from their historic highs just a year ago), and past problems involving Reliant Resources' trading activities, have negatively impacted REI, which continues to be the majority shareholder in Reliant Resources. These negative effects include depressed stock prices, the very high spreads at which the public debt of REI and the regulated entities trade on the secondary market, Applicants' limited access to the commercial paper markets, and the refusal of surety companies to provide bonds for routine business purposes.

Separation of the regulated and unregulated operations will reduce pressure on lenders who currently must aggregate their commitments to REI and Reliant Resources for purposes of assessing their loan limits, thereby restricting the amount of additional liquidity that the banks can provide to either company. Once the regulated and unregulated operations are legally separate, lenders will be able to evaluate the companies, and their borrowing needs, on a stand-alone basis. The completion of the Distribution is expected, therefor, to improve the ability of both companies to access the capital markets.

Uncertainties about REI's ability to complete the "spin" of Reliant Resources has resulted in downward pressure on the ratings of REI and the regulated companies. Moody's has revised outlooks for REI and New REI from "stable" to "negative", citing concerns about REI's continued ownership of Reliant Resources. REI's senior unsecured debt is currently rated Baa1 and Moody's has assigned an indicative rating of Baa2 to the senior unsecured debt of New REI. The rating agency, in a press release May 21, 2002, explained that, "since the REI ratings confirmed and assigned over the past year assumed that RRI would be spun-off, Moody's is concerned about ratings implications should this not occur."

Conversely, Applicants have been told by lenders and others that the regulated companies' situation will be significantly improved once the "spin" of Reliant Resources has been completed. Indeed, Standard & Poor's has affirmed the BBB+/A-2 corporate credit rating of REI, based on the assumption that REI will receive Commission approval to restructure and subsequently spin off the common stock of Reliant Resources to shareholders of New REI.

Here, as in Southern Company, Holding Co. Act Release No. 27303 (Dec. 15, 2000), management has determined that its existing and potential shareholders would prefer the opportunity to select between a predominantly traditional public utility holding company system and an exempt merchant energy business such as Reliant Resources. Applicants believe that the Distribution will result in benefits accruing both to the shareholders of REI and to the public through the reduced business risk for the regulated operations. Applicants expect that the benefits to New REI and its Utility Subsidiaries and to Reliant Resources will be comparable to

those typical of distributions of business units.(118) The Distribution will not affect the capitalization of the Utility Subsidiaries and, as in Southern, the separation of regulated and unregulated businesses is consistent with the policies and provisions of the Act.

Finally, as in Southern Company, none of the indemnification provisions of the Master Separation Agreement and ancillary agreements is an "extension of credit or indemnity" within the meaning of the Act. The provisions are consistent with the standards of the Act, including Section 12 in its entirety. When a party contractually agrees to bear responsibility for a portion of a transaction, the resulting indemnification for claims does not constitute an extension of credit and is not therefore an "indemnity" agreement within the meaning of Section 12(a) of the Act. With respect to Section 12(a), the Commission has recognized that the creation of bona fide reciprocal obligations does not give rise to the extensions of credit that the Act was intended to prohibit. Southern Company, supra; Mississippi Valley Generating Co. v. United States, 175 F. Supp. 505, 520-21 (Ct. Claims 1959), affirming Mississippi Valley Generating Co., Holding Co. Act Release No. 12794 (Feb. 9, 1955).

Accordingly, Applicants seek authority under Section 12(c) and, to the extent applicable, 12(f) for the Distribution.

2. Sale or Distribution of Stock of Texas Genco Holdings, Inc.

In accordance with the provisions of the Texas Act relating to the determination of stranded costs, it is anticipated that Texas Genco Holdings, Inc. will conduct an initial public offering ("IPO") of approximately 20% of its capital stock by the end of 2002. In the alternative, New REI may distribute approximately 20% of the common stock of Texas Genco Holdings, Inc. to New REI shareholders in a taxable transaction, again as a means of valuing stranded costs. The IPO will require Commission approval under Section 12(d). The distribution may require approval under Section 12(c). No other regulatory approvals are required. Again, Applicants believe that the authority sought in this regard is consistent with that granted the Southern Company in File No. 70-9727. Accordingly, the Applicants ask that the Commission authorize the sale or distribution of the stock of Texas Genco Holdings, Inc., as outlined above as part of the Initial Order.(119)

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(118) As noted previously, REI and Reliant Resources also entered into an agreement under which, subject to the completion of the Distribution, Reliant Resources will have an option to purchase all of the shares of capital stock of Texas Genco owned by New REI after the initial public offering or distribution of no more than 20% of Texas Genco's capital stock. The Texas Genco Option may be exercised between January 10, 2004 and January 24, 2004. The purchase of the shares of Texas Genco common stock upon exercise of the Texas Genco Option by Reliant Resources will be subject to various regulatory approvals. The Applicants are not seeking authority in connection with an exercise of the Texas Genco Option at this time.

(119) The choice between an IPO of Texas Genco Holdings, Inc. or the distribution of 20% of Texas Genco's common stock to New REI shareholders will be made based on then-current market conditions at the time of the transaction later this year. In any event, it is likely that the accounting for the Texas Genco IPO or spin will be similar to the accounting for the IPO of

3. Rule 53 and 54 Analysis

(A) Rule 53 Requirements

Rule 53 provides that, if each of the conditions of paragraph (a) thereof is met, and none of the conditions of paragraph (b) thereof is applicable, then the Commission may not make a finding that the issuance or sale of a security by a registered holding company for the purposes of financing the acquisition of an exempt wholesale generator ("EWG") or the guarantee of a security of an EWG by a registered holding company is not reasonably adapted to the earning power of such company or to the security structure of the companies in the holding company system, or that the circumstances are such as to constitute the making of such guarantee an improper risk for the company. Generally, paragraph (a) limits the aggregate amount invested in EWGs and foreign utility companies ("FUCOs") to not more than 50% of the holding company's consolidated retained earnings. Paragraph (b) relates to certain events of bankruptcy and recent significant declines in the amount of consolidated retained earnings.

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Reliant Resources in May 2001, i.e., the transaction will be an adjustment to New REI's equity with any gain treated as an increase to additional paid in capital. If there is an impairment resulting from the transaction, that would be recognized through a reduction in retained earnings.

The accounting treatment for the issuance of stock by a subsidiary is addressed in SEC Staff Accounting Bulletins Nos. 51 and 84, Accounting for Sales of Stock by a Subsidiary, ("SAB 51" and "SAB 84", Attachments 2.7 and 2.8, respectively). SAB 51 and SAB 84 provide that recognition of a gain on the sale of a subsidiary's previously unissued stock is acceptable "where the sale of such shares by a subsidiary is not part of a broader corporate reorganization contemplated or planned by the registrant." SAB 51 recognizes that treatment as a capital transaction through the equity section of the balance sheet is also acceptable in these circumstances. SAB 84 clarified the SAB 51 "broader corporate reorganization contemplated or planned by the registrant..." concept by adding "...gain recognition is not appropriate in situations where subsequent capital transactions are contemplated ... such as... where reacquisition of shares is contemplated at the time of issuance." SAB 84 also added that "income statement treatment in consolidation for issuances of stock by a subsidiary represents a choice among alternative accounting methods and, therefore, must be applied consistently to all stock transactions that meet the conditions for income statement treatment set forth herein for any subsidiary."

SAB 51 precludes gain recognition if the issuance of stock by the subsidiary is part of a broader contemplated or planned corporate reorganization or when the subsidiary is a newly-formed, nonoperating entity, a research and development, start-up or development stage company, an entity whose ability to continue in existence is in question, or other similar circumstances that raise concerns about the likelihood of the parent realizing the gain.

None of the REI system's existing debt is properly allocable to Texas Genco under the terms of applicable indentures.

Effective December 1, 2000 (Measurement Date), REI's board of directors approved a plan to dispose of its Latin America and Indian business segment through sales of assets. At the time, REI's major Latin America investments consisted of interests in cogeneration projects, utilities and other power projects in Argentina, Brazil and Colombia. Its Indian investment consists of a minority interest in a coke calcining plant ("Rain"). REI began disposing of these assets and reporting the results of the associated business segment as "discontinued operations" in its 2000 consolidated financial statements in accordance with Accounting Principles Board Opinion No. 30 "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions".

By December 2001, REI had disposed of all of its Latin America assets except for its Argentine investments, which consist of a 100% interest in a corporation formed to develop, own and operate a 160 MW cogeneration project ("Argener") located at a steel plant near San Nicolas, Argentina and a 90% interest in a utility in north-central Argentina ("EDESE"). REI was in negotiations to dispose of Argener and EDESE, but the negotiations terminated in December 2001 in light of recent adverse economic developments in Argentina. Under applicable accounting rules, because REI was not able to dispose of Argener and EDESE, and Rain within one year of the Measurement Date, its remaining investments are no longer classified as discontinued operations, and the related amounts have been reclassified into continuing operations.

As of December 31, 2001, the pro forma consolidated amount of New REI's post-Distribution "aggregate investment" in EWGs and FUCOs as that term is defined in Rule 53 was $8 million.(120) It is not contemplated that New REI, which is continuing to attempt to dispose of these interests, will issue and sell securities to finance additional investments in or operations of EWGs and FUCOs; nor will it provide any guarantees thereof.

New REI represents that it will remain in compliance with all requirements of Rule 53(a), other than Rule 53(a)(1), and further that it will undertake to file a post-effective amendment in the event of an occurrence described in Rule 53(b).

(B) Rule 54 Analysis

Rule 54 states that in determining whether to approve the issue or sale of a security by a registered holding company for purposes other than the acquisition of an EWG or FUCO, or other transactions by such registered holding company or its subsidiaries other than with respect to EWGs or FUCOs, the Commission shall not consider the effect of the

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(120) Immediately upon completion of the Electric Restructuring, pending the Distribution, New REI will have approximately $7 billion in additional aggregate investment, representing Reliant Resources' holdings in EWGs and FUCOs. This additional aggregate investment will be eliminated by the Distribution. In addition, even if the Distribution were not to occur, it is contemplated that any additional EWG or FUCO financings in respect of Reliant Resources' holdings would occur at the Reliant Resources level or below and so, there would be no relevant financing request for purposes of Rule 53.

capitalization or earnings of any subsidiary which is an EWG or FUCO upon the registered holding company system if Rules 53(a), (b) and (c) are satisfied. The proposed transactions are subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any EWG or FUCO, the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

New REI will meet all of the conditions of Rule 53(a), except for clause (1). Immediately upon completion of the Electric Restructuring, pending the Distribution, New REI will have approximately $7 billion in additional aggregate investment, representing Reliant Resources' holdings in EWGs and FUCOs. This additional aggregate investment will be eliminated by the Distribution, at which time New REI's aggregate investment will be significantly reduced.

New REI will comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of operating company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) have occurred.

4. Filing of Certificates of Notification

It is proposed that, with respect to New REI, the reporting systems of the Securities Exchange Act of 1934, as amended (the "1934 Act") and the 1933 Act be integrated with the reporting system under the 1935 Act. This would eliminate duplication of filings with the Commission that cover essentially the same subject matters, resulting in a reduction of expense for both the Commission and New REI. To effect such integration, the portion of the 1933 Act and 1934 Act reports containing or reflecting disclosures of transactions occurring pursuant to the authorizations granted in this proceeding would be incorporated by reference into this proceeding through Rule 24 certificates of notification. The certificates would also contain all other information required by Rule 24, including the certification that each transaction being reported had been carried out in accordance with the terms and conditions of and for the purposes represented in this Application. Such certificates of notification would be filed within 60 days after the end of the first three calendar quarters and within 90 days after the end of the last calendar quarter in which transactions occur, commencing with the first calendar quarter ended at least 45 days following the date of the Commission's order in this proceeding.

A copy of relevant documents (e.g., underwriting agreements, indentures, bank agreements) for the relevant quarter will be filed with, or incorporated by reference from 1933 Act or 1934 Act filings in such Rule 24 certificates.

The Rule 24 certificates will contain the following information as of the end of the applicable quarter (unless otherwise stated below):

(i) The sales of any common stock or preferred securities by New REI or a Financing Subsidiary and the purchase price per share and the market price per share at the date of the agreement of sale;

(ii) The total number of shares of New REI common stock issued or issuable pursuant to options granted during the quarter under employee benefit plans and dividend reinvestment plans, including any employee benefit plans or dividend reinvestment plans hereafter adopted;

(iii) If New REI common stock has been transferred to a seller of securities of a company being acquired, the number of shares so issued, the value per share and whether the shares are restricted in the hands of the acquirer;

(iv) If a guarantee is issued during the quarter, the name of the guarantor, the name of the beneficiary of the guarantee and the amount, terms and purpose of the guarantee;

(v) The amount and terms of any long-term debt issued by New REI during the quarter, and the aggregate amount of short-term debt outstanding as of the end of the quarter, as well as the weighted average interest rate for such short-term debt as of such date;

(vi) The amount and terms of any long-term debt issued by any Utility Subsidiary during the quarter, and the aggregate amount of short-term debt outstanding as of the end of the quarter, as well as the weighted average interest rate for such short-term debt as of such date;

(vii) The amount and terms of any financings consummated by any Non-Utility Subsidiary that are not exempt under Rule 52;

(viii) The notional amount and principal terms of any Hedge Instruments or Anticipatory Hedges entered into during the quarter and the identity of the other parties thereto;

(ix) The name, parent company and amount of equity in any intermediate subsidiary during the quarter and the amount and terms of any securities issued by such subsidiaries during the quarter;

(x) The information required by a Certificate of Notification on Form U-6B-2;(121)

(xi) Consolidated balance sheets for New REI and/or a Utility Subsidiary as of the end of the quarter and separate balance sheets as of the end of the quarter for each company that has engaged in jurisdictional financing transactions during the quarter;

(xii) A table showing, as of the end of the quarter, the dollar and percentage components of the capital structure of New REI on a consolidated basis and of each Utility Subsidiary;

(xiii) A retained earnings analysis of New REI on a consolidated basis and of each Utility Subsidiary detailing gross earnings, dividends paid out of each capital account and the resulting capital account balances at the end of the quarter;

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(121) Applicants request that they be exempt from the requirement to file Forms U-6B-2 because the information contained therein will be set forth in their quarterly Rule 24 Certificates.

(xiv) A table showing, as of the end of the quarter, the Money Pool participants and amount of outstanding borrowings for each;

(xv) As to each financing subsidiary, (a) the name of the subsidiary; (b) the value of New REI's investment account in such subsidiary; (c) the balance sheet account where the investment and the cost of the investment are booked; (d) the amount invested in the subsidiary by New REI; (e) the type of corporate entity; (f) the percentage owned by New REI; (g) the identification of other owners if not 100% owned by New REI; (h) the purpose of the investment in the subsidiary; and (i) the amounts and types of securities to be issued by the subsidiary.

The Applicants also will report service transactions among New REI (or any other system service provider, including Reliant Energy Trading and Transportation Group, Inc.) and the Utility Subsidiaries. The report will contain the following information: (i) a narrative description of the services rendered; (ii) disclosure of the dollar amount of services rendered in (i) above according to category or department; (iii) identification of companies rendering services described in (i) above and recipient companies, including disclosure of the allocation of services costs; and (iv) disclosure of the number of New REI system employees engaged in rendering services to other New REI system companies on an annual basis, stated as an absolute and as a percentage of total employees.

Applicants shall file a report with the Commission within two business days after the occurrence of any of the following: (i) a 10% or greater decline in common stock equity for U.S. GAAP purposes since the end of the last reporting period for New REI or any of the Utility Subsidiaries; (ii) New REI or either of the Utility Subsidiaries defaults on any debt obligation in principal amount equal to or exceeding $10 million if the default permits the holder of the debt obligation to demand payment; (iii) an NRSRO has downgraded the senior debt ratings of New REI or either of the Utility Subsidiaries; or (iv) any event that would have a material adverse effect on the ability of New REI or any of its subsidiaries to comply with any condition or requirement in this order on an ongoing basis. The report shall describe all material circumstances giving rise to the event.

ITEM 4. REGULATORY APPROVALS

Various aspects of the Restructuring have been or will be submitted for review and/or approval by (i) the Texas Commission; (ii) the Louisiana Commission; (iii) the Arkansas Commission; (iv) the Oklahoma Commission; (v) the Minnesota Commission; (vi) the Mississippi Commission; (iv) the FERC and (v) the NRC.(122) Requisite filings have also been made with the Internal Revenue Service to extend the effectiveness of appropriate rulings.

ITEM 5. PROCEDURE

The Applicants respectfully request that the Commission issue its Initial Order approving those aspects of the Restructuring for which the record has been completed and

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(122) See supra Item 1.D.

granting the other relief sought herein as quickly as possible. Applicants further request that the Commission reserve jurisdiction over the separation of GasCo into the Entex, Arkla and Minnegasco subsidiary companies, pending completion of the record.

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

EXHIBITS AND FINANCIAL STATEMENTS

Exhibits

Exhibit A: Constituent Instruments

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

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

A-3: Amended and Restated Bylaws of CenterPoint Energy, Inc. (previously filed with the Commission with the Annual Report on Form 10-K for the year ended December 31, 2001 of CenterPoint Energy, Inc. (File No. 333-69502) and incorporated by reference herein)

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

A-5: Articles of Amendment to the Amended and Restated Articles of Incorporation of CenterPoint Energy, Inc. (previously filed with the Commission with the Annual Report on Form 10-K for the year ended December 31, 2001 of CenterPoint Energy, Inc. (File No. 333-69502) and incorporated by reference herein)

A-6: Statement of Resolution Establishing Series of Shares Designated Series A Preferred Stock of CenterPoint Energy, Inc. (previously filed with the Commission with the Annual Report on Form 10-K for the year ended December 31, 2001 of CenterPoint Energy, Inc. (File No. 333-69502) and incorporated by reference herein)

A-7: Rights Agreement dated as of January 1, 2002 between CenterPoint Energy, Inc. and JPMorgan Chase Bank, as Rights Agent (previously filed with the Commission with the Annual Report on Form 10-K for the year ended December 31, 2001 of CenterPoint Energy, Inc. (File No. 333-69502) and incorporated by reference herein)

Exhibit B: Intentionally omitted, not applicable

Exhibit C: Registration Statements

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

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

D-1: Order of the Texas Commission, dated March 15, 2001 (previously filed with the Commission on June 7, 2001 and incorporated by reference herein)

D-2 Motion for Rehearing before the Texas Commission (previously filed with the Commission on November 20, 2001 and incorporated by reference herein)

D-3 Second Motion for Rehearing before the Texas Commission (previously filed with the Commission on November 20, 2001 and incorporated by reference herein)

D-4 Business Separation Plan Update (previously filed with the Commission on November 20, 2001 and incorporated by reference herein)

D-5 Order on Rehearing of the Texas Commission, dated May 25, 2001 (previously filed with the Commission on November 20, 2001 and incorporated by reference herein)

D-5.1 Order of the Texas Commission on Application for Update, dated December, 2001

D-6: Application to the Arkansas Commission (previously filed with the Commission on November 20, 2001 and incorporated by reference herein)

D-7: Order of the Arkansas Commission (to be filed by amendment)

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G-3.2: List of New REI nonutility subsidiary companies and basis for retention of each, as amended

G-4: List of Reliant Resources nonutility subsidiary companies (previously filed with the Commission on Form U-1 (File No. 070-09895) on October 26, 2001 and incorporated by reference herein)

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G-14: Opinion of Counsel

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G-16: Letter concerning IRS Tax Ruling for Reliant Energy, Incorporated (TIN: 74-0694415) under Section 355 on Spin-off of Reliant Resources, Inc.

G-17: Letter to Paul F. Roye, dated July 2, 2002

Exhibit H: Draft Notice (previously filed)

Financial Statements

1. Statement of Applicants

FS-1: Reference is made to the following documents, each of which is incorporated by reference herein: (i) Annual Report on Form 10-K of REI (Commission File Number 1-3187) and GasCo (Commission File Number 1-13265) for the fiscal year ended December 31, 2001, filed with the Commission on April 15, 2002; (ii) Quarterly Reports on Form 10-Q for the quarterly period ended March 31, 2002, of REI (Commission File Number 1-3187) filed with the Commission on May 21, 2002 and GasCo (Commission File Number 1-13265), filed with the Commission on May 15, 2002; (iii) Current Reports on Form 8-K dated December 18, 2001, filed on January 11, 2002; dated February 5, 2002 filed on February 5, 2002; dated February 19, 2002 filed on March 6, 2002; dated March 15, 2002 filed on March 15, 2002; dated April 5, 2002 filed on April 8, 2002; and dated April 29, 2002 filed on April 29, 2002; and (iv) Registration Statement on Form S-4 of CenterPoint Energy, Inc. (Commission File Number 333-69502), filed with the Commission on September 17, 2001

FS-2: Financial statements for New REI and its public-utility subsidiary companies, on a pro-forma basis, for 1998 through 2000 (previously filed with the Commission on November 20, 2001 and incorporated by reference herein)

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

FS-4: Financial information for New REI and its subsidiary companies, showing the effect of the Electric Restructuring and the Distribution (confidential treatment requested)

FS-5: Summary Cash Flow Statement (confidential treatment requested)

2. Statement of Top Registered Holding Company

None

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

Intentionally omitted, not applicable

4. Statement of Changes

None

INFORMATION AS TO ENVIRONMENTAL EFFECTS

The Restructuring, which is a corporate restructuring, neither involves a "major federal action" nor "significantly affects the quality of the human environment," as those terms are used in Section 102(2)(c) of the National Environmental Policy Act. Consummation of the Restructuring will not result in changes in the operations of the parties that would have any impact on the environment. No federal agency is preparing an Environmental Impact Statement with respect to this matter.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, as amended, the Applicants have duly caused this Amendment No. 6 to Application/Declaration to be signed on their behalf by the undersigned thereunto duly authorized.

Date: July 3, 2002

RELIANT ENERGY, INCORPORATED

By: /s/ Rufus S. Scott

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

CENTERPOINT ENERGY, INC.

By: /s/ Rufus S. Scott

Rufus S. Scott
Vice President and Assistant Corporate Secretary

EXHIBIT INDEX

Exhibit A: Constituent Instruments

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

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

A-3: Amended and Restated Bylaws of CenterPoint Energy, Inc. (previously filed with the Commission with the Annual Report on Form 10-K for the year ended December 31, 2001 of CenterPoint Energy, Inc. (File No. 333-69502) and incorporated by reference herein)

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

A-5: Articles of Amendment to the Amended and Restated Articles of Incorporation of CenterPoint Energy, Inc. (previously filed with the Commission with the Annual Report on Form 10-K for the year ended December 31, 2001 of CenterPoint Energy, Inc. (File No. 333-69502) and incorporated by reference herein)

A-6: Statement of Resolution Establishing Series of Shares Designated Series A Preferred Stock of CenterPoint Energy, Inc. (previously filed with the Commission with the Annual Report on Form 10-K for the year ended December 31, 2001 of CenterPoint Energy, Inc. (File No. 333-69502) and incorporated by reference herein)

A-7: Rights Agreement dated as of January 1, 2002 between CenterPoint Energy, Inc. and JPMorgan Chase Bank, as Rights Agent (previously filed with the Commission with the Annual Report on Form 10-K for the year ended December 31, 2001 of CenterPoint Energy, Inc. (File No. 333-69502) and incorporated by reference herein)

Exhibit B: Intentionally omitted, not applicable

Exhibit C: Registration Statements

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

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

D-1: Order of the Texas Commission, dated March 15, 2001 (previously filed with the Commission on June 7, 2001 and incorporated by reference herein)

D-2 Motion for Rehearing before the Texas Commission (previously filed with the Commission on November 20, 2001 and incorporated by reference herein)

D-3 Second Motion for Rehearing before the Texas Commission (previously filed with the Commission on November 20, 2001 and incorporated by reference herein)

D-4 Business Separation Plan Update (previously filed with the Commission on November 20, 2001 and incorporated by reference herein)

D-5 Order on Rehearing of the Texas Commission, dated May 25, 2001 (previously filed with the Commission on November 20, 2001 and incorporated by reference herein)

D-5.1 Order of the Texas Commission on Application for Update, dated December, 2001

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EXHIBIT D-5.1

DOCKET NO. 24839

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

ORDER

This Order approves the application of Reliant Energy, Incorporated for an update to its Business Separation Plan. This docket was processed in accordance with applicable statutes and Commission rules. The Commission Staff filed comments to the update stating that it did not object to the underlying amendments proposed by Reliant Energy, Incorporated. Reliant Energy, Incorporated filed a proposed order that provides for approval of its Business Separation Plan update. The Office of Public Utility Counsel and City of Houston intervened in the proceeding, but did not file comments. Reliant Energy, Incorporated represents that the Commission Staff, Office of Public Utility Counsel, and City of Houston reviewed the proposed order and did not recommend any changes. Reliant Energy, Incorporated's application for an update to its Business Separation Plan is approved.

The Commission adopts the following findings of fact and conclusions of law:

I. FINDINGS OF FACT

1. Reliant Energy, Incorporated (Reliant Energy) originally filed its Business Separation Plan (BSP) on January 10, 2000, in Docket No. 21956.(1)

2. On March 27, 2000, Reliant Energy filed its first amendment to its BSP. On August 9, 2000, Reliant Energy filed its second amendment to its BSP.

3. On November 8, 2000, a hearing was conducted before the Commissioners on Reliant Energy's second amendment to its BSP. On April 10, 2001, the Commission issued a final order adopting the second amendment to Reliant Energy BSP as amended and modified. On May 29, 2001, the Commission issued an order on rehearing essentially confirming its earlier final order.

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(1) Reliant Energy, Incorporated Business Separation Plan Filing Package, Docket No. 21956, Order on Rehearing (May 29, 2001).

4. On October 15, 2001, Reliant Energy filed an update to its approved BSP. Copies of the update were served on all parties to Docket No. 21956.

5. Reliant Energy's update consists of the following: (a) potential delays in the full implementation necessitated by the delay in obtaining regulatory approvals; (b) elimination of corporate service subsidiary; (c) corporate structure of T&D Utility and ERCOT GENCO; (d) changes to information technology and systems; (e) and other updates to Amendment No. 2. A copy of Reliant Energy's October 15, 2001 update, which more fully describes the changes, is attached to this Order as Exhibit A.

6. On November 29, 2001, Order No. 1 established a deadline of December 3, 2001, for intervention and the filing of initial comments, and on December 4, 2001, Reliant Energy was directed to file comprehensive, agreed-upon findings of fact, conclusions of law, and ordering paragraphs in support of the update to its BSP.

7. On November 30 and December 3, 2001, motions to intervene were filed by the Office of Public Utility Counsel (OPC) and the City of Houston (COH), respectively. No objections to the motions have been filed; therefore, OPC and COH are granted intervenor status.

8. On December 3, 2001, the Commission Staff filed comments to Reliant Energy's update. Commission Staff stated that, after its review of and inquiry into Reliant Energy's update, it had not identified any adverse consequences that would result from approval of Reliant Energy's proposed amendments to its BSP. Accordingly, the Commission Staff did not object to the underlying amendments proposed by Reliant Energy in the update to its BSP. OPC and COH did not file initial comments.

9. On December 4, 2001, Reliant Energy filed a request for adoption of an order approving its BSP update, including proposed findings of fact, conclusions of law, and ordering paragraphs. Reliant Energy represents that Commission Staff, OPC, and COH reviewed its proposed order and did not recommend any changes.

10. The following is admitted into evidence: (a) Reliant Energy's application, filed October 15, 2001; (b) Commission Staff's initial comments, filed December 3, 2001; (c) Reliant Energy's request for adoption of an order approving BSP update, and (d) proposed findings of fact, conclusions of law, and ordering paragraphs.

11. If Reliant Energy's Restructuring and Distribution Dates occur after the Choice Date, the objectives of the unbundling requirements found in the Public Utility Regulatory Act, TEX. UTIL. CODE ANN. SECTIONS 11.001-64.158 (Vernon 1998 & Supp. 2001) (PURA) will have been met.

12. The fundamental components of the second amendment to Reliant Energy's BSP, as approved by the Commission, remain unchanged.

13. None of the changes described in the BSP update materially alter Reliant Energy's approved BSP, nor impact the T&D Utility's cost of service established in Reliant Energy's UCOS case. Moreover, the elimination of the corporate services subsidiary and the revisions to the corporate structures of the T&D Utility and ERCOT GENCO comply with P.U.C. SUBST. R. 25.342(d)(2).

14. More than 15 days have passed since completion of notice provided in this docket.

15. No issues of fact or law are disputed by any party; therefore, no hearing is necessary.

II. CONCLUSIONS OF LAW

1. Reliant Energy will have met the objectives of PURA SECTION 39.051 even if it is not able to complete its Restructuring until early in 2002 due to delays in obtaining regulatory approvals from federal agencies and the agencies of other states.

2. Reliant Energy provided notice of this proceeding in compliance with P.U.C. PROC. R. 22.55.

3. Reliant Energy's proposed organization after restructuring as filed in its October 15, 2001 update to its approved BSP complies with the provisions of PURA SECTION 39.051 and P.U.C. SUBST. R. 25.341-25.343, and 25.346.

4. The requirements for informal disposition under P.U.C. PROC. R. 22.35 have been met in this proceeding, except for subsection (b) that the proposed order be served on all parties no less than 20 days before the Commission is scheduled to consider this application in open meeting. Pursuant to P.U.C. PROC. R. 22.5(b), there is good cause to waive the 20-day requirement of P.U.C. PROC. R. 22.35(b).

III. ORDERING PARAGRAPHS

In accordance with the above findings of fact and conclusions of law, the Commission issues the following order:

1. Reliant Energy's update to its BSP, as filed on October 15, 2001, is approved.

2. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not expressly granted herein, are denied.

SIGNED AT AUSTIN, TEXAS THE _____ day of _____ 2001.

PUBLIC UTILITY COMMISSION OF TEXAS

MAX YZAGUIRRE, CHAIRMAN

BRETT A. PERLMAN, COMMISSIONER

REBECCA KLEIN, COMMISSIONER

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE JOINT
APPLICATION BY RELIANT ENERGY ARKLA AND RELIANT ENERGY ENTEX FOR APPROVAL OF, OR NON-OPPOSITION TO, A PARENT COMPANY RESTRUCTURING

DOCKET NO. _____

JOINT APPLICATION FOR APPROVAL OF, OR NON-OPPOSITION TO, A PARENT COMPANY RESTRUCTURING

INTRODUCTION AND SUMMARY

Pursuant to the Commission's March 18, 1994 General Order ("General Order"), which sets forth the requirements for Commission approval of, or non-opposition to, the transfer of utility assets, Reliant Energy Arkla, a division of Reliant Energy Resources Corp. ("Arkla") and Reliant Energy Entex, a division of Reliant Energy Resources Corp. ("Entex"), hereby request that the Commission take official action of approval of, or non-opposition to, the restructuring of the parent company of the holding company system of which Arkla and Entex are a part.

The parent company restructuring is the first step in a larger corporate restructuring, which will allow Reliant Energy, Incorporated ("Reliant Energy"), the ultimate parent of Arkla and Entex, to comply with the electric industry restructuring legislation in Texas. The restructuring will separate Reliant Energy's regulated utility operations from its unregulated businesses. The restructuring will also be accomplished in a manner that will permit the parent company of the regulated utilities to continue to be an exempt holding company under Section 3(a)(1) of the Public Utility Holding Company Act of 1935 (the "Act"), 15 USCA Section 79c(a)(2).

The proposed parent company restructuring will have no effect on the operations or policies of Arkla or Entex. As demonstrated in this Application, approval of, or non-opposition to, the parent company restructuring is fully supported by consideration of the eighteen factors listed in the General Order.

In support of the Joint Application, the Applicants represent the following:

I. THE APPLICANTS

Arkla operates a natural gas distribution business in Louisiana, Arkansas, and Oklahoma. In Louisiana, Arkla serves approximately 120,000 customers, primarily in North Louisiana. Arkla's principal Louisiana offices are located at 525 Milam Street, 12th Floor, Shreveport, Louisiana, 71101.

Entex operates a natural gas distribution business in Louisiana, Mississippi, and Texas. In Louisiana, Entex serves approximately 112,000 customers, primarily in South Louisiana. Entex's principal Louisiana offices are located at 2500 La. Highway 14, New Iberia, Louisiana, 70562.

Arkla and Entex (together, the "Applicants") are public utilities within the meaning of La. Rev. Stat. Ann. Sec 45:1161 and are subject to the jurisdiction of this Commission. Pursuant to Section 1 of the General Order, Applicants hereby provide the Commission with full disclosure of their prior intendment and plan with regard to the restructuring.

II. DESCRIPTION OF THE RESTRUCTURING

Applicants are unincorporated divisions of Reliant Energy Resources Corp. ("RERC"). RERC is a wholly-owned subsidiary of Reliant Energy, which is a Texas holding company, exempt from registration under Section 3(a)(2) of the Act. Reliant Energy currently provides electric generation, transmission, and distribution service to customers in Texas through its unincorporated Reliant Energy HL&P division. In connection with the restructuring of the electric industry in

Texas, Reliant Energy is proposing a corporate restructuring, including the formation of a new, exempt holding company, CenterPoint Energy, Inc. ("CenterPoint Energy"), which will hold Reliant Energy's existing electric and gas utility operations. In a second phase of the corporate reorganization, Arkla and Entex will become stand-alone corporate subsidiaries of CenterPoint Energy, as will the other division of RERC, Minnegasco, which provides natural gas service in Minnesota. The corporate restructuring is being undertaken to comply with the requirements of Texas law that electric utilities separate their generation, transmission and distribution, and retail activities, in preparation for full retail competition in the electric industry in Texas beginning January 1, 2002. The corporate restructuring will be accomplished in a manner that will, after completion of the restructuring, permit CenterPoint Energy to be an exempt holding company under Section 3(a)(1) of the Act.

A. THE PARENT COMPANY RESTRUCTURING

The parent company restructuring, which is the subject of this Joint Application, is the first step of the overall corporate restructuring. Reliant Energy has formed CenterPoint Energy as a wholly-owned subsidiary. After conveying its electric generating assets to a new wholly-owned limited partnership subsidiary, Reliant Energy will merge with a newly formed subsidiary of CenterPoint Energy, and CenterPoint Energy will then be the holding company for the regulated businesses, including RERC. Reliant Energy will be renamed CenterPoint Houston Electric, LLC and will thereafter provide only regulated electric transmission and distribution service in Texas.

B. SEPARATION OF RERC UTILITY DIVISIONS

The second step of the corporate restructuring will be the separation of the three divisions of RERC into separate entities. Two new Delaware corporations, CenterPoint Arkla, Inc.

("CenterPoint Arkla") and CenterPoint Minnegasco, Inc., will be formed. Those two new companies will issue stock, all of which will be owned by a single-member limited-liability company, Utility Holding, LLC, the stock of which will, in turn, be owned by CenterPoint Energy. The RERC assets that are currently used by Arkla and Minnegasco, and the business of each of the companies, will be contributed to CenterPoint Arkla and CenterPoint Minnegasco, Inc., respectively.

After the assets and business of Arkla and Minnegasco are contributed to the two newly-organized companies, the assets remaining in RERC will be those of Entex. RERC will be renamed "Entex" and will be reincorporated as a Texas corporation to satisfy requirements for its exemption from registration under the Act.

Before the second step of the corporate restructuring occurs, Arkla and Entex will file a new application for Commission action of approval of, or non-opposition to, that step of the restructuring. The Applicants will provide, as part of that filing, the detailed information necessary for the Commission to evaluate the transactions that will effectuate that second step of the restructuring.

III. IMPACT ON ARKLA, ENTEX, AND THEIR CUSTOMERS

The parent company restructuring will not change the operations of Arkla or Entex or the provision of natural gas service to Louisiana customers. The proposed transaction will not result in any change in the policies or operations of Arkla or Entex, and will have no effect on the continued ability of Arkla and Entex to provide reliable and adequate service. Arkla and Entex will be managed in the same manner after the restructuring as they are now, and the parent company restructuring will have no effect on the employees of Arkla and Entex. The parent company restructuring itself will not require a change in any of the current tariffs of Arkla or Entex. Arkla and Entex will continue to maintain their books in accordance with the Commission's requirements

and to provide access to their books and records as required under the public utilities statutes.

IV. FACTORS TO BE CONSIDERED UNDER THE GENERAL ORDER

A. EVIDENCE PRESENTED

In support of this Joint Application, the Applicants are submitting the following documents:

1. A 2000 Annual Report to Shareholders and 10-K of RELIANT ENERGY are attached as Exhibits A and B, respectively.

2. An amended Form U-1 Application/Declaration filed by RELIANT ENERGY with the Securities and Exchange Commission is attached as Exhibit C. The amended Form U-1 describes the restructuring in detail.

3. The Master Separation Agreement between Reliant Energy, Incorporated and Reliant Resources, Inc. is attached as Exhibit D.

B. THE EIGHTEEN FACTORS

The following is a discussion of each of the eighteen factors to be considered by the Commission in accordance with the General Order.

1. WHETHER THE TRANSFER IS IN THE PUBLIC INTEREST.

The parent company restructuring is in the public interest for the reasons previously discussed in this Joint Application. The primary benefit of the parent company restructuring is that it will allow the management of CenterPoint to focus on the public utility operations. The restructuring will have no effect, and certainly no adverse effect, on the operation of the utilities or on their ability to provide safe, reliable, and adequate service. The restructuring will have no material impact on rates to customers, and will be transparent to consumers.

2. WHETHER THE PARTY ACQUIRING THE ASSETS IS READY, WILLING AND ABLE TO CONTINUE PROVIDING SAFE, RELIABLE AND ADEQUATE SERVICE TO THE UTILITIES' RATEPAYERS.

The operations of Arkla and Entex in Louisiana will be unchanged as a result of the parent company restructuring. The utilities will continue to operate in accordance with the rules and regulations of the Commission and will continue to provide safe, reliable, and adequate service.

3. WHETHER THE TRANSFER WILL MAINTAIN OR IMPROVE THE FINANCIAL CONDITION OF THE RESULTING PUBLIC UTILITIES.

The financial condition of Arkla and Entex will be unaffected by the parent company restructuring. Arkla and Entex will remain divisions of RERC after the parent company restructuring, and RERC will not be required to assume any additional debt as a result of the restructuring. Moreover, both CenterPoint Energy and RERC will maintain investment grade ratings.

4. WHETHER THE TRANSFER WILL MAINTAIN OR IMPROVE THE QUALITY OF SERVICE TO THE UTILITIES' RATEPAYERS.

The parent company restructuring will not affect the quality of service to Arkla's and Entex's Louisiana ratepayers. The restructuring will not change Arkla's or Entex's service, employees, operations, or rates, or any other matters affecting service to its Louisiana customers.

5. WHETHER THE TRANSFER WILL PROVIDE NET BENEFITS TO RATEPAYERS IN BOTH THE SHORT TERM AND THE LONG TERM AND PROVIDE A RATEMAKING METHOD THAT WILL

ENSURE, TO THE FULLEST EXTENT POSSIBLE, THAT RATEPAYERS WILL RECEIVE THE FORECASTED SHORT AND LONG TERM BENEFIT.

Unlike a merger, the parent company restructuring is not intended to produce synergies or cost savings. The restructuring is not expected to have any material impact on rates to Arkla and Entex customers, but over the long term, the ability of CenterPoint Energy's management to focus on utility operations should provide an improved level of service to Arkla and Entex customers.

6. WHETHER THE TRANSFER WILL ADVERSELY AFFECT COMPETITION.

The restructuring will have no effect on competition in the furnishing of public utility service in Louisiana.

7. WHETHER THE TRANSFER WILL MAINTAIN OR IMPROVE THE QUALITY OF MANAGEMENT OF THE RESULTING PUBLIC UTILITIES DOING BUSINESS IN THE STATE.

The management of Arkla and Entex will not be changed as a result of the parent company restructuring. The management of CenterPoint will be able to focus exclusively on utility operations, which can only improve the overall operations of the utilities.

8. WHETHER THE TRANSFER WILL BE FAIR AND REASONABLE TO THE AFFECTED PUBLIC UTILITIES' EMPLOYEES.

The restructuring will not result in changes in Arkla's or Entex's pension plans or other employee benefits, or in the employment practices or other policies of Arkla and Entex with respect to their employees. Thus, the restructuring will be fair and reasonable to the employees of both utilities.

9. WHETHER THE TRANSFER WOULD BE FAIR AND REASONABLE TO THE MAJORITY OF ALL

AFFECTED PUBLIC UTILITY SHAREHOLDERS.

Shareholders now hold stock in a company with both growth and risk characteristics different from those of a traditional utility. As a result of the restructuring, shareholders will continue to hold the same total value they do now, but in separate entities with growth and risk characteristics distinctively different. They can then decide which to hold, but with options they do not now have. Thus the restructuring essentially increases the value of their holdings, making the restructuring fair and reasonable.

10. WHETHER THE TRANSFER WILL BE BENEFICIAL ON AN OVERALL BASIS TO STATE AND LOCAL ECONOMIES AND TO THE COMMUNITIES IN THE AREA SERVED BY THE PUBLIC UTILITIES.

Because this is simply a parent company restructuring, the restructuring will have no effect on the State and local economics of Louisiana or on the communities in which Arkla and Entex operate.

11. WHETHER THE TRANSFER WILL PRESERVE THE JURISDICTION OF THE COMMISSION AND THE ABILITY OF THE COMMISSION TO EFFECTIVELY REGULATE AND AUDIT THE PUBLIC UTILITIES, OPERATIONS IN THE STATE.

Because this is simply a parent company restructuring, the restructuring will have no effect on the Commission's jurisdiction.

12. WHETHER CONDITIONS ARE NECESSARY TO PREVENT ADVERSE CONSEQUENCES WHICH MAY RESULT FROM THE TRANSFER.

Because this is simply a parent company restructuring, which will be transparent to customers, it will not result in any adverse consequences to Arkla, Entex, or their Louisiana

customers. Accordingly, there is no need for the Commission to impose any conditions on its approval of, or non-opposition to, the restructuring.

13. THE HISTORY OF COMPLIANCE OR NONCOMPLIANCE OF THE PROPOSED ACQUIRING ENTITY OR PRINCIPALS OR AFFILIATES HAVE HAD WITH REGULATORY AUTHORITIES IN THIS STATE OR OTHER JURISDICTIONS.

Because this is simply a parent company restructuring, this factor is inapplicable.

14. WHETHER THE ACQUIRING ENTITY, PERSONS, OR CORPORATIONS HAVE THE FINANCIAL ABILITY TO OPERATE THE PUBLIC UTILITY AND MAINTAIN OR UPGRADE THE QUALITY OF THE PHYSICAL SYSTEM.

Because this is simply a parent company restructuring, this factor is inapplicable.

15. WHETHER ANY REPAIRS AND/OR IMPROVEMENTS ARE REQUIRED AND THE ABILITY OF THE ACQUIRING ENTITY TO MAKE THOSE REPAIRS AND/OR IMPROVEMENTS.

The public utility systems of Arkla and Entex in Louisiana are in good operational condition overall, and the parent company restructuring will not affect their ability to make whatever repairs or improvements may be necessary to meet their obligations to provide safe, reliable, and adequate service to their customers.

16. THE ABILITY OF THE ACQUIRING ENTITY TO OBTAIN ALL NECESSARY HEALTH, SAFETY, AND OTHER PERMITS.

No applicable health, safety, or other permits will be revised as a result of the restructuring, and no new permits are required.

17. THE MANNER OF FINANCING THE TRANSFER AND ANY IMPACT THAT MAY HAVE ON ENCUMBERING THE ASSETS OF THE ENTITY AND THE POTENTIAL IMPACT ON RATES.

The parent company restructuring will not create a lien on, or otherwise encumber, any assets, and will not affect Arkla's or Entex's rates.

18. WHETHER THERE ARE ANY CONDITIONS WHICH SHOULD BE ATTACHED TO THE PROPOSED ACQUISITION.

For the reasons discussed above, it is unnecessary for the Commission to attach any conditions to the restructuring.

V. NOTICES

Applicants respectfully request that copies of notices and pleadings be provided to:

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

John O. Shirley
Shirley & Ezell
2354 South Arcadian Thruway
Suite F
Baton Rouge, LA 79808
Bar #18023

Paul T. Ruxin
Jones, Day, Reavis & Pogue
77 West Wacker
Chicago, IL 60603-1692

WHEREFORE, pursuant to the provisions of the General Order, the Applicants respectfully request that the official action of approval or of non-opposition regarding the parent company restructuring be taken at the earliest possible date.

Respectfully submitted,

SHIRLEY & EZELL, L.L.C.

/s/ JOHN O. SHIRLEY

JOHN O. SHIRLEY, BAR ROLL NO. 18023
2354 South Arcadian Thruway
Suite F
Baton Rouge, LA 79808
Telephone: (225) 344-0302
Facsimile: (225) 343-2040

[STAMP]

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE JOINT
APPLICATION BY RELIANT ENERGY
ARKLA AND RELIANT ENERGY ENTEX DOCKET NO._____
FOR APPROVAL OF, OR NON-
OPPOSITION TO, A CORPORATE
RESTRUCTURING

JOINT APPLICATION FOR APPROVAL OF, OR NON-OPPOSITION TO,
A CORPORATE RESTRUCTURING

INTRODUCTION AND SUMMARY

Pursuant to the Commission's March 18, 1994 General Order ("General Order"), which sets forth the requirements for Commission approval of, or non-opposition to, the transfer of utility assets, Reliant Energy Arkla, a division of Reliant Energy Resources Corp. ("Arkla") and Reliant Energy Entex, a division of Reliant Energy Resources Corp. ("Entex"), hereby request that the Commission take official action of approval of, or non-opposition to, a corporate restructuring.

The restructuring that is the subject of this Application is the second step of a larger corporate restructuring that will allow Reliant Energy, Incorporated ("Reliant Energy"), the ultimate parent of Arkla and Entex, to comply with the electric industry restructuring legislation in Texas. The first step of the restructuring, which will separate Reliant Energy's regulated utility operations from its unregulated businesses, was the subject of the Joint Application by Arkla and Entex in Docket No. S-26166. The second step of the corporate restructuring will result in Arkla and Entex being stand-

alone natural gas companies. The proposed restructuring will have no effect on the operations or policies of Arkla or Entex. As demonstrated in this Joint Application, approval of, or non-opposition to, the restructuring is fully supported by consideration of the eighteen factors listed in the General Order.

In support of this Joint Application, the Applicants represent the following:

I. THE APPLICANTS

Arkla operates a natural gas distribution business in Louisiana, Arkansas, and Oklahoma. In Louisiana, Arkla serves approximately 120,000 customers, primarily in North Louisiana. Arkla's principal Louisiana offices are located at 525 Milam Street, 12th Floor, Shreveport, Louisiana, 71101.

Entex operates a natural gas distribution business in Louisiana, Mississippi, and Texas. In Louisiana, Entex serves approximately 112,000 customers, primarily in South Louisiana. Entex's principal Louisiana offices are located at 2500 La. Highway 14, New Iberia, Louisiana, 70562.

Arkla and Entex (together the "Companies" or "Applicants") are public utilities within the meaning of La. Rev. Stat. Ann. Sec. 45:1161 and are subject to the jurisdiction of this Commission. Pursuant to Section 1 of the General Order, Applicants hereby provide the Commission with full disclosure of their prior intendment and plan with regard to the restructuring.

II. DESCRIPTION OF THE RESTRUCTURING

Applicants are unincorporated divisions of Reliant Energy Resources Corp. ("RERC"). RERC is a wholly-owned subsidiary of Reliant Energy, which is a Texas holding company, exempt

from registration under Section 3(a)(2) of the Public Utility Holding Company Act of 1935 (the "Act"), 15 USCA Section 79c(a)(2). Reliant Energy currently provides electric generation, transmission, and distribution service to customers in Texas through its unincorporated Reliant Energy HL&P division. In connection with the restructuring of the electric industry in Texas, Reliant Energy is proposing a corporate restructuring, including the formation of a new, exempt holding company, CenterPoint Energy, Inc. ("CenterPoint Energy"), which will hold Reliant Energy's existing electric and gas utility operations. In the second phase of the corporate reorganization, Arkla and Entex will become stand-alone corporate subsidiaries of CenterPoint Energy, as will the other division of RERC, Minnegasco, which provides natural gas service in Minnesota. The corporate restructuring is being undertaken to comply with the requirements of Texas law that electric utilities separate their generation, transmission and distribution, and retail activities, in preparation for full retail competition in the electric industry in Texas, which began January 1, 2002. The corporate restructuring will be accomplished in a manner that will, after completion of the restructuring, permit CenterPoint Energy to be an exempt holding company under Section 3(a)(1) of the Act.

A. THE PARENT COMPANY RESTRUCTURING

The parent company restructuring, which was the subject of Docket No. S-26166, is the first step of the overall corporate restructuring. Reliant Energy has formed CenterPoint Energy as a wholly-owned subsidiary. After conveying its electric generating assets to a new wholly-owned limited partnership subsidiary, Reliant Energy will merge with a newly formed subsidiary of CenterPoint Energy, and CenterPoint Energy will then be the holding company for the regulated

businesses, including RERC. Reliant Energy will be renamed CenterPoint Houston Electric, LLC, and will thereafter provide only regulated electric transmission and distribution service in Texas.

B. THE SEPARATION OF RERC UTILITY DIVISIONS

The second step of the corporate restructuring, which is the subject of this Joint Application, will be the separation of the three divisions of RERC into separate entities. Two new Delaware corporations, CenterPoint Energy Arkla, Inc. ("CenterPoint Energy Arkla") and CenterPoint Energy Minnegasco, Inc., will be formed. Those two new companies will issue stock, all of which will be owned by a single-member limited-liability company, Utility Holding, LLC, the stock of which will, in turn, be owned by CenterPoint Energy. The RERC assets that are currently used by Arkla and Minnegasco, and the business of each of the companies, will be contributed to CenterPoint Energy Arkla and CenterPoint Energy Minnegasco, Inc., respectively.

After the assets and business of Arkla and Minnegasco are contributed to the two newly-organized companies, the assets remaining in RERC will be those of Entex. RERC will be renamed CenterPoint Energy Entex, Inc. ("CenterPoint Energy Entex") and will be reincorporated as a Texas corporation to satisfy requirements for its exemption from registration under the Act.

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

The administrative functions that are now provided to Arkla and Entex by Reliant Energy or RERC will continue to be provided on a centralized basis after the restructuring. The method for

allocating the centralized costs for those functions will not change as a result of the restructuring; thus the costs to Arkla and Entex of those administrative services should not change materially as a result of the restructuring.

III. IMPACT ON ARKLA, ENTEX, AND THEIR CUSTOMERS

The separation of Arkla and Entex into stand-alone companies will have no effect on, and (other than the Companies' name changes) will be transparent to, their customers. The separation will not change the operations of Arkla or Entex or the provision of natural gas service to Louisiana customers. The proposed transaction will not result in any material change in the Companies' policies or operations, and will have no effect on the continued ability of Arkla and Entex to provide reliable and adequate service. CenterPoint Energy Arkla and CenterPoint Energy Entex will be managed in the same manner after the restructuring as Arkla and Entex are now, and no change in the employees of the two Companies is anticipated as a result of the restructuring. No assets of the Companies will be subject to any liens or other security interest as part of the restructuring. CenterPoint Energy Arkla will adopt Arkla's tariffs, and CenterPoint Energy Entex will maintain Entex's tariffs; thus, the restructuring will not, in and of itself, result in an increase in rates to customers.

Neither will the separation of Arkla and Entex into stand-alone companies have a detrimental effect on the Commission's jurisdiction over Arkla and Entex or on its ability to regulate the operations of the two companies. The proposed transaction, which will result in Arkla and Entex being stand-alone companies, will give the Commission clearly defined corporate entities over which to exercise jurisdiction. Arkla and Entex will continue to maintain their books in accordance with

the Commission's requirements and to provide access to their books and records as required under the public utilities statutes and orders of the Commission.

IV. FACTORS TO BE CONSIDERED UNDER THE GENERAL ORDER

A. EVIDENCE PRESENTED

In support of this Joint Application, the Applicants are submitting the following documents:

1. A 2000 Annual Report to Shareholders and 10-K of Reliant Energy are attached as Exhibits A and B, respectively.

2. An amended Form U-1 Application/Declaration filed by Reliant Energy with the Securities and Exchange Commission is attached as Exhibit C. The amended Form U-l describes the restructuring in detail.

3. The Master Separation Agreement between Reliant Energy and Reliant Resources, Inc. is attached as Exhibit D.

B. THE EIGHTEEN FACTORS

The following is a discussion of each of the eighteen factors to be considered by the Commission in accordance with the General Order.

1. WHETHER THE TRANSFER IS IN THE PUBLIC INTEREST.

The restructuring is consistent with the public interest for the reasons previously discussed in this Joint Application. The restructuring will have no adverse effect on the operation of the Companies or on their ability to provide safe, reliable, and adequate service. The restructuring will not change rates to customers, and, other than resulting in a name change for each of the Companies, will be transparent to customers.

2. WHETHER THE PARTY ACQUIRING THE ASSETS IS READY, WILLING, AND ABLE TO CONTINUE PROVIDING SAFE, RELIABLE, AND ADEQUATE SERVICE TO THE UTILITIES' RATEPAYERS.

The operations of CenterPoint Energy Arkla and CenterPoint Energy Entex will be unchanged from those of Arkla and Entex. CenterPoint Energy Arkla and CenterPoint Energy Entex will continue to operate in accordance with the rules and regulations of the Commission and will continue to provide safe, reliable, and adequate service.

3. WHETHER THE TRANSFER WILL MAINTAIN OR IMPROVE THE FINANCIAL CONDITION OF THE RESULTING PUBLIC UTILITIES.

The restructuring will not change the financial condition of Arkla and Entex.

4. WHETHER THE TRANSFER WILL MAINTAIN OR IMPROVE THE QUALITY OF SERVICE TO THE UTILITIES' RATEPAYERS.

The restructuring will not affect the quality of service to Arkla's and Entex's ratepayers. CenterPoint Energy Arkla and CenterPoint Energy Entex will continue to operate in the same way Arkla and Entex operate today, and will continue to maintain the level of service now provided by Arkla and Entex. There will be no change in services, employees, operations, rates, or any other matters affecting service to customers as a result of the restructuring.

5. WHETHER THE TRANSFER WILL PROVIDE NET BENEFITS TO RATEPAYERS IN BOTH THE SHORT TERM AND THE LONG TERM AND PROVIDE A RATEMAKING METHOD THAT WILL ENSURE, TO THE FULLEST EXTENT POSSIBLE, THAT RATEPAYERS WILL RECEIVE THE FORECASTED SHORT- AND LONG-TERM BENEFITS.

The restructuring is not expected to provide short-term or long-term rate benefits, but neither will it result in an increase in rates to Arkla and Entex customers.

6. WHETHER THE TRANSFER WILL ADVERSELY AFFECT COMPETITION.

The restructuring will have no effect on competition in the furnishing of public utility service in Louisiana.

7. WHETHER THE TRANSFER WILL MAINTAIN OR IMPROVE THE QUALITY OF MANAGEMENT OF THE RESULTING PUBLIC UTILITIES DOING BUSINESS IN THE STATE.

The quality of management of CenterPoint Energy Arkla and CenterPoint Energy Entex will be the same as that of Arkla and Entex. Neither the management of the Companies, nor the Companies' policies or operations, will change as a result of the restructuring.

8. WHETHER THE TRANSFER WILL BE FAIR AND REASONABLE TO THE AFFECTED PUBLIC UTILITIES' EMPLOYEES.

The restructuring will not result in any changes in any of the policies of Arkla and Entex with respect to their employees, and thus the restructuring will be fair and reasonable to the employees of the Companies.

9. WHETHER THE TRANSFER WOULD BE FAIR AND REASONABLE TO THE MAJORITY OF ALL AFFECTED PUBLIC UTILITY SHAREHOLDERS.

Arkla and Entex, as divisions of RERC, do not issue stock. RERC itself issues stock, all of which is held by Reliant Energy. As part of the restructuring, CenterPoint Energy Arkla will issue stock, all of which, in addition to CenterPoint Energy Entex's stock, will be held by Utility Holding, LLC, whose stock will be held, in turn, by CenterPoint Energy. The second step of the restructuring will, therefore, have no effect on shareholders.

Shareholders in Reliant Energy now hold stock in a company with growth and risk characteristics different from those of a traditional utility. As a result of the restructuring, shareholders will continue to hold the same total value they do now, but in separate entities with

distinctively different growth and risk characteristics. They can then decide which to hold, but with options they do not now have. Thus the restructuring essentially increases the value of their holdings, and would be fair and reasonable to shareholders.

10. WHETHER THE TRANSFER WILL BE BENEFICIAL ON AN OVERALL BASIS TO STATE AND LOCAL ECONOMIES AND TO THE COMMUNITIES IN THE AREA SERVED BY THE PUBLIC UTILITIES.

The restructuring will have no detrimental effect on the State and local economies or on the communities in which Arkla and Entex operate.

11. WHETHER THE TRANSFER WILL PRESERVE THE JURISDICTION OF THE COMMISSION AND THE ABILITY OF THE COMMISSION TO EFFECTIVELY REGULATE AND AUDIT THE PUBLIC UTILITIES' OPERATIONS IN THE STATE.

The restructuring will have no detrimental effect on the Commission's jurisdiction, and may even provide a benefit in that the Commission will exercise its jurisdiction over stand-alone companies.

12. WHETHER CONDITIONS ARE NECESSARY TO PREVENT ADVERSE CONSEQUENCES WHICH MAY RESULT FROM THE TRANSFER.

Because this is simply a corporate restructuring, which will essentially be transparent to customers, it will not result in any adverse consequences to Arkla, Entex, or their customers. Accordingly, there is no need for the Commission to impose any conditions on its approval of, or non-opposition to, the restructuring.

13. THE HISTORY OF COMPLIANCE OR NONCOMPLIANCE OF THE PROPOSED ACQUIRING ENTITY OR PRINCIPALS OR AFFILIATES HAVE HAD WITH REGULATORY AUTHORITIES IN THIS STATE OR OTHER JURISDICTIONS.

Because this is simply a corporate restructuring, this factor is inapplicable.

14. WHETHER THE ACQUIRING ENTITY, PERSONS, OR CORPORATIONS HAVE THE FINANCIAL ABILITY TO OPERATE THE PUBLIC UTILITY AND MAINTAIN OR UPGRADE THE QUALITY OF THE PHYSICAL SYSTEM.

Because this is simply a corporate restructuring, this factor is inapplicable.

15. WHETHER ANY REPAIRS AND/OR IMPROVEMENTS ARE REQUIRED AND THE ABILITY OF THE ACQUIRING ENTITY TO MAKE THOSE REPAIRS AND/OR IMPROVEMENTS.

The public utility systems of Arkla and Entex in Louisiana are in good operational condition overall, and the separation of the companies into stand-alone entities will not affect their ability to make whatever repairs or improvements may be necessary to meet their obligations to provide safe, reliable, and adequate service to their customers.

16. THE ABILITY OF THE ACQUIRING ENTITY TO OBTAIN ALL NECESSARY HEALTH, SAFETY, AND OTHER PERMITS.

No health, safety, or other permits are necessary as a result of the restructuring.

17. THE MANNER OF FINANCING THE TRANSFER AND ANY IMPACT THAT MAY HAVE ON ENCUMBERING THE ASSETS OF THE ENTITY AND THE POTENTIAL IMPACT ON RATES.

The issuance of stock by CenterPoint Energy Arkla will not create a lien on, or otherwise encumber, any assets in Louisiana. CenterPoint Energy Entex will not be issuing any stock as part of the restructuring.

18. WHETHER THERE ARE ANY CONDITIONS WHICH SHOULD BE ATTACHED TO THE PROPOSED ACQUISITION.

For the reasons discussed above, it is not necessary for the Commission to attach any conditions to the restructuring.

V. NOTICES

Applicants respectfully request that copies of notices and pleadings be provided to:

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

John O. Shirley
Shirley & Ezell
2354 South Acadian Thruway
Suite F
Baton Rouge, LA 70808

Paul T. Ruxin
Jones, Day, Reavis & Pogue
77 West Wacker
Chicago, IL 60603-1692

WHEREFORE, pursuant to the provisions of the General Order, the Applicants respectfully request that the official action of approval or of non-opposition regarding the restructuring be taken at the earliest possible date.

Respectfully submitted,

SHIRLEY & EZELL, L.L.C.

/s/ KYLE C. MARIONNEAUX

JOHN O. SHIRLEY, BAR ROLL NO. 18023
KYLE C. MARIONNEAUX, BAR ROLL NO. 25785
2354 South Acadian Thruway
Suite F
Baton Rouge, Louisiana 70808
Telephone: (225) 344-0302
Facsimile: (225) 343-2040

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NO. U-26166

LOUISIANA PUBLIC SERVICE COMMISSION,
EX PARTE.

- ---

DOCKET NO. S-26166 - IN THE MATTER OF THE
JOINT APPLICATION BY RELIANT ENERGY ARKLA
AND RELIANT ENERGY ENTEX FOR APPROVAL OF, OR NON-OPPOSITION TO,
A PARENT COMPANY RESTRUCTURING

- ---

(Decided at Open Session held January 16, 2002)

I. INTRODUCTION

On November 30, 2001, Reliant Energy Arkla ("Arkla"), and Reliant Energy Entex ("Entex") (collectively "Applicants") filed with the Louisiana Public Service Commission ("Commission") a "Joint Application For Approval Of, Or Non-Opposition To, A Parent Company Restructuring ("Joint Application"). Arkla and Entex are divisions of Reliant Energy Resources Corp. ("RERC"). Both Arkla and Entex are gas local distribution companies whose rates charged and services rendered are subject to the jurisdiction of this Commission.(1) RERC is a subsidiary of Reliant Energy, Inc. ("Reliant") which is the ultimate parent company. Reliant provides electric generation, transmission and distribution service to customers in Texas through its unincorporated Reliant Energy HL&P Division (the former Houston Light & Power Corporation).

Reliant is seeking to reorganize its corporate structure in order to separate its regulated operations (including Arkla and Entex) from its unregulated operations. In a planned second phase of the restructuring (which will occur in the future, and be the subject of a separate filing with the Commission). Arkla and Entex will become stand-alone corporate entities. In large part, the corporate reorganization is required to satisfy the requirements associated with the move to electric retail access in Texas.

Since the proposed restructuring will entail the transfer of the ownership and/or control of the assets of Arkla and Entex, whose operations are subject to the jurisdiction of the Louisiana Public Service Commission, the Applicants made a filing seeking approval and/or non-opposition by the Commission. The filing was necessitated by the terms of the Commission's March 18, 1994 General Order.(2)

II. PROCEDURAL HISTORY

Following the November 30, 2001 filing, the Commission Staff ("Staff") (including its outside expert consultant and Special Counsel) reviewed the submissions made by the Applicants and requested additional information from Arkla, Entex and Reliant. Supplemental data and information was provided and the parties (including the Staff) engaged in numerous telephone conferences during which the Applicants provided answers to additional Staff inquiries. Ultimately, the Applicants and the Staff reached agreement on a series of "hold harmless" and related conditions that formed the basis of a "Joint Stipulation among the parties." The Staff is recommending that, subject to the conditions contained in the Joint Stipulation, this

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(1) Arkla also provides retail service to customers in parts of Arkansas and Oklahoma. In addition to its Louisiana operations, Entex has customers in Mississippi and Texas. Minnegasco, another division of RERC is also a gas local distribution company serving customers in Minnesota.

(2) In Re: Commission Approval Required of Sales, Leases, Mergers, Consolidations, Stock Transfers and All Other Changes of Ownership or Control of Public Utilities Subject to Commission Jurisdiction (General Order, March 18, 1994).

Commission approve this first phase of the corporate reorganization. The Honorable Vanessa LaFleur was appointed to serve as Hearing Examiner and a hearing on the proposed settlement was noticed. Judge LaFleur conducted a status conference in this matter on December 28, 2001.

The hearing on the proposed settlement was conducted on January 4, 2002 before Judge LaFleur. Mr Steven C. Schaeffer, Senior Vice President of Regulatory Affairs for Reliant, submitted pre-filed testimony and also testified at the January 4, 2002 hearing. Mr. Schaeffer addressed the 18 factors contained in our March 18, 1994 General Order. In addition, he was cross examined by Staff counsel. Mr. Thomas S. Catlin, the Commissioner's expert consultant, also offered testimony in support of the Joint Stipulation. No party, at the hearing, offered any opposition to the proposed settlement and no interventions or written protests were filed.

III. DISCUSSION

As previously discussed, the Applicants' filing is subject to the requirements of the Commission's March 18, 1994 General Order regarding transfers of ownership and/or control of public utilities and common carriers subject to our jurisdiction. The vast majority of cases that we consider under the General Order concern mergers and acquisitions. In many senses, this proposed reorganization is the precise opposite of a merger, as it seeks to separate, into numerous parts, a previously consolidated entity.

In this type of transfer of ownership and/or control, unlike a merger proceeding, there are no immediate benefits anticipated to be enjoyed by Louisiana ratepayers. For that reason, it is even more important for the Commission to ensure that the customers of Arkla and Entex are no worse off after the reorganization than they would have been had no restructuring occurred. The restructuring, which involves the separation of functions formally performed jointly, could result in lost economies both of scale and of scope. In addition, there are certain costs (e.g., fees associated with attorneys, financial advisers and consultants) that will be incurred as a result of the reorganization. There is no reason Louisiana ratepayers should bear any of those expenses or suffer any other adverse rate or service affects as a result of the restructuring.

As a result of its analysis, the Staff proposed a series of six hold harmless provisions, which formed the basis of the Joint Stipulation. (A copy of the Joint Stipulation is attached hereto as Exhibit "1"). In addition, the Staff proposed that the Applicants agree to a "most favored nations" clause to ensure that Louisiana ratepayers receive the same benefits afforded ratepayers of any other jurisdiction affected by the restructuring. The hold harmless provisions include protections from lost economies of scale and scope as described above, from the costs of the reorganization, as well as any adverse impact on the cost of capital of the Applicants resulting from the restructuring. Finally, the Applicants have committed to make a separate filing seeking approval for the second phase of the restructuring. Representatives of Arkla, Entex and Reliant, as well as the Commission Staff, all executed the Joint Stipulation.

For the reasons set forth above, we believe that with the protections and commitments contained in the Joint Stipulation, Louisiana ratepayers will be protected from any adverse consequences of the corporate restructuring. We, therefore, find that the reorganization is not contrary to the public interest and we will approve the Applicants' request.

For all the reasons set forth above, on motion of Commissioner Field, seconded by Commissioner Owen and unanimously adopted,

IT IS ORDERED THAT:

1. The proposed corporate restructuring that is the subject of Docket S-26166 is approved;

2. The Joint Stipulation attached hereto is specifically incorporated into and made a part of this Order;

3. The Applicants, Arkla, Entex as well as Reliant Energy, Inc. agree to be bound by and adhere to the letter and spirit of the terms of the Joint Stipulation;

4. The Applicants and Reliant commit that they will make another filing with this Commission when they seek to implement the second phase of the restructuring; and

5. The parties are directed to take all other action required by this Order.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
JANUARY 23, 2002

/s/ JACK "JAY" A. BLOSSMAN, JR.

DISTRICT I
CHAIRMAN JACK "JAY" A. BLOSSMAN, JR.

/s/ DON OWEN

DISTRICT V
VICE CHAIRMAN DON OWEN

/s/ IRMA MUSE DIXON

DISTRICT III
COMMISSIONER IRMA MUSE DIXON

/s/ C. DALE SITTIG

DISTRICT IV
COMMISSIONER C. DALE SITTIG

/s/ LAWRENCE C. ST. BLANC

SECRETARY
LAWRENCE C. ST. BLANC

/s/ JAMES M. FIELD

DISTRICT II
COMMISSIONER JAMES M. FIELD

DOCKET NO. S-26166

JOINT STIPULATION

HOLD HARMLESS PROVISIONS

1. As a result of the restructuring of Reliant Energy, Incorporated ("REI"), Arkla Louisiana and Entex Louisiana retail ratepayers shall not incur responsibility for any pension and post retirement benefits costs associated with non-Arkla, non-Entex employees, and REI will hold Arkla Louisiana and Entex Louisiana retail ratepayers harmless from responsibility for such costs. It is understood, however, that this commitment shall not affect allocations of pension and other benefit-related costs for corporate personnel whose services to Arkla Louisiana and Entex Louisiana are appropriately charged to these divisions and other operating groups under REI's normal cost allocation procedures.

2. The restructuring of REI shall not affect commitments made by REI with respect to allocation of administrative and/or overhead costs, and REI hereby re-affirms the commitment made in the Houston Industries/NorAm Energy Corp. merger proceeding that "the amount the utilities will seek to recover for comparable corporate services in the next rate case filing will be less than the comparable cost allocations allowed in their last rate case adjusted for inflation." Additionally, REI commits that the amount the utilities will seek to recover in their next Louisiana rate case filing for any currently existing allocated corporate services not covered by the previous commitment will be no greater than the cost for comparable corporate services at the date of the spin of Reliant Resources stock to CenterPoint stockholders, adjusted for inflation.

Joint Exhibit #1

3. Arkla Louisiana and Entex Louisiana agree that they will not seek to recover from Louisiana retail ratepayers, in any manner, any transaction costs associated with accomplishing the reorganization of REI.

4. Arkla Louisiana and Entex Louisiana agree that they will not seek the recovery in rates of any severance costs incurred up to 12 months after the spin of Reliant Resources stock to CenterPoint stockholders, unless such severance costs can be demonstrated to have been incurred for business reasons wholly unrelated to the restructuring.

5. Arkla Louisiana and Entex Louisiana retail ratepayers shall be held harmless from any costs that may be incurred related to the redemption of debt and other transaction costs related to financing and/or refinancing result from the reorganization or REI.

6. Arkla Louisiana and Entex Louisiana retail ratepayers shall be held harmless from any increase in the costs of capital or the costs of borrowing resulting from the reorganization of REI.

7. Arkla Louisiana and Entex Louisiana agree to extend to Louisiana the benefit of any and all conditions that may be attached to the approval by any other jurisdiction of the reorganization of REI.

By: /s/ DEIDRA JOHNSON

Louisiana Public Service Commission Staff

By: /s/ [ILLEGIBLE]

Reliant Energy, Incorporated

January 4, 2002

By: /s/ WALTER L. BRYANT

Reliant Energy Arkla

By: /s/ WALTER L. BRYANT

Reliant Energy Entex

EXHIBIT D-11

[BRUNINI LETTERHEAD]

May 17, 2002

Mr. Mike Fine
Vice President & General Manager -- Mississippi
Reliant Energy Entex
216 Woodgate Drive South
Brandon, MS 39042

Mr. George Hepburn, Esq.
Reliant Energy Entex
P.O. Box 2628
Houston, TX 77252-2628

RE: RESTRUCTURING ORDER-DOCKET NO. 01-UA-774

Dear Mike and George:

I am pleased to provide for your files a copy of the May 16, 2002 Order executed by the Mississippi Public Service Commission approving the Reliant Corporate Restructuring.

If I can be of further assistance, please do not hesitate to call.

Sincerely,

Brunini, Grantham, Grower & Hewes, PLLC

/s/ JAMES L. HALFORD

James L. Halford

JLH/ap
Encl.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSISSIPPI

IN THE MATTER OF THE JOINT APPLICATION OF RELIANT ENERGY ENTEX, A DIVISION OF RELIANT ENERGY RESOURCES CORP.; RELIANT ENERGY RESOURCES CORP.; AND RELIANT ENERGY, INCORPORATED; FOR APPROVAL OF VARIOUS ASPECTS OF A CORPORATE RESTRUCTURING	DOCKET NO. 01-UA-774

ORDER

THIS DAY this cause came on to be heard before the Mississippi Public Service Commission of the State of Mississippi ("MPSC") on the Application of Reliant Energy Entex, a division of Reliant Energy Resources Corp. ("Entex"); Reliant Energy Resources Corp. ("RERC"); and Reliant Energy, Incorporated ("REI"); collectively hereafter referred to as the "Parties," pursuant to the provisions of Miss. Code Ann. Sections 77-3-23 (2000) and Rule 8 of the Rules of Practice and Procedure of the MPSC, for an order granting such consents, approvals, and authorizations as may be required by Mississippi law, including Miss. Code Ann. Sections 77-3-23 (2000) and Rule 8 of the MPSC's rules and regulations, to permit consummation of the transactions contemplated as part of the corporate restructuring of the holding company system of which Entex is a part.

Due and proper notice of the filing of the Application and Notice of the time and place of the hearing have been given in the manner required by law, including publication of such Notice to the public in The Clarion-Ledger, a newspaper published at the seat of government at Jackson, Hinds County, Mississippi, with Proof of Publication lawfully filed with the MPSC, and copies of said Notice having been lawfully mailed to the proper officers, persons,

and newspapers in the State of Mississippi, and there being no objections or protests filed, the Joint Application was duly heard on this date. The MPSC, having fully considered the Application and the exhibits filed thereto, the Prefiled Testimony of Stephen C. Schaeffer and upon the recommendation of the Public Utilities Staff after its review, finds as follows:

1. Entex, a natura gas distribution division of RERC, operates a natural gas distribution business in Louisiana, Mississippi and Texas. Within Mississippi and through this division, RERC serves approximately 120,000 residential, commercial, and industrial customers. As such, RERC is a public utility within the meaning of Miss. Code. Ann. Section 77-3-3(d)(ii)(2000), and is subject to the jurisdiction of the MPSC. RERC is a corporation organized and existing under the laws of the State of Delaware and is duly authorized to do business in the State of Mississippi. The principal office of RERC is in Houston, Texas. There is a division office of RERC at 216 South Woodgate Drive, Brandon, Mississippi 39042. True and correct copies of RERC's Articles of Incorporation, with amendments, are on file with the MPSC and are made a part hereof by reference. Likewise, a full legal description of all of RERC's existing service areas in the State of Mississippi are set out in the various orders of the MPSC wherein RERC was granted certificates of public convenience and necessity to serve those areas. All of said orders are made a part of the Joint Application by reference.

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

3. REI is a Texas holding company, exempt from registration under the Public Utility Holding Company Act of 1935 (the "Act") pursuant to Section 3(a)(2) of the Act, 15 USCA Section 79c(a)(2). REI currently provides electric generation, transmission, and distribution service to customers in Texas through its unincorporated Reliant Energy HL&P division. An

Annual Report to Shareholders and a 10-K of REI, Entex's ultimate parent, are attached to the Joint Application as Exhibits "B" and "C", respectively.

4. In connection with the restructuring of the electric industry in Texas, REI is proposing a corporate restructuring, including the formation of a new, ultimately exempt holding company to be called CenterPoint Energy, Inc. ("Regco") over REI's existing electric and gas utility operations, and the reorganization of the utility operations along functional and geographic lines. As part of that reorganization, Entex will ultimately become a stand-alone corporation. The other two divisions of RERC that operate as natural gas utilities in other states(1) will also become stand-alone corporations. For tax purposes, Regco will hold Entex and the other two utilities through a single-member limited liability company, Utility Holding, LLC. These restructurings are described in detail in the Form U-1/A Amendment No. 1 filed with the Securities and Exchange Commission on October 26, 2001, attached to the Joint Application as Exhibit "D", and the Master Separation Agreement attached to the Joint Application as Exhibit "E".

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

6. REI has formed Regco as a wholly owned subsidiary. After conveying its electric assets to a new wholly owned limited partnership subsidiary, REI will merge with a newly

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

formed subsidiary of Regco, and Regco will then be the holding company for the regulated businesses, including RERC. REI will then provide only electric transmission and distribution service and will be a regulated utility in Texas.

7. After obtaining the approvals necessary from the MPSC, and from the other state commissions having jurisdiction over the other natural gas utility divisions of RERC, the second step of the restructuring -- the separation of the three divisions of RERC into separate entities -- will occur. Two new Delaware corporations, CenterPoint Energy Arkla, Inc. and CenterPoint Energy Minnegasco, Inc., will be formed. Those two new companies will issue stock, all of which will be owned by Utility Holding, LLC, whose stock will, in turn, be owned by Regco. The RERC assets that are currently used by Arkla and Minnegasco, and the business of each of the companies, will be contributed to CenterPoint Energy Arkla, Inc. and CenterPoint Energy Minnegasco, Inc., respectively.

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

9. The existing debt will be retained by RERC, and eventually CenterPoint Energy Entex, Inc., in order to avoid refinancing costs. For ratemaking purposes, CenterPoint Energy Entex, Inc.'s capital structure will be the same as that used by this Commission in Entex's last rate case until further order of the Commission.

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

therefore the costs to Centerpoint Energy Entex, Inc. of those administrative services will not increase.

11. The Parties have sought the MPSC's approval of the restructuring, as set forth in Exhibits "D" and "E" attached to the Joint Application, and the renaming and reincorporating of RERC.

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

13. The renaming of RERC to Centerpoint Energy Entex, Inc., its reincorporation in Texas, and the holding of property and certificates by Centerpoint Energy Entex, Inc., are

consistent with the public interest. As stated above, the restructuring will have no effect on the service or rates to customers.

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

WHEREFORE, PREMISES CONSIDERED, this Commission having carefully reviewed the evidence in the record in this docket, finds that the Parties' request is well taken and should be granted.

IT IS THEREFORE ORDERED:

(a) that the corporate restructuring as set out in Exhibits "D" and "E" of the Joint Application is hereby approved;

(b) that the renaming of Reliant Energy Resources Corp. to Centerpoint Energy Entex, Inc., and the reincorporating of that company in Texas effective with the restructuring set out in Exhibits "D" and "E" of the Joint Application, are hereby approved;

(c) that effective with the renaming and reincorporating set forth in (b) above, the transfer of the property and certificates of public convenience and

necessity To Centerpoint Energy Entex, Inc., a Texas corporation, is hereby approved; and

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

Chairman Michael Callahan votes Aye; Vice Chairman Bo Robinson votes Aye; and Commissioner Nielsen Cochran votes Aye.

ORDERED AND ADJUDGED by the Commission, this the 16th day of May, 2002

MISSISSIPPI PUBLIC SERVICE COMMISSION

/s/ MICHAEL CALLAHAN

Michael Callahan, Chairman

[SEAL]

/s/ BO ROBINSON

Bo Robinson, Vice Chairman

/s/ NIELSEN COCHRAN

Nielsen Cochran, Commissioner

ATTEST: A True Copy

/s/ BRIAN N. RAY

Brian N. Ray, Executive Secretary

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF RELIANT ENERGY ARKLA, A DIVISION OF RELIANT ENERGY RESOURCES CORP., FOR APPROVAL OF A TRANSFER OF PROPERTY AS PART OF A CORPORATE RESTRUCTURING	)))))	CAUSE NO. PUD 2001-00586 ORDER NO: 463775

HEARING: May 15, 2002, before Robert E. Goldfield, Administrative Law Judge

APPEARANCES: Kenny W. Henderson, Senior Counsel, Reliant Energy Arkla and Jack P. Fite on behalf of the Applicant

Lynn Williams, Assistant General Counsel, Oklahoma Corporation Commission for the Commission Staff

William L. Humes, Assistant Attorney General, for the Attorney General of the State of Oklahoma

FINAL ORDER

BY THE COMMISSION:

The Corporation Commission of the State of Oklahoma ("Commission") being regularly in session and the undersigned Commissioners being present and participating, the above entitled cause comes on for decision and order of the Commission.

I.

PROCEDURAL HISTORY

On November 13, 2001, Reliant Energy Arkla, a division of Reliant Energy Resources Corp. ("Arkla" or "Applicant") filed an Application pursuant to OAC 165:45-3-5 requesting the Commission to issue an Order granting such authorizations as may be required to permit consummation of the transactions contemplated as a part of corporate restructuring.

This Commission issued a Procedural Order (No. 461864) on March 25, 2002, setting forth a schedule for discovery and the filing of testimony.

The Applicant and staff filed testimony and the office of Attorney General filed a Statement of Position. There was no rebuttal testimony filed in the cause.

Applicant's first witness was Mr. Stephen C. Schaeffer, Senior Vice President, Regulatory Affairs, for Reliant Energy, Incorporated ("REI"). Mr. Schaeffer testified that REI is

the corporate parent of various enterprises, including Reliant Energy Resources Corp. ("RERC"), of which Reliant Energy Arkla ("Arkla") is a division.

According to Mr. Schaeffer, the subject of the Application in this case is the reorganization of the regulated utility operations along functional and geographic lines. The end result of the restructuring will be that Arkla will go from being a division of RERC to being a stand-alone company. As a stand-alone company, the Commission will have a clearly defined corporate entity over which to exercise jurisdiction. Further, Mr. Schaeffer testified that the proposed transaction will have no effect on the Commission's jurisdiction over Arkla or on its ability to regulate Arkla's operations. The books and records will be kept in accordance with the Commission's requirements, and the company will provide access to its books and records as required pursuant to public utility statutes. Arkla's Oklahoma customers will be unaffected by the restructuring and there will not be material changes in Arkla's policies, or operations, because of the restructuring. There will not be changes in the number of employees as a result of the restructuring. Arkla's Oklahoma tariffs will be adopted by CenterPoint Energy Arkla. In essence, the restructuring will result in a name change, but will otherwise be transparent to customers.

Glen Gregory, CRRA, Manager in the Energy Group for the Public Utility Division, testified on behalf of the Commission staff. According to Mr. Gregory, the Commission should consider the following issues prior to granting approval of the transfer of property as a part of corporation restructuring:

1. What are the changes to the operation of the assets of Reliant Energy Arkla that will be transferred to the new company;

2. What are the changes in categorization of any assets of Reliant Energy Arkla as a result of transfer of assets;

3. What are the financial and accounting impacts on Reliant Energy Arkla resulting from the restructuring that might affect the ability of the Corporation Commission to review and set the rates of Arkla in Cause PUD200200166 or in the future;

4. What are the changes to debt and equity financing and other sources of capital resulting from the restructuring that might affect the cost of capital to Arkla in Cause PUD200200166 or in the future;

5. What are the effects on Arkla and its Oklahoma operation, including gas procurement resources, distribution facilities, and personnel, as a result of the restructuring;

6. What are the changes in natural gas procurement cost that will result from the restructure;

7. The rate impact on Oklahoma jurisdiction ratepayers as a result of the restructure;

8. What is the impact of and the amount of reorganization cost to be included in Cause PUD200200166 or in the future.

Mr. Gregory addressed each of the items individually and stated that the primary result of the Application will be that Arkla will become a "stand-alone company" rather than a division of another company within the corporate structure. Further, there will be no changes in the categorization of assets and there will be no changes to methods currently used to allocate costs for utility functions. The capital structure will not change for ratemaking purposes as a result of the restructuring, nor will there be an effect on gas procurement. The restructuring is not to affect gas procurement costs, nor will rates to Oklahoma customers change as a result of the restructuring. According to Mr. Gregory, Arkla has responded in data requests that the reorganization costs will not be included as a recoverable cost. Staff found no reason to object to the approval of the Application as requested.

The Attorney General's office did not oppose approval of the Application.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Commission finds that it has jurisdiction pursuant to OAC 165: 45-3-5.

The Commission further finds that the transfer of Arkla's property to CenterPoint Arkla, Inc. is consistent with the public interest and should be approved pursuant to OAC 165:45-3-5. The Commission finds that the proposed transaction will not have a detrimental affect on the Commission's jurisdiction over Arkla or on its ability to regulate Arkla's operations. The proposed transaction will result in Arkla being a stand-alone company which will give the Commission a clearly defined corporate entity over which to exercise its jurisdiction.

The Commission further finds that CenterPoint Arkla, Inc. shall adopt Arkla's tariffs. It will be unnecessary for CenterPoint Arkla, Inc. to file new tariffs. CenterPoint Arkla, Inc. shall maintain its books in accordance with this Commission's requirements, including providing access to its books and records as required under the Public Utility statutes.

ORDER

IT IS THE ORDER OF THE OKLAHOMA CORPORATION COMMISSION that the proposed transactions is in the public interest and is hereby approved.

IT IS FURTHER ORDERED that CenterPoint Arkla, Inc. shall adopt Arkla's Oklahoma Corporation Commission approved tariffs for use by the new corporate entity.

CORPORATION COMMISSION OF OKLAHOMA

ABSTAIN

DENISE A. BODE, Chairman

/s/ BOB ANTHONY

BOB ANTHONY, Vice Chairman

/s/ ED APPLE

ED APPLE, Commissioner

DONE AND PERFORMED THIS 21 DAY OF MAY, 2002, BY ORDER OF THE COMMISSION:

/s/ PEGGY MITCHELL

PEGGY MITCHELL, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The above and foregoing Final Order is the Report and Recommendations of the Administrative Law Judge.

/s/ ROBERT E. GOLDFIELD

ROBERT E. GOLDFIELD
Administrative Law Judge

May 15, 2002

Date

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chair
Edward A. Garvey	Commissioner
Marshall Johnson	Commissioner
LeRoy Koppendrayer	Commissioner
Phyllis A. Reha	Commissioner

In the Matter of a Petition by Minnegasco, a Division of Reliant Energy Resources Corp., for Approval of Various Aspects of a Corporate Restructuring	ISSUE DATE: April 1, 2002 DOCKET NO. G-008/PA-01-1694 ORDER APPROVING ASSET TRANSFER WITH CONDITIONS

PROCEDURAL HISTORY

On November 13, 2001, Reliant Energy Minnegasco (REM or Minnegasco), a division of Reliant Energy Resources Corp.(1) filed its petition for approval, under Minn. Stat. Section 216B.50, of various aspects of a corporate restructuring. Specifically, it requested that the Commission approve the transfer of Minnegasco assets from Reliant Energy Resources Corporation to a new corporation, CenterPoint Energy Minnegasco, Inc. (CenterPoint Energy Minnegasco).

The purpose of the restructuring is to meet Texas electric restructuring law requiring the separation of generation, transmission/distribution, and retail activities in preparation for full retail competition in the electric industry in Texas. Upon completion of the restructuring, Minnegasco will be a distinct corporate entity. CenterPoint Energy Minnegasco, which will be held by Utility Holding LLC.(2) Utility Holding LLC in turn will be held by CenterPoint Energy, Inc. (CenterPoint Energy).

On January 14, 2002, the Department of Commerce (DOC) filed its comments recommending approval of the proposed corporate restructuring with certain reporting requirements.

On January 14, 2002, the Office of the Attorney General's Residential and Small Business Utilities Division (OAG-RUD) filed comments recommending that the Commission only approve REI's proposed restructuring upon condition that REI and any holding company that

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(1) Reliant Energy Resources Corp. is a subsidiary of Reliant Energy Inc. Reliant Energy Inc. is a Texas holding Company, exempt from registration under PUHCA.

(2) Utility Holdings LLC was formed as a look-through entity for tax purposes only.

follows it will be subject to the continuing jurisdiction of the Commission and the regulatory requirements of Minnesota law. The OAG-RUD also urged the Commission to recommend that the Securities and Exchange Commission (SEC) not find CenterPoint Energy an exempt holding company under the Public Utilities Holding Company Act (PUHCA).

On January 29, 2002, Reliant Energy Minnegasco and the DOC each submitted reply comments.

This matter came before the Commission on February 28, 2002.

FINDINGS AND CONCLUSIONS

1. SUMMARY OF RELIANT ENERGY MINNEGASCO'S CORPORATE RESTRUCTURING PROPOSAL

REM has requested Commission approval for the transfer of Minnegasco assets from Reliant Energy Resources Corporation to CenterPoint Energy Minnegasco, a newly incorporated Delaware corporation. The transfer is the end result of a series of transactions designed to restructure Reliant Energy, Inc. to satisfy Texas law and to maintain an exemption under PUHCA.

Prior to the proposed reorganization, Minnegasco was a division of Reliant Energy Resources Corp. At the completion of the three stage reorganization Minnegasco will be a separate corporate entity (CenterPoint Energy Minnegasco) and will be a subsidiary of Utility Holding LLC which will be wholly owned by CenterPoint Energy.

Prior to the proposed reorganization, Reliant Energy Inc. (the parent company of Reliant Energy Resources Corp.) was an exempt company under PUHCA. CenterPoint Energy, the ultimate parent company after the restructuring, is also seeking to operate as an exempt company under PUHCA.

II. POSITIONS OF THE PARTIES

A. DOC

The DOC recommended that the Commission approve the transfer of Minnegasco's assets to a new separate corporation owned by CenterPoint Energy, with the following conditions:

- within 90 days of completion of the transfer of Minnegasco's assets, the Company should file the assets and liabilities transferred to the new corporation;

- the Company should report any significant corporate cost allocation changes made after restructuring;

- the Company should file proposed gas service quality standards similar to those required of Northern States Power Company, d/b/a Xcel Energy in merger Docket No. E, G0002/PA-99-1031 within 30 days of the transfer of Minnegasco's assets and should begin using these mechanisms on a going forward basis to gauge customer service quality;

- the Company should report annually on its performance under the service quality standards(3); and

- the Company should record the costs of the restructuring "below-the-line" in Account 426.5 as incurred, and none should be recovered in Minnegasco's current or future rates.

The DOC also concluded that the Commission's authority over Minnegasco will not be affected by the restructuring proposal, the proposed restructuring will not significantly affect Minnegasco's capital structure or cost of capital, and with the DOC's recommendations, above, the restructuring should have little or no material effect on Minnegasco's costs or rates or quality of service.

B. OAG-RUD

The OAG-RUD recommended that the Commission condition its approval of the proposed merger on the Commission continuing to have jurisdiction over CenterPoint Energy and Utility Holdings LLC. Further, due to a concern with potential abuses connected with the proposed restructuring, the OAG recommended that the Commission advise the SEC that CenterPoint Energy should not be treated as an exempt holding company under PUHCA.

The RUD-OAG argued that the restructuring involves a complex scheme of holding companies and that it was necessary to maintain SEC oversight of such public utility holding companies. It argued that under PUHCA, among other things, a holding company must file for SEC approval before purchasing securities or property from another company or making inter-affiliate loans. The SEC review is aimed at preventing abuses in transactions between a holding company and a utility subsidiary that can result in higher prices for services for the subsidiary or defrauding investors. The OAG argued that it was not in the best interest of the ratepayers to have SEC scrutiny of these and other activities removed.

C. RELIANT ENERGY MINNEGASCO

Minnegasco stated that the proposed restructuring would have no effect on the Commission's jurisdiction over Minnegasco. It will provide a clearly defined corporate entity, CenterPoint

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(3) The report should be compiled on a calendar year basis with the first filing due on the first February 15 following the closing of the transfer of assets to CenterPoint Energy Minnegasco, and annually thereafter.

Energy Minnegasco, that will provide utility service in Minnesota. The restructuring will be transparent to both the Commission and Minnegasco's customers and

- will not result in any material change in Minnegasco's policies or operations;
- will not affect Minnegasco's continued ability to provide safe and reliable natural gas service;
- will not result in an increase in rates to customers; and
- will not impose any merger-related or restructuring-related costs on ratepayers through rates.

Minnegasco argued that the status of Minnegasco's ultimate parent will not change as a result of the restructuring. Reliant Energy, Incorporated is exempt under PUHCA now and CenterPoint Energy will be exempt after the reorganization. The Commission has been successful regulating Minnegasco under its current structure and there is nothing to indicate that the Commission will not continue to be successful in regulating Minnegasco after the restructuring.

Finally, Minnegasco stated it accepted all four conditions set out by the DOC, above.

III. COMMISSION ACTION

It is the Commission's belief that it is consistent with the public interest to approve the transfer of Minnegasco's assets from Reliant Energy Resources Corporation to CenterPoint Energy Minnegasco and the Commission will do so. The Commission will require Minnegasco to meet the conditions set forth by the DOC which will, among other things, provide useful information for regulatory purposes.

The Commission sees a clear regulatory advantage to having a separate corporate entity serving the ratepayers of Minnesota rather than a division of another entity, as is the current situation. The Commission further agrees with the DOC that its authority over Minnegasco will not be affected by the restructuring, that the restructuring will not significantly affect Minnegasco's capital structure or cost of capital, and that the restructuring should have little or no material effect on Minnegasco's costs or rates or quality of service.

The Commission, in recognition of some of the concerns raised by the OAG, will require that the Commission have access to the books and records of the parent company as well as require the parent company to supply the Commission with all SEC filings, as agreed to by Minnegasco. However, the Commission will not make any recommendation to the SEC regarding the Company's PUHCA exemption. The Commission is confident that it will be able to continue adequate regulation after the restructuring, as it has done prior to such restructuring.

ORDER

1. Approve the proposed transfer of Minnegasco assets from Reliant Energy Resources Corporation to CenterPoint Energy Minnegasco, Inc. with the following conditions:

   - the Company shall comply with the reporting requirements identified by the DOC and set forth in section II A, above;
   - the Commission shall have access to the books and records of the parent company;
   - the parent company shall supply to the Commission all filings made with the SEC.

2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

/s/ BURL W. HAAR

Burl W. Haar
Executive Secretary

(SEAL)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), (651) 297-1200 (TTY), or 1-800-627-3529 (TTY relay service).

[SEAL]

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

DECEMBER 20, 2001

PROPRIETARY INFORMATION

Mr. William T. Cottle
President and Chief Executive Officer
STP Nuclear Operating Company
South Texas Project Electric
Generating Station
P. O. Box 289
Wadsworth, TX 77483

SUBJECT: SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION, UNIT NOS. 1 AND 2 - ORDER APPROVING THE DIRECT TRANSFER OF LICENSES FROM RELIANT ENERGY INCORPORATED (FORMERLY KNOWN AS HOUSTON LIGHTING AND POWER COMPANY) TO TEXAS GENCO LP, APPROVING CONFORMING AMENDMENTS, AND APPROVING INDIRECT TRANSFERS (TAC NOS. MB2140 AND MB2141)

Dear Mr. Cottle:

The U.S. Nuclear Regulatory Commission (NRC) staff has completed its review of the application dated May 31, 2001, filed by STP Nuclear Operating Company (STPNOC) on behalf of Reliant Energy Incorporated (Reliant), formerly known as Houston Lighting and Power Company. The application was supplemented by letters dated June 14, August 13, October 16, and November 7, 2001. The application, pursuant to Section 50.80 of Title 10 of the Code of Federal Relations (10 CFR 50.80), seeking approval of the indirect transfer of control of Reliant's 30.8 percent interest in South Texas Project Electric Generation Station (STPEGS), Unit Nos. 1 and 2, under Facility Operating License Nos. NPF-76 and NPF-80, to CenterPoint Energy, Inc., a new parent holding company for Reliant, and, to the extent that an indirect transfer of control of the license as held by STPNOC would result, Reliant's 30.8 percent interest in STPNOC (the licensed operator of STPEGS under the licenses) to CenterPoint Energy, Inc. The application also seeks approval of the direct transfer of Reliant's 30.8 percent ownership interest in STPEGS to Texas Genco LP, which will be indirectly wholly-owned by CenterPoint Energy, Inc., and, to the extent a direct transfer of control would result, Reliant's 30.8 percent ownership interest in STPNOC to Texas Genco LP.

The application, pursuant to 10 CFR 50.90 and 10 CFR 2.1315, also seeks the approval of conforming amendments to the STPEGS operating licenses to reflect the direct transfer.

The enclosed Order (Enclosure 1) approves the proposed transfers, subject to the conditions described therein. The enclosed Order also approves conforming amendments (Enclosure 2), which will be issued and made effective at the time the direct transfers are completed. The NRC staff's proprietary safety evaluation supporting the Order and conforming amendments is included as Enclosure 3. Enclosure 4 is the nonproprietary version.

The Order has been forwarded to the Office of the Federal Register for publication.

Sincerely,

/s/ DAVID J. WRONA

David J. Wrona, Project Manager, Section 1
Project Directorate IV
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-498 and 50-499

Enclosures:
1. Order
2. Conforming Amendments
3. Safety Evaluation (proprietary)
4. Safety Evaluation (nonproprietary)

cc w/encls: See next 2 pages

FOR NONPROPRIETARY DISTRIBUTION (ENCLOSURES 1, 2 AND 4)

cc:

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June 2001

South Texas, Units 1 & 2

FOR PROPRIETARY DISTRIBUTION (ENCLOSURES 1, 2, 3, AND 4)

cc:

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Senior Resident Inspector
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Bay City, TX 77414

Regional Administrator, Region IV
U.S. Nuclear Regulatory Commission
611 Ryan Plaza Drive, Suite 400
Arlington, TX 76011

UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
SOUTH TEXAS PROJECT NUCLEAR OPERATING COMPANY ET AL.	)	Docket Nos. 50-498 and 50-499
	)	License Nos. NPF-76 and NPF-80
(South Texas Project Electric Generating Station, Unit Nos. 1 and 2)	)	

ORDER APPROVING TRANSFER OF LICENSES
AND CONFORMING AMENDMENTS

I.

Reliant Energy Incorporated (Reliant),(1) the City Public Service Board of San Antonio (CPS), Central Power and Light Company (CPL), and the City of Austin, Texas (COA) are the licensed owners, and South Texas Project Nuclear Operating Company (STPNOC) is the exclusive licensed operator, of South Texas Project Electric Generating Station, Units 1 and 2 (STPEGS), and in regard thereto, hold Facility Operating License Nos. NPF-76 and NPF-80. STPEGS (the facility) is located in Matagorda County, Texas.

II.

By application dated May 31, 2001, as supplemented by letters dated June 14, August 13, October 16, and November 7, 2001 (collectively the application), STPNOC, on behalf of Reliant, requested the consent of the U.S. Nuclear Regulatory Commission (NRC or Commission) to a proposed indirect transfer of control of the 30.8 percent undivided ownership interest of Reliant in STPEGS under Facility Operating License Nos. NPF-76 and NPF-80, to CenterPoint Energy, Inc., a newly-formed company that will be the new parent holding company

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(1) Reliant was formerly known as Houston Lighting & Power Company (HL&P). HL&P changed its name to Reliant Energy Incorporated in 1999.

of Reliant, and, to the extent an indirect transfer would result, Reliant's 30.8 percent interest in STPNOC, the licensed operator of STPEGS under the licenses, to CenterPoint Energy, Inc. The application also requested the consent of the Commission to a proposed direct transfer of Reliant's 30.8 percent ownership interest in STPEGS to Texas Genco LP, which will be indirectly wholly-owned by CenterPoint Energy, Inc., and to the indirect transfer of Reliant's 30.8 percent interest in STPNOC to Texas Genco LP, to the extent that the transfer of Reliant's ownership interest in STPNOC will result in an indirect transfer of the STPNOC licenses. According to the application, the proposed direct transfer may occur contemporaneously with CenterPoint Energy, Inc. becoming the parent holding company of Reliant or some time thereafter. The application further requested the approval of conforming license amendments to reflect the direct transfer of the licenses.

The proposed conforming license amendments would replace references to HL&P in the licenses with references to Texas Genco LP, as appropriate, and make other administrative changes to reflect the proposed direct transfer.

The application requested approval of the direct transfer of the facility operating licenses, conforming license amendments, and indirect license transfers pursuant to 10 CFR 50.80 and 10 CFR 50.90. The staff published a notice of the request for approval and an opportunity for a hearing in the Federal Register on September 28, 2001 (66 FR 49711). The October 16 and November 7, 2001, supplemental information did not expand the scope of the application as originally noticed in the Federal Register. The Commission received no comments or requests for hearing pursuant to the notice.

Under 10 CFR 50.80, no license, or any right thereunder, shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission shall give its consent in writing. Upon review of the information in the application, and relying upon the representations and agreements contained in the application, the NRC staff has determined

that the proposed corporate restructuring resulting in CenterPoint Energy Inc. becoming the parent holding company of Reliant will not affect the qualifications of Reliant to hold a 30.80 percent ownership interest in the facility operating licenses for STPEGS or have any effect on the qualifications of STPNOC to the extent held by Reliant, and that the indirect transfer of the licenses for STPEGS and of STPNOC's licences to the extent effected by the proposed corporate restructuring, is otherwise consistent with applicable provisions of law, regulations, and Orders issued by the Commission, subject to the applicable conditions set forth herein. The NRC staff has also determined that Texas Genco LP is qualified to be a holder of the facility operating licenses for STPEGS, and to the extent that the transfer of Reliant's interest in STPNOC to Texas Genco LP results in an indirect transfer of the STPNOC license, the transfer will not affect the qualifications of STPNOC to be the licensed operator, and that the transfer of the licenses is otherwise consistent with applicable provisions of law, regulations, and Orders issued by the Commission, subject to the conditions set forth herein. The NRC staff has further found that the application for the proposed license amendments complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I; the facilities will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission; there is reasonable assurance that the activities authorized by the proposed license amendments can be conducted without endangering the health and safety of the public and that such activities will be conducted in compliance with the Commission's regulations; the issuance of the proposed license amendments will not be inimical to the common defense and security or to the health and safety of the public; and the issuance of the proposed amendments will be in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

The findings set forth above are supported by a safety evaluation dated December 20, 2001.

III.

Accordingly, pursuant to Sections 161b, 161i, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC Sections 2201(b), 2201(i), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the indirect transfer of the licenses as described herein to CenterPoint Energy, Inc., and the direct transfer of the licenses as described herein to Texas Genco LP are approved, subject to the following conditions:

(1) Texas Genco LP shall, prior to the completion of the direct transfer, provide to the Director of the Office of Nuclear Reactor Regulation satisfactory documentary evidence that Texas Genco LP has obtained the appropriate amount of insurance required of licensees under 10 CFR Part 140 of the Commission's regulations.

(2) Reliant shall continue to provide decommissioning funding assurance, to be held in decommissioning trusts for STPEGS, from the date of the indirect transfer until the date of any direct transfer to Texas Genco LP. Texas Genco LP shall provide decommissioning funding assurance, to be held in decommissioning trusts for STPEGS upon the direct transfer of the STPEGS licenses to Texas Genco LP, in an amount equal to or greater than the balance in the STPEGS decommissioning trusts immediately prior to the transfer. In addition, Texas Genco LP shall ensure that all contractual arrangements referred to in the application to obtain necessary decommissioning funds for STPEGS through a non-bypassable charge are executed and will be maintained until the decommissioning trusts are fully funded, or shall ensure that other mechanisms that provide equivalent assurance of decommissioning funding in accordance with the Commission's regulations are maintained.

(3) The master decommissioning trust agreement for STPEGS, at the time the direct transfers are effected and thereafter, is subject to the following:

a. The decommissioning trust agreement must be in a form acceptable to the NRC.

b. With respect to the decommissioning trust funds, investments in the securities or other obligations of CenterPoint Energy, Inc., or its affiliates, successors, or assigns, shall be prohibited. Except for investments in funds tied to market indices or other non-nuclear sector mutual funds, investments in any entity owning one or more nuclear power plants are prohibited.

c. The decommissioning trust agreement must provide that the trustee, investment advisor, or anyone else directing the investments made in the trusts shall adhere to the standards for such investments established by the Public Utility Commission of Texas (e.g., 16 Texas Administration Code Section 25.301).

d. The decommissioning trust agreement must provide that except for ordinary administrative expenses, no disbursements or payments from the trusts shall be made by the trustee unless the trustee has first given the NRC 30 days prior written notice of such disbursement or payment. The decommissioning trust agreement shall further contain a provision that no disbursements or payments from the trusts shall be made if the trustee receives prior written notice of an objection from the Director, Office of Nuclear Reactor Regulation.

e. The decommissioning trust agreement must provide that the agreement cannot be modified in any material respect without 30 days prior written notification to the Director, Office of Nuclear Reactor Regulation.

(4) Reliant and Texas Genco LP shall take all necessary steps to ensure that the decommissioning trusts are maintained in accordance with the application, the requirements of this Order, and the related safety evaluation.

(5) Texas Genco LP shall provide the Director, Office of Nuclear Reactor Regulation a copy of any application, at the time it is filed, to transfer (excluding grants of security interests or liens) from CenterPoint Energy, Inc., or its subsidiaries, to a proposed direct or indirect parent, or to any other affiliated company, facilities for the production of electric energy having a depreciated book value exceeding ten percent (10%) of such licensee's consolidated net utility plant, as recorded on Texas Genco LP's book of accounts.

(6) Texas Genco LP shall inform the Director of the Office of Nuclear Reactor Regulation of the date of the closing of the direct transfer no later than two business days prior to such date. If the direct and indirect transfers of the licenses approved by this Order are not completed by December 31, 2002, this Order shall become null and void, provided, however, upon written application and for good cause shown, such date may in writing be extended.

IT IS FURTHER ORDERED that, consistent with 10 CFR 2.1315(b), license amendments that make changes, as indicated in Enclosure 2 to the cover letter forwarding this Order, to conform the licenses to reflect the subject direct license transfers are approved. The amendments shall be issued and made effective at the time the proposed direct license transfers are completed. It is hereby noted that the staff is also considering approving a transfer of the licenses to the extent held by CPL. Should the transfer of the licenses to the extent held by CPL take place prior to issuance of the amendments in the current case, the amendments approved here should reflect any conforming amendments approved and issued in connection with the CPL transfer.

This Order is effective upon issuance.

For further details with respect to this Order, see the initial application dated May 31, 2001, the supplemental submittals dated June 14, August 13, October 16, and November 7, 2001, and the safety evaluation dated December 20, 2001, which are available for public

inspection at the Commission's Public Document Room, located at One White Flint North, 11555 Rockville Pike (first floor), Rockville, Maryland. Publicly available records will be accessible electronically from the Agencywide Documents Access and Management Systems (ADAMS) Public Electronic Reading Room on the internet at the NRC Web site, http://www.nrc.gov.

Dated at Rockville, Maryland this 20th day of December, 2001.

FOR THE NUCLEAR REGULATORY COMMISSION

/s/ BRIAN W. SHERON

Brian W. Sheron, Acting Director
Office of Nuclear Reactor Regulation

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Reliant Energy Coolwater, LLC, Docket No. EC00-144-000
Reliant Energy Desert Basin, LLC,
Reliant Energy Ellwood, LLC,
Reliant Energy Etiwanda, LLC,
Reliant Energy Indian River, LLC,
Reliant Energy Mandalay, LLC,
Reliant Energy Maryland Holdings, LLC,
Reliant Energy Mid-Atlantic Power Holdings, LLC,
Reliant Energy New Jersey Holdings, LLC,
Reliant Energy Ormond Beach, LLC,
Reliant Energy Osceola, LLC,
Reliant Energy Services, Inc.,
Reliant Energy Shelby County, LP, and
El Dorado Energy, LLC

ORDER AUTHORIZING DISPOSITION OF
JURISDICTIONAL FACILITIES AND
CORPORATE REORGANIZATION

(Issued November 30, 2000)

On September 27, 2000, as supplemented on November 1, 2000, Reliant Energy Coolwater, LLC (Reliant Energy Coolwater), Reliant Energy Desert Basin, LLC (Reliant Energy Desert Basin), Reliant Energy Ellwood, LLC (Reliant Energy Ellwood), Reliant Energy Etiwanda, LLC (Reliant Energy Etiwanda), Reliant Energy Indian River, LLC (Reliant Energy Indian River), Reliant Energy Mandalay, LLC (Reliant Energy Mandalay), Reliant Energy Maryland Holdings, LLC (Reliant Energy Maryland), Reliant Energy Mid-Atlantic Power Holdings, LLC (REMA), Reliant Energy New Jersey Holdings, LLC (Reliant Energy New Jersey), Reliant Energy Ormond Beach, LLC (Reliant Energy Ormond Beach), Reliant Energy Osceola, LLC (Reliant Energy Osceola), Reliant Energy Shelby County, LP (Reliant Energy Shelby County), Reliant Energy Services, Inc. (RES) and El Dorado Energy, LLC (El Dorado) (collectively, Applicants), filed an application under section 203 of the Federal Power Act (FPA)(1) for Commission authorization for the transfer of indirect control of the Applicants' jurisdictional facilities, that would result from the proposed corporate realignment of certain wholly-owned

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(1) 16 U.S.C. Section 824b (1994).

subsidiaries of the Applicants' parent company, Reliant Energy, Incorporated (REI).(2) Although Applicants believe that the transaction may not require Commission approval under section 203, Applicants consent to jurisdiction in order to obtain approval of their application. Thus, jurisdiction over the proposed transfer is assumed, without making any determination of jurisdiction.(3)

Reliant Energy Coolwater, Reliant Energy Ellwood, Reliant Energy Etiwanda, Reliant Energy Mandalay and Reliant Energy Ormond Beach are power marketers authorized by the Commission to sell electric power at market-based rates,(4) and have received Commission authorization to operate as exempt wholesale generators (EWGs).

Reliant Energy Desert Basin, Reliant Energy Indian River, Reliant Energy Osceola and Reliant Energy Shelby County are power marketers authorized by Commission to sell

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(2) REI is an exempt public utility company under the Public Utility Holding Company Act of 1935, but is not a public utility under the FPA. At present, all Applicants are indirect subsidiaries of REI and, except for RES, are direct or indirect subsidiaries of Reliant Energy Power Generation, Inc. (REPG).

(3) See, Ocean State Power, 47 FERC Paragraph 61,321 at 62,130 (1989) and Ocean State Power, 43 FERC Paragraph 61,466 (1988). See also National Electric Associates L.P., 80 FERC Paragraph 62,116 at 64,191 at n.2 (1997).

(4) Reliant Energy Coolwater, Reliant Energy Ellwood, Reliant Energy Etiwanda, Reliant Energy Mandalay and Reliant Energy Ormond Beach were granted market-based rate authority in Ocean Vista Power Generation, L.L.C., et al. 82 FERC Paragraph 61,114 (1998). Reliant Energy Ormond Beach was granted market-based rate authority in Ormond Beach Power Generation L.L.C. 83 FERC Paragraph 61,306 (1998). On April 5, 1999, in Docket Nos. ER99-2079-000, et al., the Commission accepted a notice of succession under which Alta Power Generation, L.L.C., Oeste Power Generation, L.L.C., Mountain Vista Power Generation, L.L.C., Ocean Vista Power Generation, L.L.C. and Ormond Beach Power Generation, L.L.C. changed its names to Reliant Energy Coolwater, Reliant Energy Ellwood, Reliant Energy Etiwanda, Reliant Energy Mandalay and Reliant Energy Ormond Beach, respectively.

electric power at market based rates,(5) and have received Commission authorization to operate as EWGs.

Reliant Energy Maryland, REMA and Reliant Energy New Jersey are power marketers authorized by the Commission to sell electric power at market-based rates,(6) and have received Commission authorization to operate as EWGs.

El Dorado(7) is a power marketer authorized by the Commission to sell electric power at market-based rates,(8) and has received Commission authorization to operate as an EWG. El Dorado is a Delaware limited liability company whose only other jurisdictional facilities are transmission facilities interconnecting the plant to the transmission grid.

RES is power marketer authorized by the Commission to sell electric power at market-based rates.(9) RES is a wholly-owned subsidiary of Reliant Energy Resources

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(5) Reliant Energy Desert Basin was granted market-based rate authority in Reliant Energy Basin, LLC, et al. 91 FERC Paragraph 61,022 (2000). Reliant Energy Indian River was granted market-based rate authority in Minergy Neenah, L.L.C., et al. 88 FERC Paragraph 61,102 (1999). Reliant Energy Osceola was granted market-based rate authority in Middletown Power LLC, et al. 89 FERC Paragraph 61,151 (1999). Reliant Energy Shelby County was granted market-based rate authority in Reliant Energy, Incorporated, et al. 91 FERC Paragraph 61,073 (2000).

(6) Reliant Energy Maryland, Reliant Energy Pennsylvania and Reliant Energy New Jersey were granted market-based rate authority by letter order dated June 2, 2000 in Docket No. ER00-2417-000. On June 23, 2000, in Docket No. ER00-2508-000, the Commission accepted a notice of succession under which Reliant Energy Pennsylvania Holdings LLC changed its names to REMA.

(7) REPG owns a fifty percent interest in El Dorado. The proposed corporate realignment that is subject to this application affects only the indirect control of REPG's interest in El Dorado.

(8) El Dorado was granted market-based rate authority in El Dorado Energy LLC 85 FERC Paragraph 61,006 (1998).

(9) On July 25, 1994, in Docket No. ER94-1247-000, the Commission authorized RES' predecessor, NorAm Energy Services, Inc. to be a power marketer. On March 12, 1999, in Docket No. ER99-1801-000, the Commission accepted a notice of succession

(continued...)

Corp. (Resources), which, in turn, is a subsidiary of REI. RES owns no transmission facilities and its only jurisdictional assets are its rate schedule, associated power contracts, and books and records with respect to such transactions.

According to the application, the overall corporate realignment plan for REI will lead to the separation of its regulated electric and natural gas transmission and distribution businesses, along with some other businesses, from its wholesale generation, trading and retail energy services businesses. REI will initiate this corporate realignment by first creating a new subsidiary, Reliant Resources, Inc. (Reliant Resources),(10) to serve as the new parent company of the wholesale generation, trading and retail energy services business. REI will transfer to Reliant Resources the stock of REPG and, therefore, indirectly, the ownership of Applicants (other than RES). Reliant Resources will then form a new subsidiary which will become a part of RES, with RES the surviving company. As a result, RES will be a subsidiary of Reliant Resources.

According to the application, the proposed transaction is consistent with the public interest and will not have an adverse effect on competition, rates or regulation. With respect to competition, the application notes that the proposed transaction will have no effect on competition because the transaction will not affect ownership or control of jurisdictional facilities. Applicants state that ultimate corporate control over the facilities after the transaction will be identical to the corporate control of the facilities before the transaction. Thus, the transaction will not create any new affiliations of owners of generation or transmission facilities, or increase any party's control over, or ownership of, electric generation or transmission facilities. With regards to rates, Applicants state that the proposed transaction will not have an adverse effect on rates because wholesale sales are made under market-based rates authority, which will remain unaffected by the proposed transactions. With respect to regulation, Applicants state that the proposed transaction will not impair the effectiveness of either state or federal regulation.

Notice of the application was published in the Federal Register with comments due on or before October 18, 2000. No comments were received.

After consideration, it is concluded that the proposed transaction is consistent with the public interest and is authorized, subject to the following conditions:

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(9) (...continued)
under which NorAm Energy Services, Inc. changed its names to RES.

(10) The new subsidiary was originally referred to as "Unregco".

(1) The proposed transaction is authorized upon the terms and conditions and for the purposes set forth in the application;

(2) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of cost, or any other matter whatsoever now pending or which may come before the Commission;

(3) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted;

(4) The Commission expressly reserves the right, pursuant to sections 203(b) and 309 of the Federal Power Act, to place further conditions on the transfer for good cause shown; and

(5) Applicants shall promptly notify the Commission of the date the disposition of the jurisdictional facilities are consummated.

Authority to act on this matter is delegated to the Director, Division of Corporate Applications, pursuant to 18 C.F.R. Section 375.307. This order constitutes final agency action. Requests for rehearing by the Commission may be filed within thirty (30) days of the date of issuance of this order, pursuant to 18 C.F.R. Section 385.713.

/s/ JOE L. DRAGG

for Michael C. McLaughlin, Director
Division of Corporate Applications

EXHIBIT D-19

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Reliant Energy Aurora, LP
Reliant Energy Coolwater, LLC,
Reliant Energy Desert Basin, LLC,
Reliant Energy Ellwood, LLC,
Reliant Energy Etiwanda, LLC,
Reliant Energy Indian River, LLC,
Reliant Energy Mandalay, LLC,
Reliant Energy Maryland Holdings, LLC,
Reliant Energy Mid-Atlantic Power Holdings, LLC,
Reliant Energy New Jersey Holdings, LLC,
Reliant Energy Ormond Beach, LLC,
Reliant Energy Osceola, LLC,
Reliant Energy Services, Inc.,
Reliant Energy Shelby County, LP, and
El Dorado Energy, LLC

Docket No. EC02-10-000

ORDER AUTHORIZING DISPOSITION OF JURISDICTIONAL FACILITIES AND CORPORATE REORGANIZATION

(Issued November 21, 2001)

On October 22, 2001, Reliant Energy Aurora, LP (Reliant Energy Aurora) Reliant Energy Coolwater, LLC (Reliant Energy Coolwater), Reliant Energy Desert Basin, LLC (Reliant Energy Desert Basin), Reliant Energy Ellwood, LLC (Reliant Energy Ellwood), Reliant Energy Etiwanda, LLC (Reliant Energy Etiwanda), Reliant Energy Indian River, LLC (Reliant Energy Indian River), Reliant Energy Mandalay, LLC (Reliant Energy Mandalay), Reliant Energy Maryland Holdings, LLC (Reliant Energy Maryland), Reliant Energy Mid-Atlantic Power Holdings, LLC (Reliant Energy Mid-Atlantic), Reliant Energy New Jersey Holdings, LLC (Reliant Energy New Jersey), Reliant Energy Ormond Beach, LLC (Reliant Energy Ormond Beach), Reliant Energy Osceola, LLC (Reliant Energy Osceola), Reliant Energy Shelby County, LP (Reliant Energy Shelby County), Reliant Energy Services, Inc. (RES) and El Dorado Energy, LLC (El Dorado) (collectively, Applicants), filed a joint application under section 203 of the Federal Power Act (FPA)(1) for Commission authorization for the transfer of indirect control of the Applicants' jurisdictional facilities to a new holding company being formed by

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(1) 16 U.S.C. Section 824b (1994).

Applicants' parent company, Reliant Energy, Inc. (REI).(2) Applicants also request approval for the subsequent indirect transfer of control that will result from the distribution of the stock of Reliant Resources, Inc. (Reliant Resources) to shareholders. The proposed corporate realignment of certain wholly-owned subsidiaries is the final step in a corporate realignment to separate REI's regulated electric and natural gas businesses from Reliant Resources's wholesale electric generation, trading and retail energy services businesses. Although Applicants believe that the transaction may not require Commission approval under section 203, Applicants consent to jurisdiction in order to obtain approval of their application. Thus, jurisdiction over the proposed transfer is assumed, without making any determination of jurisdiction.(3)

Reliant Energy Aurora, Reliant Energy Coolwater, Reliant Energy Desert Basin, Reliant Energy Ellwood, Reliant Energy Etiwanda, Reliant Energy Indian River, Reliant Energy Mandalay, Reliant Energy Maryland, Reliant Energy Mid-Atlantic, Reliant Energy New Jersey, Reliant Energy Ormond Beach, Reliant Energy Osceola and Reliant Energy Shelby County are independent power producers authorized by the Commission to sell electric power at market-based rates and have received Commission authorization to operate as exempt wholesale generators.

RES is a power marketers authorized by the Commission to sell electric power at market-based rates. RES also markets natural gas.

El Dorado is a independent power producer authorized by the Commission to sell electric power at market-based rates.

Reliant Resources, a subsidiary of REI, owns the wholesale generation, trading and retail energy services businesses of REI.

According to the application, the overall corporate realignment plan for REI will lead to the separation of its regulated electric and natural gas transmission and distribution businesses, along with some other businesses, from its wholesale electric

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(2) REI is an exempt public utility company under the Public Utility Holding Company Act of 1935, but is not a public utility under the FPA. At present, all Applicants are indirect subsidiaries of REI and, except for RES, are direct or indirect subsidiaries of Reliant Energy Power Generation, Inc. (REPG).

(3) See, Ocean State Power, 47 FERC Paragraph 61,321 at 62,130 (1989) and Ocean State Power, 43 FERC Paragraph 61,466 (1988). See also, National Electric Associates L.P., 80 FERC Paragraph 62,116 at 64,191 at n.2 (1997).

generation, trading and retail energy services businesses.(4) REI will initiate the proposed corporate reorganization by first creating a new subsidiary, CenterPoint. CenterPoint will then form a new wholly-owned subsidiary, Mergerco. Then, Mergerco will merge with REI, with REI's common stock converting into CenterPoint common stock on a one-for-one basis. REI will subsequently distribute all of the stock in its wholly-owned subsidiaries and all of the stock it owns in Reliant Resources, just over 80 percent, to CenterPoint. CenterPoint will then distribute, on a pro-rata basis, all of the stock it owns in Reliant Resources to the CenterPoint shareholders.

According to the application, the proposed transaction is consistent with the public interest and will not have an adverse effect on competition, rates or regulation. With respect to competition, Applicants state that the transaction will not adversely affect competition because it will not decrease the number of competitors in the market. Applicants also believe that the proposed transaction can only have pro-competitive effects since it will establish a new independent wholesale generation and trading company and retail service provider to compete in the market.

With regard to rates, Applicants state that the transaction will not have an adverse effect on rates because their wholesale sales are made under market-based rate authority, and because Applicants have no captive customers whose rates could potentially be affected. With respect to regulation, Applicants state that the proposed transaction will not adversely affect regulation because the Commission will continue to exercise regulatory authority over the Applicants. In addition, according to the application, none of the Applicants is subject to rate regulation by any state regulatory authority.

Notice of the application was published in the Federal Register with comments due on or before November 12, 2001. The Pennsylvania Public Utility Commission, the Arkansas Public Service Commission and the Louisiana Public Service Commission filed timely notices of intervention. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,(5) the timely, unopposed notices of intervention serve to make the Pennsylvania Public Utility Commission, the Arkansas Public Service Commission and the Louisiana Public Service Commission parties to this proceeding.

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(4) The first part of the corporate reorganization occurred during late 2000. See Reliant Energy Coolwater, LLC, et al., 93 FERC Paragraph 62,152.

(5) 18 C.F.R. Section 385.214(a)(2)(2001).

After consideration, it is concluded that the proposed transaction is consistent with the public interest and is authorized, subject to the following conditions:

(1) The proposed transaction is authorized upon the terms and conditions and for the purposes set forth in the application;

(2) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of cost, or any other matter whatsoever now pending or which may come before the Commission.

(3) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted;

(4) The Commission expressly reserves the right, pursuant to sections 203(b) and 309 of the Federal Power Act, to place further conditions on the transfer for good cause shown;

(5) Applicants shall make appropriate filings under section 205 of the FPA, as necessary, to implement the transaction; and

(6) Applicants shall notify the Commission within 10 days of the date that the disposition of jurisdictional facilities has been consummated.

Authority to act on this matter is delegated to the Director, Division of Tariffs and Rates - West, pursuant to 18 C.F.R. Section 375.307. This order constitutes final agency action, Requests for rehearing by the Commission may be filed within thirty (30) days of the date of issuance of this order, pursuant to 18 C.F.R. Section 385.713.

/s/ Michael A. Coleman

Michael A. Coleman
Director
Division of Tariffs and Rates - West

NEW REI NONUTILITY SUBSIDIARIES (POST-DISTRIBUTION)

To the extent that the Commission does not agree that a particular subsidiary is retainable under the standards of the Act, Applicants request the Commission reserve jurisdiction over the retention of that subsidiary for a period of one year from the date of the Initial Order. If it appears that New REI will continue to be a registered holding company beyond that period, Applicants will file a post-effective amendment seeking authority to retain the subsidiary prior to the expiration of that period.

1. Finance Subsidiaries:

Reliant Energy Investment Management, Inc., a Delaware corporation that will be a wholly-owned subsidiary of New REI, holds shares of stock of Time Warner AOL that was received in connection with the 1996 sale of certain telecommunications businesses.

Prior to its acquisition of NorAm Energy Corp. in 1997, the regulated electric-utility operations were a subsidiary of a holding company then known as Houston Industries. One of Houston Industries' unregulated business ventures was the acquisition and operation of cable television systems in a variety of locations. In 1995, Houston Industries sold its systems to Time Warner, receiving in consideration a substantial number of shares of convertible preferred stock of Time Warner. To avoid the risks inherent in holding a volatile stock such as Time Warner and to capture the value of its appreciation, Houston Industries monetized the stock in 1999 by the issuance of Zero Interest Exchange Notes, or ZENS. The notes, which mature in 2029, bear interest at 2% per annum plus the amount of any cash dividends paid on the related TimeWarner shares and are redeemable at a price tied to the price of Time Warner (now AOL Time Warner) common stock. REI still holds title to the underlying AOL Time Warner common stock, which serves as a hedge against changes in the value of the ZENS, through Reliant Energy Investment Management, Inc.

While Applicants believe that Reliant Energy Investment Management, Inc. is a retainable finance subsidiary consistent with Commission precedent, see, e.g., Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000), or, in the alternative, the underlying securities were acquired "in the ordinary course of business" consistent with Commission precedent under Section 9(c)(3) of the Act, see, e.g., Alabama Power Co., Holding Co. Act Release No. 24951 (Sept. 11, 1989), they would request the Commission to reserve jurisdiction over the retention of this subsidiary for a period of one year from the date of the Initial Order. If it appears that New REI will remain a registered holding company beyond the expiration of that period, Applicants will file a timely post-effective amendment for authority to retain this subsidiary.

Reliant Energy Transition Bond Company LLC, a Delaware limited liability company that will be a wholly-owned subsidiary of New REI, has issued securitization bonds in connection with the Electric Restructuring. Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000).

Other Financial Subsidiaries - See Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000) (authorizing retention of financing subsidiaries/trusts); see also New Century Energies, Holding Co. Act Release No. 26750 (Aug. 1, 1997) (authorizing Southwestern Public Service Capital I, a trust formed to facilitate certain financing transactions); Conectiv, Inc., Holding Co. Act Release No. 26833 (Feb. 26, 1998) (authorizing retention of financing trust); Dominion Resources, Holding Co. Act Release No. 27112 (Dec. 15, 1999) (authorizing retention of financing subsidiaries); SCANA Corp., Holding Co. Act Release No. 27135 (Feb. 14, 2000).

- HL&P Capital Trust I, a Delaware business trust (100% owned)
- HL&P Capital Trust II, a Delaware business trust (100% owned)
- Houston Industries FinanceCo GP, LLC (100% owned)
- Houston Industries FinanceCo LP (99% to be owned by New REI, 1% owned by Houston Industries FinanceCo GP, LLC)
- Houston Industries Funding Company (100% owned) (finance company for foreign utility operations that are in the process of being divested)
- REI Trust I, a Delaware business trust (100% owned)
- REI Trust II, a Delaware business trust (100% owned)
- Reliant Energy FinanceCo II GP, LLC (100% owned)
- Reliant Energy FinanceCo II LP (99% to be owned by New REI, 1% owned by Reliant Energy FinanceCo II GP, LLC)
- Reliant Energy FinanceCo III GP, LLC (100% owned)
- Reliant Energy FinanceCo III LP (99% to be owned by New REI, 1% owned by Reliant Energy FinanceCo III GP, LLC)
- Reliant Energy FinanceCo IV GP, LLC (100% owned)
- Reliant Energy Finance Co IV LP(99% to be owned by New REI, 1% owned by Reliant Energy FinanceCo IV GP, LLC)
- NorAm Financing I, a Delaware business trust (100% owned by GasCo)
- Reliant Energy Funds Management, Inc., a Delaware corporation (100% owned)
- MRT Holdings, Inc., a Delaware corporation (100% owned by Mississippi River Transmission Corporation which, in turn, is 100% owned by GasCo) (holds intercompany note from associate nonutility company)
- Reliant Energy Field Services Holdings, Inc., a Delaware corporation (100% owned by Reliant Energy Field Services, Inc. which, in turn, is 100% owned by GasCo) (hold intercompany notes from associate nonutility company)
- Reliant Energy Retail Interests, Inc., a Delaware corporation (100% owned) (holds intercompany note from associate nonutility company)

Arkansas Louisiana Finance Corporation, a Delaware corporation (100% owned), provides appliance financing to GasCo utility customers and others with the GasCo service territory. See Rule 48.

2. Inactive Subsidiaries -

The following are inactive subsidiaries. Unless otherwise noted, the following companies will be direct, wholly-owned subsidiaries of New REI. Additional authority will be requested as necessary for any inactive subsidiary that New REI reactivates.

- CenterPoint Energy, Inc., a Delaware corporation
- HL&P Receivables, Inc., a Delaware corporation
- Houston Industries Energy (UK), Inc., a Delaware corporation
- Houston Industries Incorporated, a Texas corporation
- Houston Lighting & Power Company, a Texas corporation
- NorAm Energy Corp., a Delaware corporation
- Reliant Energy Products, Inc., a Delaware corporation
- Reliant Energy Water, Inc., a Delaware corporation
- Utility Rail Services, Inc., a Delaware corporation
- UFI Services, Inc., a Delaware corporation
- ALG Gas Supply Company, a Delaware corporation
- Allied Materials Corporation, a Texas corporation
- Arkla Industries Inc., a Delaware corporation
- Arkla Products Company , a Delaware corporation
- Blue Jay Gas Company, a Delaware corporation
- Entex NGV, Inc., a Delaware corporation
- Entex Oil & Gas Co., a Texas corporation
- Intex, Inc., a Texas corporation
- National Furnace Company, a Texas corporation
- NorAm Utility Services, Inc., a Delaware corporation
- Reliant Energy Consumer Group, Inc., a Delaware corporation
- Reliant Energy Hub Services, Inc., a Delaware corporation
- Reliant Energy Tegco, Inc., a Delaware corporation
- United Gas, Inc., a Texas corporation

3. Energy-Related Companies

Reliant Energy Power Systems, Inc., a Delaware corporation that will be a wholly-owned subsidiary of New REI, invests in fuel cell technology. See Rule 58(b)(1)(ii); see also National Grid Group plc, Holding Co. Act Release No. 27490 (Jan. 16, 2002) (authorizing retention of a subsidiary that "is engaged indirectly in nonutility businesses such as telecommunications, including the development, deployment and operation of a fiber optic network, research in and the development of fuel cell and battery technology, the development of photovoltaic and other renewable energy products, and the provision of remote power and renewable energy systems solutions").

Reliant Energy Thermal Systems, Inc., a Delaware corporation that will be a wholly-owned subsidiary of New REI, provides energy management services to commercial and industrial customers and, through subsidiaries, Northwind Houston L.L.C. (a Delaware limited liability company that is 75% owned by Reliant Energy Thermal Systems, Inc.), Reliant Energy

Thermal Systems (Delaware), Inc. (a Delaware corporation that is 100% owned by Reliant Energy Thermal Systems, Inc.) and its subsidiary Northwind Houston L.P. (a Delaware limited partnership that is 74.61% owned by Reliant Energy Thermal Systems (Delaware), Inc.), is engaged in the ownership and operation of district energy systems, which deliver chilled water to office buildings and other facilities. See Rule 58(b)(1)(vi).

4. Real Estate

Reliant Energy Properties, Inc., a Delaware corporation that will be a wholly-owned subsidiary of New REI, owns a public parking garage that is used by company employees and others. The garage is adjacent to REI's offices and connected by a covered walkway; the company subsidizes employee parking. See New Century Energies, Inc., Holding Co. Act Release No. 26748 (Aug. 1, 1997) (authorizing retention of a dedicated real-estate subsidiary).

MRT Services Company, a Delaware corporation that will be a wholly-owned subsidiary of New REI, is the lessor of real estate associated with telecommunications towers and, as well as a canal acquired in connection with Reliant Resources' California generation projects. Applicants request the Commission reserve jurisdiction over the retention of this subsidiary for a period of one year from the date of the Initial Order. If it appears that New REI will continue to be a registered holding company beyond that period, Applicants will file a post-effective amendment seeking authority to retain this subsidiary prior to the expiration of that period.

5. Foreign Utility Companies

Reliant Energy International, Inc., a Delaware corporation that will be wholly-owned by New REI, holds foreign utility investments, which are in the process of being divested. As explained in the text of the application, effective December 1, 2000 (Measurement Date), REI's board of directors approved a plan to dispose of its Latin America and Indian business segment through sales of assets. At the time, REI's major Latin America investments consisted of interests in cogeneration projects, utilities and other power projects in Argentina, Brazil and Colombia. Its Indian investment consists of a minority interest in a coke calcining plant and associated electric generating facility ("Rain"). By December 2001, REI had disposed of all of its Latin America assets except for its Argentine investments, which consist of a 100% interest in a corporation formed to develop, own and operate a 160 MW cogeneration project ("Argener") located at a steel plant near San Nicolas, Argentina and a 90% interest in a utility in north-central Argentina ("EDESE"). Argener, EDESE, and Rain are all foreign utility companies within the meaning of Section 33 of the Act.

The ownership chain for each of these projects is as follows:

Argener - Reliant Energy Light, Inc., which is a wholly-owned Delaware subsidiary of Reliant Energy International, Inc., owns 100% of the outstanding voting securities of Reliant Energy Cayman Holdings Ltd., a Cayman entity that, in turn owns 99% of Reliant

Energy Argentina S.A., an Argentine entity that owns 51% of Reliant Energy Argener S.A., an Argentine entity,1 and 99.94% of Reliant Energy Opco S.A., also an Argentine entity.

EDESE - Reliant Energy Santiago del Estero, S.A., which is a wholly-owned subsidiary of Reliant Energy International, Inc., owns 99% of the outstanding voting securities of Empresa Deistribuidora de Electricidad de Santiago del Estero S.A. ("EDESE"), an Argentine entity.

Rain - Reliant Energy International II, Inc. is a wholly-owned Delaware subsidiary of Reliant Entergy International, Inc. that has three wholly-owned direct subsidiaries: HIE Ford Heights, Inc., a Delaware corporation; HIE Fulton, Inc., a Delaware corporation, and Reliant Energy India, Inc., a corporation formed under the laws of Mauritania. Reliant Energy India, Inc., in turn, owns all of the outstanding voting securities of Reliant Energy Rain, Inc, a Mauritania corporation that, in turns, owns 24.79% of Rain Calcining Limited, formed under Indian law, that holds the subject coke calcining plant and associated electric generating facility.

Each of the intermediate entities in the above chains is retainable under Commission precedent.

There are certain direct and indirect subsidiaries of Reliant Energy International, Inc. that were formed in connection with the divested foreign utility operations and are now in the process of being dissolved. They are:

- HI Energy Holdings I B.V., a wholly-owned Dutch subsidiary of Reliant Energy International, Inc.
- Reliant Energy Brazil Ltd., a wholly-owned Cayman subsidiary of Reliant Energy International, Inc., and its subsidiaries, HIE Brasil Rio Sul Ltda., a 20% owned Brazilian entity, and Reliant Energy International Brasil Ltda, a 99.9% owned Brazilian entity.
- Reliant Energy Brazil Ltda., a Brazilian entity that is 99.995% owned by Reliant Energy International, Inc.
- Reliant Energy Brazil Tiete Ltd., a wholly-owned Cayman subsidiary.
- Reliant Energy Brazil Ventures Ltd., a wholly-owned Cayman subsidiary.
- Reliant Energy Colombia Ltda., a Colombian subsidiary that is 99% owned by Reliant Energy International, Inc.
- Reliant Energy Holdings, Ltd., a wholly-owned Cayman subsidiary.
- Reliant Energy International Holdings, LLC, a wholly-owned Delaware subsidiary, and its 99% owned subsidiary Reliant Energy El Salvador, S.A. de C.V., which was formed under the laws of El Salvador.
- Reliant Energy Cayman Investments Ltd., a wholly-owned Cayman subsidiary of Reliant Energy, Inc., owns 100% of each of Reliant Energy Cayman Ltd. and Reliant Energy Cayman Acquisitions Ltd., both Cayman entities.

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(1) The remaining 49% of this subsidiary is owned by Reliant Energy Argentine Holdings, Ltd.

- Reliant Energy Outsource Ltd., a Cayman entity that is a wholly-owned subsidiary of Reliant Energy International, Inc., and its 50%-owned Cayman subsidiary Venus Generation El Salvador.

- Reliant Energy Salvador Holding Company Ltd., a wholly-owned Cayman subsidiary of Reliant Energy International Inc.

- Worldwide Electric Holdings B.V., a wholly-owned Dutch subsidiary of Reliant Energy International, Inc.

6. Gas-Related Companies

Unless otherwise noted, each of these companies is a wholly-owned subsidiary of GasCo.

Mississippi River Transmission Corporation, a Delaware corporation, owns and operates an interstate pipeline system that extends from East Texas and Northern Louisiana to the St. Louis metropolitan area. See, e.g., NiSource Inc., Holding Co. Act Release No. 27263 (Oct. 30, 2000). Under Rule 58(b)(2)(i), gas registered holding companies may acquire the securities of companies engaged in "gas-related activities" within the meaning of Section 2(a) of the Gas-Related Activities Act of 1990, without Commission approval.

Reliant Energy Field Services, Inc., a Delaware corporation, owns and operates natural gas-gathering systems and provides related services in the mid-continent region, and through its wholly-owned subsidiary Reliant Energy Gas Processing, Inc., a Delaware corporation, owns an interest a natural gas processing plant. See PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000) (authorizing retention of gas gathering operations); see also Rule 58(b)((1)(ix) and (b)(2).

Reliant Energy Gas Transmission Company, a Delaware corporation, owns and operates an interstate pipeline system located in the mid-continent region. See, e.g., NiSource Inc., Holding Co. Act Release No. 27263 (Oct. 30, 2000). Under Rule 58(b)(2)(i), gas registered holding companies may acquire the securities of companies engaged in "gas-related activities" within the meaning of Section 2(a) of the Gas-Related Activities Act of 1990, without Commission approval.

Reliant Energy Pipeline Services, Inc., a Delaware corporation, is engaged in pipeline project management and facility operation services and through its wholly-owned subsidiary Reliant Energy OQ, LLC, organized under the laws of Delaware, and its indirect partially-owned subsidiary OQ Partners, a general partnership organized under the laws of Texas (50% owned by Reliant Energy OQ, LLC). See Rule 58(b)(2).

Gas sales and marketing subsidiaries -- See, e.g., NiSource Inc., Holding Co. Act Release No. 27263 (Oct. 30, 2000); see also Rule 58(b)(1)(iv)(defining energy related companies to include entities engaged in "the brokering and marketing of energy commodities, including but not limited to electricity or natural or manufactured gas or other combustible fuels"):

- Entex Fuels, Inc., a Texas corporation
- Entex Gas Marketing Company, a Texas corporation
- Entex Gas Resources Corp., a Texas corporation
- Reliant Energy Retail, Inc., a Delaware corporation
- MRT Energy Marketing Company, a Delaware corporation

Intrastate Pipeline Operations -- See, e.g., NiSource Inc., Holding Co. Act Release No. 27263 (Oct. 30, 2000). Under Rule 58(b)(2)(i), gas registered holding companies

may acquire the securities of companies engaged in "gas-related activities" within the meaning of Section 2(a) of the Gas-Related Activities Act of 1990, without Commission approval.:

- Reliant Energy Intrastate Holdings, LLC, a Delaware limited liability company
- Illinois Gas Transmission Company, a Delaware corporation
- Industrial Gas Supply Corporation, a Texas corporation o Louisiana Unit Gas Transmission Company, a Texas corporation
- Minnesota Intrastate Pipeline Company, a Delaware corporation
- Unit Gas Transmission Company, a Texas corporation
- Pine Pipeline Acquisition Company, LLC, a Delaware limited liability company (81.4% owned by GasCo)

7. Other subsidiaries

Reliant Energy Trading and Transportation Group, Inc., a Texas corporation that will be a wholly-owned subsidiary of New REI, provides administrative payroll services to associate companies at cost determined in accordance with Rules 90 and 91. The subsidiary is not engaged in other businesses. Applicants request that the Commission reserve jurisdiction over the retention of this company for a period of one year from the date of the Initial Order. If it appears that New REI will continue to be a registered holding company past that date, Applicants will file a post-effective amendment concerning the treatment of this company prior to the expiration of the one-year period.

RELIANT RESOURCES, INC., based in Houston, Texas, provides electricity and energy services to wholesale and retail customers in the U.S. and Europe, marketing those services under the Reliant Energy brand name. It has more than 21,000 megawatts of power generation capacity in operation, under construction or under contract in the U.S. The company also has wholesale trading and marketing operations and nearly 3,500 megawatts of power generation in operation in Western Europe. At the retail level, Reliant Resources provides a complete suite of energy products and services to 1.7 million electricity customers in Texas ranging from residences and small businesses to large commercial, institutional and industrial customers. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000). Neither Reliant Resources nor any of its subsidiary companies is a public-utility company or a holding company within the meaning of the Act.

Reliant Resources currently is a majority-owned subsidiary of Reliant Energy (NYSE: REI).

Applicants request that the Commission reserve jurisdiction over retention of the subsidiaries of Reliant Resources pending completion of the Distribution. In the event that it appears that the Distribution will not occur within one year of the date of the initial order, Applicants will file a post-effective amendment prior to the expiration of that one-year period.

RETAIL GROUP

Arkla Finance Corporation is a wholly-owned subsidiary of Reliant Resources, Inc. and provides financial services. It is an inactive subsidiary.

Reliant Energy Broadband, Inc. is a wholly-owned subsidiary of Reliant Resources, Inc. and a holding company for investments in broadband services. See Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000), citing GPU, Inc., Holding Co. Act Release No. 27165 (Apr. 14, 2000) (authorizing registered holding company to engage in telecommunications activities). Applicants believe that Reliant Energy Broadband, Inc. would also qualify as an "exempt telecommunications company" under Section 34 of the Act and, in the event the Distribution is not completed within one year of the date of the Initial Order, will file an application with the Federal Communications Commission ("FCC") for a determination of status as same.

Insync Internet Services, Incorporated is an inactive subsidiary.

Reliant Energy Communications, Inc. and its subsidiary Reliant Energy Communications (Delaware), LLC provide telecommunications and internet services. See Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000), citing GPU, Inc., Holding Co. Act Release No. 27165 (Apr. 14, 2000) (authorizing registered holding company to engage in telecommunications activities). Applicants believe that each of these entities would also qualify as an "exempt telecommunications company" under Section 34 of the Act. During the third quarter of 2001, management decided to exit this business. Substantially all of the assets were sold in the first quarter of 2002.

Reliant Energy Net Ventures, Inc. is a wholly-owned subsidiary of Reliant Resources, Inc. and invests in e-business ventures. Reliant Energy CapTrades Holding Corp. is the limited partner of CapTrades, LP. CapTrades GP, LLC is a wholly-owned subsidiary of Reliant Energy Net Ventures, Inc. and is the general partner of CapTrades, LP. CapTrades, LP is a limited partnership of Cap Trades, LLC and Reliant Energy CapTrades Holding Corp. and invests in e-commerce development. See Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000), citing GPU, Inc., Holding Co. Act Release No. 27165 (Apr. 14, 2000) (authorizing registered holding company to engage in telecommunications activities). Applicants believe that each of these entities would also qualify as an "exempt telecommunications company" under Section 34 of the Act and, in the event the Distribution is not completed within one year of the date of the Initial Order, will file an application with the Federal Communications Commission ("FCC") for a determination of status as same.

Reliant Energy Retail Holdings, LLC is a wholly-owned subsidiary of Reliant Resources, Inc. and a holding company for retail sales subsidiaries. Reliant Energy Customer Care Services, LLC is a wholly-owned subsidiary of Reliant Energy Retail Holdings, LLC and provides retail customer service. Reliant Energy Retail Services, LLC is a wholly-owned subsidiary of Reliant Energy Retail Holdings, LLC and provides retail customer service. Reliant Energy Electric Solutions, LLC is a wholly-owned subsidiary of Reliant Energy Retail Holdings, LLC and provides retail customer service. Reliant Energy Solutions, LLC is a wholly-owned subsidiary of Reliant Energy Retail Holdings, LLC and provides integrated energy solutions to large commercial customers. Reliant Energy Solutions California, Inc. is a wholly-owned subsidiary of Reliant Energy Retail Holdings, LLC and provides integrated energy solutions to large commercial customers in California. Reliant Energy Capital, LLC is a wholly-owned subsidiary of Reliant Energy Retail Holdings, LLC and is the limited partner of Reliant Energy Capital, LP. Reliant Energy Capital, LP is a limited partnership of Reliant Energy Capital, LLC and Reliant Energy Solutions, LLC and is inactive. Reliant Energy Solutions Holdings, LLC is a wholly-owned subsidiary of Reliant Energy Retail Holdings, LLC and is the holding company for Reliant Energy Solutions East, LLC. Reliant Energy Solutions East, LLC is a wholly-owned subsidiary of Reliant Energy Retail Holdings, LLC and has applied for certification as a retail electric provider in the State of Pennsylvania.Texas Star Energy Company is a wholly-owned subsidiary of Reliant Energy Retail Holdings, LLC and is a namesaver not engaged in any active trade or business. StarEn Power, LLC is a wholly-owned subsidiary of Reliant Energy Retail Holdings, LLC and is certified retail electric provider in the State of Texas. See Rule 58(b)(1)(i) (defining energy related companies to include entities engaged in the "rendering of energy management services and demand-side management") and (b)(1)(v)(defining energy related companies to include entities engaged in "the brokering and marketing of energy commodities, including but not limited to electricity or natural or manufactured gas or other combustible fuels").

Reliant Energy Services, Inc. is a wholly-owned subsidiary of Reliant Resources, Inc. and is authorized by the Federal Energy Regulatory Commission ("FERC") to sell power at market-based rates. NorAm Energy Services, Inc., Docket No. ER94-1247-000 (July 25, 1994), and Reliant Energy Services, Inc., Docket No. ER99-1801-000 (1999). Reliant Energy Services Channelview LLC is a wholly-owned subsidiary of Reliant Energy Services, Inc. and markets power for Reliant Energy Channelview, LP. Reliant Energy Services Desert Basin, LLC is a wholly-owned subsidiary of Reliant Energy Services, Inc. and will provide power marketing for Reliant Energy Desert Basin, LLC. See Rule 58 (b)(1)(v)(defining energy related companies to include entities engaged in "the brokering and marketing of energy

commodities, including but not limited to electricity or natural or manufactured gas or other combustible fuels").

Reliant Energy Gas Storage, LLC is a wholly-owned subsidiary of Reliant Energy Services, Inc. and is developing gas storage facilities. Reliant Energy Gas Storage Napoleonville, LLC is a wholly-owned subsidiary of Reliant Energy Gas Storage, LLC and is developing a gas storage facility in Louisiana. Reliant Energy Services Mid-Stream, LLC is a wholly-owned subsidiary of Reliant Energy Services, Inc. and operates and services unregulated natural gas pipelines. Reliant Energy Services New Mexico, LLC is a wholly-owned subsidiary of Reliant Energy Services, Inc. and markets natural gas. Under Rule 58(b)(2)(i), gas registered holding companies may acquire the securities of companies engaged in "gas-related activities" within the meaning of Section 2(a) of the Gas-Related Activities Act of 1990, without Commission approval. See also PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000) (authorizing retention of gas gathering operations) and Rule 58(b)((1)(ix).

Reliant Energy Services International, Inc. is a wholly-owned subsidiary of Reliant Resources, Inc. and is a holding company for Canadian trading and marketing. Reliant Energy Services Canada, Ltd. is a wholly-owned subsidiary of Reliant Energy Services International, Inc. and engages in trading and marketing services in Canada. See Cinergy Corp., Holding Co. Act Release No. 27393 (May 4, 2001) (authorizing Cinergy to engage, indirectly through any one or more of Cinergy's existing or future nonutility subsidiaries, in the brokering and marketing of energy commodities in the United States and Canada).

Reliant Energy Trading Exchange, Inc. is a wholly-owned subsidiary of Reliant Resources, Inc. and is a holding company for minority investments in trading and marketing e-commerce. Energy Platform Trading Holding Company, Inc. is a trading and marketing company in which Reliant Energy Trading Exchange, Inc. owns approximately a 16% interest. IntercontinentalExchange, LLC is a trading and marketing company in which Reliant Energy Trading Exchange, Inc. owns approximately a 5% interest. These entities are retainable in reliance on Rule 58 (b)(1)(v)(defining energy related companies to include entities engaged in "the brokering and marketing of energy commodities, including but not limited to electricity or natural or manufactured gas or other combustible fuels")

Reliant Resources International Services, Inc. is an inactive wholly-owned subsidiary of Reliant Resources, Inc.

Reliant Energy Ventures, Inc. is a wholly-owned subsidiary of Reliant Resources, Inc. that provides venture capital for small energy-related companies, and owns approximately a 4.7 % interest in Itron, Inc., a Washington manufacturer of remote electric meters. See Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000) (authorizing retention of interest in venture capital fund investing in energy-related businesses).

ReliantEnergy.com, Inc. is an inactive wholly-owned subsidiary of Reliant Resources, Inc.

WHOLESALE GROUP

RELIANT ENERGY POWER GENERATION, INC. is a wholly-owned subsidiary of Reliant Resources, Inc. that acquires, develops, and operates non-rate-regulated power generation projects throughout the United States and the Netherlands. It is a "project parent" consistent with Commission precedent. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Its subsidiaries are as follows:

Mid-Atlantic region

Reliant Energy Mid-Atlantic Development, Inc. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and a holding company for power development companies in the mid-Atlantic states. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Reliant Energy Atlantic, LLC is a wholly-owned subsidiary of Reliant Energy Mid-Atlantic Development, Inc. and is developing a power generation facility in New Jersey. Reliant Energy Erie West, LLC is a wholly-owned subsidiary of Reliant Energy Mid-Atlantic Development, Inc. and is developing a power generation facility in Pennsylvania. Reliant Energy Gilbert, LLC is a wholly-owned subsidiary of Reliant Energy Mid-Atlantic Development, Inc. and is developing a power generation facility in New Jersey. Reliant Energy Hunterstown, LLC is a wholly-owned subsidiary of Reliant Energy Mid-Atlantic Development, Inc. and is developing a power generation facility in Pennsylvania. Reliant Energy Portland, LLC is a wholly-owned subsidiary of Reliant Energy Mid-Atlantic Development, Inc. and is developing a power generation facility in Pennsylvania. Reliant Energy Seward, LLC is a wholly-owned subsidiary of Reliant Energy Mid-Atlantic Development, Inc. and is developing a power generation facility in Pennsylvania. Reliant Energy Titus, LLC is a wholly-owned subsidiary of Reliant Energy Mid-Atlantic Development, Inc. and is developing a power generation facility in Pennsylvania. Reliant Energy Northeast Holdings, Inc. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and holding company for subsidiaries operating in the Mid-Atlantic region. Reliant Energy Northeast Generation, Inc. is a wholly-owned subsidiary of Reliant Energy Northeast Holdings, Inc. and holding company for subsidiaries operating in the Mid-Atlantic region. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Reliant Energy Key/Con Fuels, LLC is a wholly-owned subsidiary of Reliant Energy Northeast Generation, Inc. and provides fuel for generation facilities in Pennsylvania. See Rule 58(b)(1)(ix).

Reliant Energy Mid-Atlantic Power Holdings, LLC is a wholly-owned subsidiary of Reliant Energy Northeast Generation, Inc. and holding company for subsidiaries operating in the Mid-Atlantic region. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

In 1999, Reliant Resources indirectly acquired certain capacity from unaffiliated EWGs. This capacity is now owned by: Reliant Energy Maryland Holdings, LLC, which is a wholly-owned subsidiary of Reliant/Energy Mid-Atlantic Power Holdings, LLC, that sells power at wholesale in Maryland; Reliant Energy Mid-Atlantic Power Services, Inc., which is a wholly-owned subsidiary of Reliant Energy Mid-Atlantic Power Holdings, LLC, that sells power at wholesale in the Mid-Atlantic region; and Reliant

Energy New Jersey Holdings, LLC, a wholly-owned subsidiary of Reliant Energy Mid-Atlantic Power Holdings, LLC that sells power at wholesale in New Jersey. Each of these entities has market-based rate authority form the FERC. See Rule 58(b)(1)(v).

Reliant Energy Construction, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and provides finance and other services for power generation facilities. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Midwest region

Reliant Energy Aurora Holding Corp. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is a holding company for generation assets in Aurora, Illinois. Reliant Energy Aurora Development Corp. is the general partner of Reliant Energy Aurora I, LP and Reliant Energy Aurora II, LP. Reliant Energy Aurora I, LP is the limited partner of Reliant Energy Aurora II, LP. Reliant Energy Aurora II, LP is the limited partner of Reliant Energy Aurora, LP. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000). Reliant Energy Aurora, LP owns and operates a power project in Aurora, Illinois. Reliant Energy Aurora has been granted EWG status by the FERC and is authorized to sell power at wholesale at market-based rates. Reliant Energy Aurora, LP, 94 F.E.R.C. Paragraph 62,053 (2001) and Docket No. ER01-687 (2001).

Reliant Energy McHenry Development Corp. is the general partner of Reliant Energy McHenry I, L.P. Reliant Energy McHenry I, L.P. is the limited partner of Reliant Energy McHenry County, L.P. Reliant Energy McHenry II, L.P. is the general partner of Reliant Energy McHenry County, L.P. Reliant Energy McHenry County, L.P. is an inactive company.

Reliant Energy Shelby Holding Corp. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and the limited partner of Reliant Energy Shelby I, LP and Reliant Energy Shelby II, LP. Reliant Energy Shelby Development Corp. is a wholly-owned subsidiary of Reliant Energy Shelby Holding Corp. and the general partner of Reliant Energy Shelby I, LP and Reliant Energy Shelby II, LP. Reliant Energy Shelby I, LP is the general partner of Reliant Energy Shelby County, LP and Reliant Energy Shelby County II, LP. Reliant Energy Shelby II, LP is the limited partner of Reliant Energy Shelby County, LP and Reliant Energy Shelby County II, LP. Reliant Energy Shelby County, LP owns and operates a power generation facility in Shelby County, Illinois. Reliant Energy Shelby County II, LP was formed to provide equipment to the Reliant Shelby County project. Reliant Shelby County, LP has been granted EWG status by the FERC and is authorized to sell power at market-based rates. Reliant Energy Shelby County, LP, 91 F.E.R.C. Paragraph 62,025 (2000) and Docket No. ER00-1717 (2000).

Southeastern region

Reliant Energy Choctaw County, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is developing a power generation facility in Choctaw County, Mississippi. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Reliant Energy Florida Holdings, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and holding company for generation facilities in Florida. Reliant Energy Indian River, LLC is a *wholly-owned subsidiary of Reliant Energy Florida Holdings, LLC that owns an electric generation facility in Indian River, Florida. Reliant Indian River has been granted EWG status and is authorized to sell power at wholesale at market-based rates. Energy Indian River, LLC, 88 F.E.R.C. Paragraph 62,030 (1999) and Minergy Neenah, L.L.C., 88 F.E.R.C. Paragraph 61,102 (1999).

Reliant Energy New Smyrna Beach, LLC is a wholly-owned subsidiary of Reliant Energy Florida Holdings, LLC and is developing a power generation facility in New Smyrna Beach, Florida. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Reliant Energy Osceola, LLC, a wholly-owned subsidiary of Reliant Energy Florida Holdings, LLC, owns and operates a power generation facility in Osceola County, Florida. Reliant Osceola has been granted EWG status, Reliant Energy Osceola, LLC, 88 F.E.R.C. Paragraph 62.256 (1999), and authority to sell power at market-based rates, Middletown Power, LLC, 89 F.E.R.C. Paragraph 61,151 (1999).

Southwestern Region

Reliant Resources, through Reliant Energy Power Generation, Inc., owns a 50 percent interest in El Dorado Energy, L.L.C., which is an EWG that owns a power generation facility in Boulder City, Nevada. The FERC has authorized El Dorado to sell power at market-based rates. El Dorado Energy, L.L.C., 85 F.E.R.C. Paragraph 61,006 (1998).

Reliant Energy Arrow Canyon, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is developing a power plant in Nevada. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Reliant Energy Bighorn, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is developing a power project in Nevada. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Reliant Energy Desert Basin, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. that owns a power generation facility in Arizona. Reliant River Basin has been granted EWG status by the FERC and is authorized to sell power at market-based rates. Reliant Energy River Basis, LLC, 89 F.E.R.C. Paragraph 62,160 (1999).

Reliant Energy Mesa Vista, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is developing a power generation facility in Arizona. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Reliant Energy Signal Peak, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is developing a power generation facility in Arizona. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Reliant Energy Sunrise, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is inactive.

Texas

Reliant Energy Channelview (Delaware) LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and a limited partner for Reliant Energy Channelview, L.P. Reliant Energy Channelview (Texas) LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and general partner of Reliant Energy Channelview LP. Reliant Energy Channelview LP owns and operates a cogeneration project in Channelview, Texas, that is a "qualifying facility" under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). See Rule 58(b)(1)(viii).

Reliant Energy Deer Park, Inc. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and operates a cogeneration facility in Deer Park, Texas. See Rule 58(b)(1(viii).

Reliant Energy Reeves County, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is developing gas storage facilities in Texas. See Rule 58(b)(1)(ix) and 58(b)(2).

Reliant Energy Renewables, Inc. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and a holding company for Reliant Energy Renewables Holdings, LLC. Reliant Energy Renewables Holdings, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the limited partner of subsidiaries developing generation facilities fueled by renewable resources in Texas. Reliant Energy Renewables Atascocita GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Atascocita, LP. Reliant Energy Renewables Baytown GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Baytown, LP.Reliant Energy Renewables Blue Bonnet GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Blue Bonnet, LP. Reliant Energy Renewables Coastal Plains GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Coastal Plains, LP. Reliant Energy Renewables Comal County GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Comal County, LP. Reliant Energy Renewables Conroe GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Conroe, LP. Reliant Energy Renewables Eastside GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Eastside, LP. Reliant Energy Renewables Fort Worth, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Fort Worth, LP. Reliant Energy Renewables Hillside GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Hillside, LP. Reliant Energy Renewables Lacy Lakeview GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Lacy Lakeview, LP. Reliant Energy Renewables Pecan Prairie GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Pecan Prairie, LP. Reliant Energy Renewables Security GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Security, LP. Reliant Energy Renewables Temple GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of

Reliant Energy Renewables Temple, LP. Reliant Energy Renewables Williamson County GP, LLC is a wholly-owned subsidiary of Reliant Energy Renewables, Inc. and the general partner of Reliant Energy Renewables Williamson County, LP. Reliant Energy Renewables Atascocita, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Baytown, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Blue Bonnet, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Coastal Plains, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Comal County, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Conroe, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Eastside, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Fort Worth, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Hillside, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Lacy Lakeview, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Pecan Prairie, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Security, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Temple, LP is developing a generation facility fueled by renewable resources in Texas. Reliant Energy Renewables Williamson County, LP is developing a generation facility fueled by renewable resources in Texas. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Reliant Energy Sabine (Delaware), Inc. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and a limited partner of Sabine Cogen, LP. Reliant Energy Sabine (Texas), Inc. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and the general partner of Sabine Cogen, LP. Sabine Cogen, LP owns and operated a cogeneration facility in Sabine, Texas that is a "qualifying facility." See Rule 58(b)(1)(vii).

Western region

Reliant Energy California Holdings, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is a holding company for power generation businesses in California. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Reliant Energy Mandalay, Inc., a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. that owns an electric generation facility located in California acquired from Southern California Edison Company, is an EWG. Reliant Energy Ormond Beach, Inc., a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. that owns a power generation facility in Oxnard, California acquired from Southern California Edison Company, is an EWG. Reliant Energy Etiwanda, Inc., a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. that owns a power generation facility in Rancho Cucamonga, California acquired from Southern California Edison Company, is an EWG. Reliant Energy Coolwater, Inc., a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. that owns a power generation facility in Daggett, California acquired from Southern California Edison Company, is an EWG. Reliant Energy Ellwood, Inc., a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. that owns a power generation facility in Goleta, California, is an EWG. Each of these EWGs has been authorized by the FERC to sell power at market-based rates. Ocean Vista Power Generation,

L.L.C., 82 F.E.R.C. Paragraph 61,114 (1998), and Ormond Beach Power Generation, L.L.C., 83 F.E.R.C. Paragraph 61,306 (1998).

Reliant Energy Rancho Cucamonga, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is developing a generation facility in Rancho Cucamonga, California. Reliant Energy Colusa County, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and is developing a power generation facility in Colusa County, California. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

MULTI-REGIONAL SUPPORT SERVICES

Reliant Energy Wholesale Service Company is a wholly-owned subsidiary of Reliant Resources, Inc. and provides administrative and support services for RRI's wholesale generation subsidiaries. Reliant Energy Development Services, Inc. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and provides generating facility operations and maintenance services. Reliant Energy Power Operations I, Inc. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and provides corporate support services for the wholesale group. Reliant Energy Power Operations II, Inc. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and provides corporate support services for the wholesale group. Reliant Energy Partsco, LLC is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. that purchases parts and provides other procurement services for generation facilities. See Rule 58(b)(1)(vii).

ORION POWER HOLDINGS, INC. is a holding company for merchant power generation plants and related assets in various regions of the eastern half of the United States. It is a wholly-owned subsidiary of Reliant Resources, Inc. that was acquired in February, 2002. The subsidiaries of Orion Power Holdings, Inc. are as follows:

Midwest Ceredo II Corporation is the direct parent company originally set up to purchase Ceredo Generating Station (dormant).

Midwest Ceredo Corporation is a company established to purchase the Ceredo Generating Station (dormant).

Ceredo Capacity, LLC is a company set up to purchase turbines for the Ceredo Generating Station (dormant).

Orion Power New York GP II, Inc. is a Delaware corporation established to own generating assets in New York (inactive).

Orion Power New York GP, Inc. is the general partner of Astoria Generating Company, LP, Erie Blvd. Hydropower, LP, and Carr Street Generating Station, LP. Orion Power New York LP, Inc. is the general partner of Orion Power New York, L.P. in Syracuse, NY. Orion Power New York, L.P. is a limited partnership that owns limited partnership interests in Astoria Generating Company, LP, Erie Blvd. Hydropower, LP, and Carr Street Generating Station, LP. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Astoria Generating Company, L.P. owns and operates generating facilities in New York. Astoria is an EWG. See Astoria Generating Co., L.P., 88 F.E.R.C. Paragraph 62,146 (1999). It also has market-based rate authority. See Minergy Neenah, L.L.C., 88 F.E.R.C. Paragraph 61,102 (1999).

Carr Street Generating Company, L.P. owns and operates generating facilities in New York. Carr Street is an EWG. See Carr St. Generating Co., L.P., 84 F.E.R.C. Paragraph 62,282 (1998). It also has market-based rate authority. See Carr St. Generating Co., 85 F.E.R.C. Paragraph 61,009 (1998).

Erie Boulevard Hydropower, L.P. owns and operates generating facilities in New York. Erie Boulevard is an EWG. See Erie Boulevard Hydropower, L.P, 87 F.E.R.C. Paragraph 61,378 (1999). It also has market-based rate authority. See Niagara Mohawk Power Corp,, 87 F.E.R.C. Paragraph 61,302 (1999).

Orion Power MidWest GP, Inc. is the general partner of Orion Power MidWest, L.P. in Pittsburgh, PA. Orion Power Midwest LP, Inc. is the limited partner of Orion Power MidWest, L.P. in Pittsburgh, PA. Orion Power MidWest, L.P. is an EWG that owns merchant power plants operating in PA and OH. Orion Power MidWest is an EWG. See Orion Power MidWest, L.P., 91 F.E.R.C. Paragraph 62,046 (2000). It also has market-based rate authority. See AmGen Vt., L.L.C., 90 F.E.R.C. Paragraph 61,307 (2000).

Midatlantic Liberty Corporation is a company that partially owns Liberty Electric PA, LLC. Midatlantic Liberty Member Corporation is a company that partially owns Liberty Electric PA, LLC. Midatlantic Liberty II Corporation is a company that partially owns Liberty Electric PA, LLC. Midatlantic Liberty Member II Corporation is a company that partially owns Liberty Electric PA, LLC. Liberty Electric PA, LLC is the direct parent company of Liberty Electric Power, LLC. Liberty Electric Power, LLC is an EWG that owns generating facilities in Pennsylvania. Liberty Electric is an EWG. See Liberty Electric Power, LLC, 89 F.E.R.C. Paragraph 62,252 (1999). It also has market-based rate authority. See Docket No. ER01-2398-000.

Twelvepole Creek, LLC is an EWG that owns generating facilities in Ceredo, WV. See Twelvepole Creek, LLC, 91 F.E.R.C. Paragraph 62,221 (2000). It also has market-based rate authority. See Twelvepole Creek, LLC, 94 F.E.R.C. Paragraph 61,162 (2001).

CPV Atlantic, Inc. is a Delaware corporation formed for the purpose of developing a generating facility in St. Lucie County, Florida. CPV Atlantic, Inc. owns CPV Atlantic, Ltd., the entity developing the project. CPV Atlantic, Ltd. is an EWG. See CPV Atlantic, Ltd., 94 F.E.R.C. F.E.R.C. Paragraph 62,193 (2001).

Orion Power Development Company, Inc. is a holding company for power plant development projects. . See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

OPD Group, Inc. is the parent company for various merchant power plant development projects. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Beaver River, LLC is a project company for the discontinued Beaver River project in PA. Midwest Beaver Corporation is a member company for the discontinued Beaver River project.

Midatlantic Kelson Corporation holds a 2% interest in Free State Free State Electric, LLC, which is a project company for Kelson Ridge project in MD. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Grane Creek, LLC is a project company for the discontinued Grane Creek project in KY. Midwest Henderson Corp. is a member company for the discontinued Grane Creek project.

Orion Power Atlantic, Inc. is the parent company of Orion Power Atlantic LLC. Orion Power Atlantic LLC is the direct parent company of Orion Power Atlantic Ltd. Orion Power Atlantic Ltd. is an EWG project company in Port St. Lucie, FL. See, e.g., PowerGen plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000).

Orion Power Operating Services, Inc. is the parent company of subsidiaries that operate and service power plants. Orion Power Operating Services MidAtlantic, Inc. is a corporation that operates power plants for Liberty Electric Power, LLC. Orion Power Operating Services Midwest, Inc. is a corporation that operates power plants for Orion Power MidWest, L.P. Orion Power Operating Services Astoria, Inc. is a corporation that operates power plants for Astoria Generating Company, LP. Orion Power Operating Services Coldwater, Inc. is a corporation that operates power plants for Erie Boulevard Hydropower, L.P. Orion Power Operating Services Carr Street, Inc. is a corporation that operates power plants for Carr Street Generating Station, L.P. The Commission Staff has concurred in the conclusion that operators of facilities owned by exempt wholesale generators, which are not considered to be public utility companies under the Act, are not public utility companies for purposes of the Act. See, e.g., Dow Chemical Canada, Inc., SEC No-Action Letter (June 9, 1994).

Midwest Ash Disposal, Inc. is a corporation that owns and operates a fly ash disposal site in Pittsburgh, PA. See CP&L Holdings, Inc., Holding Co. Act Release No. 27284 (Nov. 27, 2000) (permitting investment in fly ash disposal).

EUROPE GROUP

Reliant Energy Europe Trading & Marketing, Inc. is the holding company for Reliant Resources' European trading operations. Reliant Energy Financial Trading B.V. is a wholly-owned subsidiary of Reliant Energy Europe Trading & Marketing, Inc. that trades in financial derivatives on NORDPOOL, the Scandinavian power exchange. Reliant Energy Trading & Marketing, B.V. is a wholly-owned subsidiary of Reliant Energy Europe Trading & Marketing, Inc. in the Netherlands that engaged in power marketing and trading services in Europe. Reliant Energy Trading & Marketing GmbH is a wholly-owned German subsidiary of Reliant Energy Trading & Marketing, B.V. This entity is an origination office for energy trades but does not engage in transactions in its own name.

Reliant Energy Capital (Europe), Inc. is a wholly-owned subsidiary of Reliant Energy Power Generation, Inc. and a holding company for Reliant Energy Europe, Inc. Reliant Energy Trading and Marketing (UK) B.V. is a wholly-owned subsidiary of Reliant Energy Europe, Inc. that engages in energy trading and marketing operations in the U.K. The Applicants ask the Commission to reserve jurisdiction over the retention of these entities pending completion of the Distribution.

Reliant Energy Europe, Inc.is a wholly-owned subsidiary of Reliant Energy Capital (Europe), Inc. and a holding company for Netherlands-based power generation companies. Reliant Energy Wholesale (Europe) Holdings B.V. is a partner in the ownership structure of Reliant Energy UNA B.V. Reliant Energy Wholesale (Europe) Holdings II C.V. is a partner in the ownership structure of Reliant Energy UNA B.V. Reliant Energy Wholesale (Europe) C.V. is a partner in the ownership structure of Reliant Energy UNA B.V.

Reliant Energy UNA B.V., which is a "foreign utility company" within the meaning of Section 33 of the Act, is the sole shareholder of Reliant Energy Power Generation Benelux B.V. Reliant Energy Power Generation Benelux B.V. ("REPGB") is a wholly-owned subsidiary of Reliant Energy UNA, BV. REPGB is one of the Netherlands' four largest generating companies. In 2001, REPGB generated approximately 20% of the country's electricity production, excluding electricity generated by cogeneration or other industrial processes. As of December 31, 2001, REPGB owned and operated 134 generating stations with 3,496 megawatts of capacity. REPGB's generating stations also supply several large municipalities with hot water for district heating purposes. In 2001, approximately 47% of REPGB's generation output was natural gas fired, 15% was blast furnace fired, 38% was coal fired and less than 1% was oil fired.

REPGB also has the following investments:

BV Antraciet Handelsvereeniging (dormant)	100%	NTH
B.V. Nederlands Elektriciteit Administratiekantoor(1)	25%	NTH
Demkolec B.V. (environmental initiatives)	100%	NTH
N.V. GKN (holding company)	100%	NTH
COVRA B.V. (minority interest in generation)	30%	NTH
Electorisk NV(2)	21%	NTH
GKE BV (coal procurement)	16%	NTH
Howo GmbH (dormant)	10%	GER
KEMA NV (environmental consulting)	10%	NTH
NEM BV (engineering and consulting)	2%	NTH
Power Investments BV (in process of liquidating)	100%	NTH
Axima BV	45%	NTH
Power Projects BV (dormant)	50%	NTH
Power Services BV (dormant)	100%	NTH

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(1) This entity, which is in the process of liquidating, was formerly the pooling authority into which the four Dutch generating companies sold their output.

(2) This entity is a captive insurance company jointly owned by the four Dutch generating companies.

Power Total Maintenance BV (dormant)	50%	NTH
UNA Milieu NV (dormant)	100%	NTH
Ecosun BV	67%	NTH
Vasim BV ("green power" consulting)	15%	NTH
Vliegasunie BV (fly ash disposal)	16%	NTH

EXHIBIT G-7

EXTERNAL DEBT OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
(FORMERLY RELIANT ENERGY, INCORPORATED)
AMOUNTS AS OF JUNE 28, 2002

PRINCIPAL AMOUNT	MATURITY	RATINGS	TYPE OF SECURITY (IN MILLIONS)	RATE	DATE	MOODY'S/S&P	CUSIP
First Mortgage Bonds	$102.442	9.15%	3/15/21	A3/BBB+	442164 BL2	-	-
First Mortgage Bonds	62.275	8.75%	3/01/22	A3/BBB+	442164 BM0	-	-
First Mortgage Bonds	250.000	7.75%	3/15/23	A3/BBB+	442164 BP3	-	-
First Mortgage Bonds	200.000	7.75%	7/01/23	A3/BBB+	442164 BQ1	-	-
Total	$614.717	-	-	-	-	-	-

In addition to these four series of bonds, CenterPoint Energy Houston Electric, LLC has nine additional series of First Mortgage Bonds aggregating $546.5 million that are held by bond trustees as collateral for an equal principal amount of debt on which CenterPoint Energy, Inc. (the corporate parent of CenterPoint Energy Houston Electric, LLC) is the obligor.

EXTERNAL DEBT OF CENTERPOINT ENERGY, INC.
AMOUNTS AS OF JUNE 28, 2002

SERIES OF TAXABLE DEBT

At the time of the restructuring previously described, CenterPoint Energy, Inc. will expressly assume and become the primary obligor with respect to the following indebtedness. Such assumption is required by the terms of the applicable indentures.

PRINCIPAL AMOUNT	RATINGS OBLIGOR WHEN TYPE OF SECURITY (IN MILLIONS)	RATE	COLLATERAL	MATURITY DATE	MOODY'S/S&P	CUSIP	ISSUED(1)
Debentures	$ 100.00	7.875%	None	07/01/02	Baa1/BBB	442161 AD 7	HII
ZENS	1,000.00(2)	(2)	None	09/15/29	Baa3/BBB	15189T 20 6	REI
Medium Term Notes, Series C	150.00	6.500%	(3)	04/21/03	A3/BBB+	442164 BT 5	HL&P
Total	$1,250.00						

(1) HII = Houston Industries Incorporated REI = Reliant Energy, Incorporated HL&P = Houston Lighting & Power Company (2) $0.29125 per ZENS (or 2% per year on principal amount of $1 billion) plus "pass-through" of AOL common stock dividend (3) A series of First Mortgage Bonds issued by CenterPoint Energy Houston Electric, LLC with an interest rate that exceeds the interest rate on the related medium-term notes and a maturity date that is subsequent to the maturity date of the related medium-term notes.

SERIES OF TAX-EXEMPT DEBT At the time of the restructuring previously described, CenterPoint Energy, Inc. will expressly assume installment payment obligations relating to the following series of pollution control bonds. Such assumption is required by the terms of the applicable installment payment agreements.

PRINCIPAL OBLIGOR	AMOUNT	MATURITY	RATINGS WHEN ISSUER(1)	SERIES	(IN MILLIONS)	RATE	COLLATERAL	INSURER	DATE	MOODY'S/S&P	CUSIP ISSUED(2)
Brazos	1992A	$43.820	6.700%	(3)	AMBAC	03/01/17	Aaa/AAA	106214 CF 4	HL&P		
Matagorda	1992A	56.095	6.700%	(3)	AMBAC	03/01/27	Aaa/AAA	57652T AE 7	HL&P		
Brazos	1992B	33.470	6.375%	(3)	MBIA	04/01/12	Aaa/AAA	106214 CU 1	HL&P		
Gulf Coast	1992A	12.100	6.375%	(3)	MBIA	04/01/12	Aaa/AAA	401905 AF 1	HL&P		
Brazos	1993	83.565	5.600%	(3)	MBIA	12/01/17	Aaa/AAA	106214 DM 8	HL&P		
Gulf Coast	1993	16.600	4.900%	(3)	MBIA	12/01/03	Aaa/AAA	401905 AH 7	HL&P		
Brazos	1995	91.945	5.800%	(3)	MBIA	08/01/15	Aaa/AAA	106214 DN 6	HL&P		
Matagorda	1995	58.905	5.800%	(3)	MBIA	10/15/15	Aaa/AAA	57652T AG 2	HL&P		
Brazos	1997	50.000	5.050%	None	AMBAC	11/01/18	Aaa/AAA	106214 DX 4	HL&P		
Matagorda	1997	68.000	5.125%	None	AMBAC	11/01/28	Aaa/AAA	57652T AV 9	HL&P		
Matagorda	1998A	29.685	5.250%	None	MBIA	11/01/29	Aaa/AAA	57652T AL 1	HII		
Matagorda	1998B	75.000	5.150%	None	MBIA	11/01/29	Aaa/AAA	57652T AM 9	HII		
Brazos	1998A	100.000	5.125%	None	AMBAC	05/01/19	Aaa/AAA	106214 DQ 9	HII		
Brazos	1998B	90.000	5.125%	None	AMBAC	11/01/20	Aaa/AAA	106214 DR 7	HII		
Brazos	1998C	100.000	5.125%	None	AMBAC	05/01/19	Aaa/AAA	106214 DS 5	HII		
Brazos	1998D	68.700	4.900%	None	MBIA	10/01/15	Aaa/AAA	106214 DW 6	HII		
Gulf Coast	1999	19.200	4.700%	None	AMBAC	01/01/11	Aaa/AAA	401905 BK 9	HII		
Matagorda	1999A	100.000	5.250%	None	AMBAC	06/01/26	Aaa/AAA	57652T AW 7	HII		
Brazos	1999A	100.000	5.375%	None	04/01/19	Baa1/BBB	106214 DY 2	HII			
Matagorda	1999B	70.315	5.950%	None	05/01/30	Baa1/BBB	57652T AY 3	REI			
Brazos	1999B	100.000	5.200%	None	12/01/18	Baa1/BBB	106214 DZ 9	REI			
Matagorda	1999C	75.000	5.200%	None	05/01/29	Baa1/BBB	57652T AZ 0	REI			
Total	$1,442.400										

(1) Brazos = Brazos River Authority Matagorda = Matagorda County Navigation District Number One Gulf Coast = Gulf Coast Waste Disposal Authority (2) HL&P = Houston Lighting & Power Company HII = Houston Industries Incorporated REI = Reliant Energy, Incorporated (3) A series of First Mortgage Bonds issued by CenterPoint Energy Houston Electric, LLC with an interest rate that equals or exceeds the rate on the pollution control bonds and a maturity date that matches or is subsequent to the maturity date of the related pollution control bonds.

RELIANT ENERGY RESOURCES CORP.

SECURITY	OUTSTANDING	RATE	MATURITY
Debentures	$145,070,000	8.90%	12/15/06
Conv. Sub. Debentures	$ 79,421,750	6.00%	03/15/12
Debentures	$300,000,000	6.50%	02/01/08
TERMS	$500,000,000	6.375%	11/01/03
Notes	$325,000,000	8.125%	07/15/05
Notes	$550,000,000	7.75%	02/15/11
Convertible Trust Preferred	$ 421,500	6.25%	06/30/26

FORM OF MONEY POOL AGREEMENT

EXHIBIT J-1

FORM OF
MONEY POOL AGREEMENT

This Money Pool Agreement (the "Agreement"), dated as of _____, 2002, is made and entered into by and among CenterPoint Energy, Inc. ("CenterPoint"), a Texas corporation and a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"), and certain of its direct or indirect subsidiaries, each of which are signatories hereto, or which subsequently become signatories hereto, and agree to abide by the terms herein (CenterPoint and each direct or indirect subsidiary, individually, a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, the Parties desire to establish a Money Pool (the "Money Pool"); and

WHEREAS, certain of the Parties that will participate in the Money Pool will from time to time have need to borrow funds on a short-term basis, and certain of the Parties will from time to time have funds available to loan on a short-term basis;

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and provisions contained herein, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE I.
CONTRIBUTIONS AND BORROWINGS

Section 1.01 Contributions to the Money Pool.

Each Party will determine each day, the amount of funds each desires to contribute to the Money Pool, and will contribute such funds to the Money Pool. The determination of whether a Party has funds to contribute (either from surplus funds or from external borrowings) and the determination whether a Party shall lend such funds to the Money Pool will be made by such Party's treasurer, or by a designee thereof, in such Party's sole discretion.

Each Party may withdraw any of its funds at any time upon notice to CenterPoint as administrative agent of the Money Pool.

Section 1.02 Rights to Borrow.

(a) No loans through the Money Pool will be made to, and no borrowings through the Money Pool will be made by, CenterPoint, Houston Industries Funding Company or CenterPoint Energy International, Inc.

(b) Subject to the provisions of Section 1.02(a) and Section 1.04(c) of this Agreement, short-term borrowing needs of the Parties will be met by funds in the Money Pool to the extent the needs of a Party are not satisfied with external borrowings by such Party and to the extent such funds are available in the Money Pool. Each Party shall have the right to borrow from the Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein and in the applicable orders of the Securities and Exchange Commission ("SEC"). Each Party may request loans from the Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the Parties.

Section 1.03 Source of Funds.

(a) Subject to Section 1.01, funds will be available through the Money Pool from the following sources for use by the Parties from time to time: (1) surplus funds in the treasuries of the Parties, and (2) proceeds from bank loans, the sale of notes and/or the sale of commercial paper by the Parties (all such borrowings by the Parties herein referred to as "External Borrowings"), in each case to the extent permitted by applicable laws and regulatory orders. Funds will be made available from such sources in such order as CenterPoint, as administrator of the Money Pool, may determine is appropriate.

(b) Each borrowing Party will borrow pro rata from each fund source in the same proportion that the amount of funds provided from that fund source bears to the total amount then loaned through the Money Pool.

Section 1.04 Authorization.

(a) The determination of whether a Party has funds to lend to the Money Pool will be made by its Treasurer, or by a designee thereof.

(b) CenterPoint, as administrator of the Money Pool, will provide each Party with a report for each business day that includes, among other things, cash activity for the day and the balance of loans outstanding.

(c) All borrowings from the Money Pool shall be authorized by the borrowing Party's treasurer, or by a designee thereof. No Party shall be required to effect a borrowing through the Money Pool if such Party determines that it can (and is authorized to) effect such borrowing more advantageously directly from banks or through the sale of its own notes or commercial paper.

Section 1.05 External Investment of Investment Pool Funds.

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

Section 1.06 Money Pool Interest.

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

Section 1.07 Investment Pool Interest.

Interest income related to External Investments will be calculated daily and allocated back to lending Parties on the basis of their relative contribution to the Investment Pool on that date.

Section 1.08 Repayment.

Each Party receiving a loan from the Money Pool hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand by the administrator and in any event not later than the expiration date of the SEC authorization for the operation of the Money Pool. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty.

Section 1.09 Form of Loans to Parties.

Loans to the Parties from the Money Pool shall be made as open-account advances, pursuant to the terms of this agreement, although any lending Party is at all times be entitled to receive, upon demand, a promissory note evidencing the transaction. Any such note

shall: (a) be in substantially the form attached as Exhibit A; (b) be dated as of the date of the initial borrowing; (c) mature on demand, but in any event not later than the expiration date of the SEC authorization for the operation of the Money Pool; and (d) be repayable in whole at any time or in part from time to time, without premium or penalty.

ARTICLE II.
OPERATION OF THE MONEY POOL

Section 2.01 Operation.

Operation of the Money Pool, including record keeping and coordination of loans, will be handled by CenterPoint under the authority of its Treasurer. CenterPoint shall be responsible for the determination of all interest rates and charges applicable to the Money Pool and all earnings applicable to the Investment Pool, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties.

Interest and investment earnings other than interest, will be computed on a daily basis and settled once per month.

Section 2.02 Certain Costs.

CenterPoint will administer the Money Pool on an "at cost" basis. Fees and expenses associated with CenterPoint's bank lines, commercial paper program and note issuance program will be estimated and allocated monthly to the Parties and CenterPoint using the average daily borrowings of each Party from the Money Pool in the prior month or the average daily short-term borrowings of CenterPoint in the prior month that were not invested in the Money Pool as the numerator and using the average daily short-term borrowings of CenterPoint in the prior month as the denominator.

Section 2.03 Event of Default.

If any Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Party seeking to adjudicate it bankrupt or insolvent, then CenterPoint, on behalf of the Money Pool, may, by notice to the Party, terminate the Money Pool's availability to the Party and/or declare the principal amount then outstanding of, and the accrued interest on, the loans and all other amounts payable to the Money Pool by such Party hereunder to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by each Party.

ARTICLE III.
MISCELLANEOUS

Section 3.01 Amendments.

No amendment to this Agreement shall be effective unless the same be in writing and signed by Parties thereto.

Section 3.02 Legal Responsibility.

Nothing herein contained shall render any Party liable for the obligations of any other Party hereunder and the rights, obligations and liabilities of the Parties are several in accordance with their respective obligations, and not joint.

Section 3.03 Rules for Implementation.

The Parties may develop a set of guidelines for implementing the provisions of this Agreement, provided that the guidelines are consistent with all of the provisions of this Agreement.

Section 3.04 Termination.

This Agreement may be terminated at any time by agreement of the Parties.

Section 3.05 Governing Law.

This Agreement shall be governed by and construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, the undersigned companies have duly caused this document to be signed on their behalf on the date first written above by the undersigned thereunto duly authorized.

CenterPoint Energy, Inc.

By:

Name:

Title:

CenterPoint Energy Houston Electric, LLC
CenterPoint Energy Resources Corp.
Texas Genco Holdings, Inc.
Texas Genco GP, LLC
Texas Genco LP, LLC
Texas Genco, LP, by Texas Genco GP, LLC, its General Partner

Houston Industries FinanceCo GP, LLC
Houston Industries FinanceCo LP, by Houston Industries FinanceCo GP, LLC, its General Partner
Reliant Energy FinanceCo II GP, LLC
Reliant Energy FinanceCo II LP, by Reliant Energy FinanceCo GP, LLC, its General Partner
Reliant Energy Properties, Inc.
Utility Holdings LLC
Houston Industries Funding Company
CenterPoint Energy International, Inc.
CenterPoint Energy Products, Inc.
CenterPoint Energy Thermal Systems, Inc.

By:

Name:

Title:

EXHIBIT G-10

EXHIBIT A

FORM OF MONEY POOL NOTE
TO BE EXECUTED BY BORROWING PARTIES

_____, 20__

FOR VALUE RECEIVED, the undersigned, _____ (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender") at its principal office in _____, on demand or on _____, 20___, or at the option of the Borrower, whichever first occurs, but in any event not later than the expiration date of the SEC authorization for the operation of the Money Pool, the principal sum set forth on the attachment hereto as "Principal Amount Outstanding." This note may be paid in full at any time or in part from time to time without premium or penalty. The Principal Amount Outstanding shall bear interest, calculated daily, at a rate equal to CenterPoint Energy, Inc.'s weighted average daily effective cost for all External Borrowings outstanding on that date. If there are no External Borrowings outstanding on that date, then the rate would be the certificate of deposit yield equivalent of the 30-day Federal Reserve "AA" Non-Financial Commercial Paper Composite Rate (the "Composite"), or if no Composite is established for the day, then the applicable rate will be the Composite for the next preceding day for which a Composite is established.

This Note shall be governed by, and construed and interpreted in accordance with, the Laws of the State of Texas. For any term not expressly defined in this note, the definition in the Money Pool Agreement, dated _____, 2002, applies.

IN WITNESS WHEREOF, the undersigned, pursuant to due authorization, has caused this Note to be executed in its name and on its behalf by its duly authorized officer.

(Name of Borrower)

By:

Name:
Title:

PRINCIPAL
LOAN
AMOUNT
DATE
(REPAYMENT)
OUTSTANDING
RATE
INTEREST -

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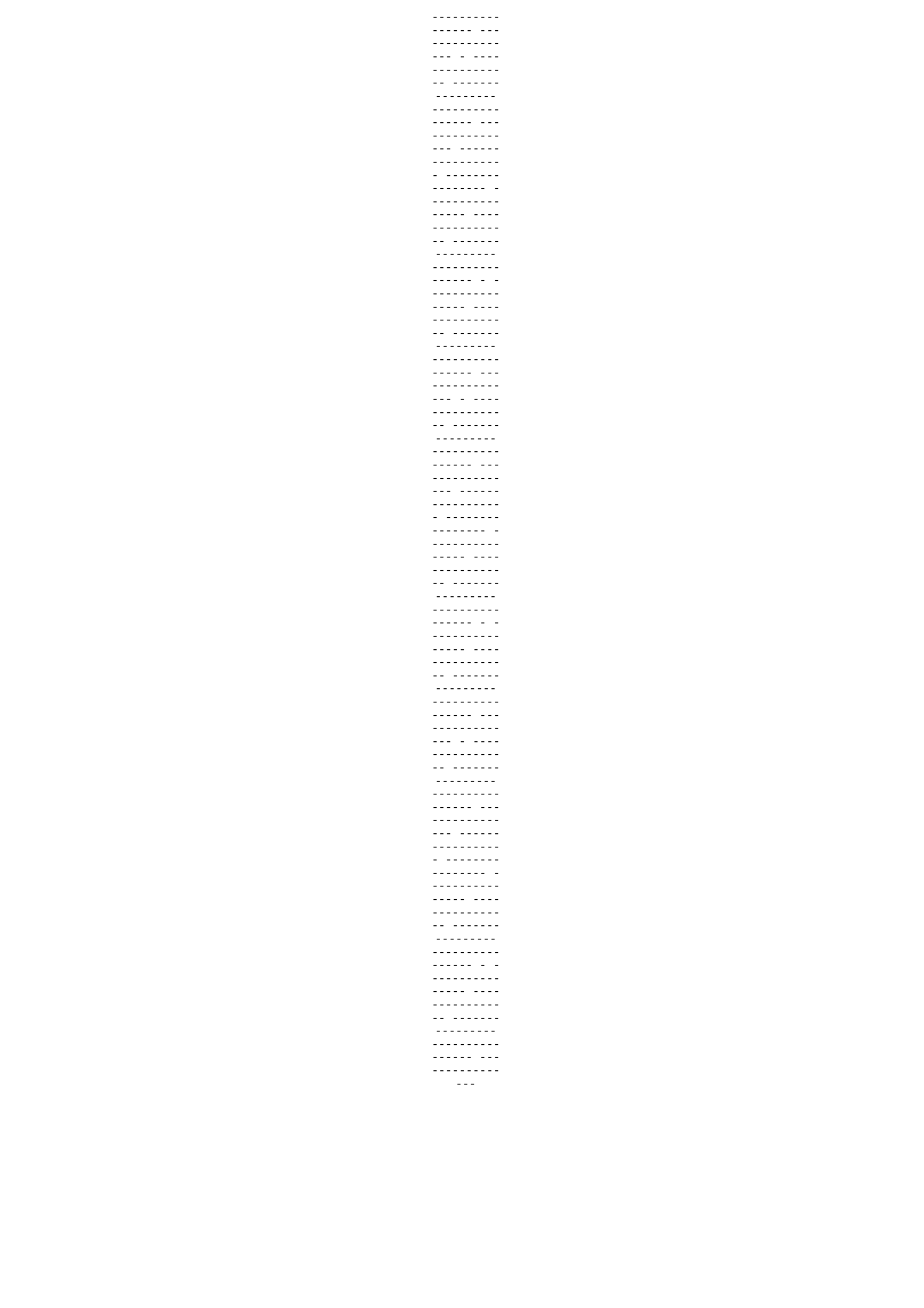

TAX SHARING AGREEMENT

This Agreement by and between each of CenterPoint Energy, Inc. ("CenterPoint"), Utility Holding LLC, and each of its subsidiaries listed on Exhibit A (collectively the "Parties"):

WITNESSETH:

WHEREAS, for federal income tax purposes, the Parties and others are members of a group of companies of which CenterPoint is the common parent (the "CenterPoint Group");

WHEREAS, CenterPoint files a consolidated federal income tax return on behalf of the CenterPoint Group and pays the federal income tax owed by the CenterPoint Group;

WHEREAS, the parties desire to set forth their agreement regarding how the federal income tax liability and tax benefits of the CenterPoint Group will be allocated among and shared by the members of the CenterPoint Group.

NOW THEREFORE, the parties agree as follows:

1. Definitions.

a. "Act" means the Public Utility Holding Company Act of 1935.

b. "CenterPoint Affiliated Group" means the group of corporations that are members of the affiliated group, as defined under Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), with CenterPoint as the common parent.

c. "CenterPoint Tax Benefit" means a benefit in Consolidated Tax that is attributable to the operations, activities or holdings of CenterPoint.

d. "Consolidated Tax" has the meaning of consolidated tax set forth in Reg. Section 250.45(c)(1) to Rule 45 under the Act.

e. "Intercompany Tax Policy" refers to the Intercompany Tax Benefit Allocation and Income Tax Accounting Policies attached hereto and made a part of Exhibit B.

f. "Member" means (i) any member of the CenterPoint Affiliated Group and (ii) any partnership, limited liability company or trust that would have been a member of the CenterPoint Affiliated Group if such entity were treated as a corporation under the Code unless such entity is wholly owned by an entity that is subject to tax under subchapter C of the Code that is not CenterPoint.

g. "Separate Return Tax" has the meaning of separate return tax set forth in Reg. Section 250.45(c)(1) to Rule 45 under the Act.

2. General. The tax liability and tax benefits of the CenterPoint Group shall be shared in accordance with the Intercompany Tax Policy. For purposes of applying the Intercompany Tax Policy, CenterPoint is the successor to Houston Industries Incorporated, referred to as "HII" in the Intercompany Tax Policy.

3. Rule 45 Compliance. Notwithstanding anything in this Agreement (including the Intercompany Tax Policy) to the contrary,

a. the Consolidated Tax of the CenterPoint Group shall be allocated among the Members in proportion to the Separate Return Tax of each Member of the CenterPoint Group, provided that the tax apportioned to any Member shall not exceed the Separate Return Tax of such Member, and

b. CenterPoint shall not retain, and shall not be reimbursed by any of the Members for, any CenterPoint Tax Benefit. Any CenterPoint Tax Benefit shall be allocated among the Members (other than CenterPoint) in proportion to the Separate Return Tax of each such Member.

4. Amendments. This Agreement (including the Intercompany Tax Policy) shall be amended only with the written consent of all parties to be charged with such amendment.

5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute but one and the same agreement.

6. Binding Effect. This Agreement shall be binding on and inure to the benefit of the Parties, their successors and assigns. Each Party to this Agreement shall ensure that any subsidiary of such Party which is also a Member shall agree to and be bound by the terms of this Agreement.

7. Governing Law. This Agreement shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have executed this Agreement.

CENTERPOINT ENERGY, INCORPORATED

By

UTILITY HOLDING LLC

By

TEXAS GENCO HOLDINGS, INC.

By

CENTERPOINT ENERGY HOUSTON
ELECTRIC LLC

By

CENTERPOINT ENERGY RESOURCES
CORPORATION

By

CENTERPOINT ENERGY INTERNATIONAL, INC.

By

HOUSTON INDUSTRIES FUNDING COMPANY

By

HL&P CAPITAL TRUST I

By

HL&P CAPITAL TRUST II

By

REI TRUST I

By

REI TRUST II

By

HL&P RECEIVABLES, INC.

By

RELIANT ENERGY INVESTMENT
MANAGEMENT, INC.

By

RELIANT ENERGY POWER SYSTEMS, INC.

By

RELIANT ENERGY PROPERTIES, INC.

By

RELIANT ENERGY PRODUCTS, INC.

By

RELIANT ENERGY WATER, INC.

By

NORAM ENERGY CORP.

By

UTILITY RAIL SERVICES, INC.

By

UFI SERVICES, INC.

By

HOUSTON INDUSTRIES ENERGY (UK), INC.

By

RELIANT ENERGY THERMAL SYSTEMS, INC.

By

RELIANT ENERGY THERMAL SYSTEMS
(DELAWARE), INC.

By

RELIANT ENERGY.COM. INC.

By

EXHIBIT A

Texas Genco Holdings, Inc.
CenterPoint Energy Houston Electric LLC
CenterPoint Energy Resources Corporation
CenterPoint Energy International, Inc.
Houston Industries Funding Company
HL&P Capital Trust I
HL&P Capital Trust II
REI Trust I
REI Trust II
HL&P Receivables, Inc.
Reliant Energy Investment Management, Inc.
Reliant Energy Power Systems, Inc.
Reliant Energy Properties, Inc.
Reliant Energy Products, Inc.
Reliant Energy Water, Inc.
NorAm Energy Corp.
Utility Rail Services, Inc.
UFI Services, Inc.
Houston Industries Energy (UK), Inc.
Reliant Energy Thermal Systems, Inc.
Reliant Energy Thermal Systems (Delaware), Inc.
Reliant Energy.com. Inc.

EXHIBIT G-12

Form of

Master Services Agreement

between

CenterPoint Energy, Inc.

and

its Associate Companies

This Master Services Agreement (the "Agreement"), dated as of _____, 2002, is entered into in multiple parts by and between the companies whose names appear on the signature pages hereof, (each, a "Company" or "Recipient" and collectively, the "CenterPoint Companies" or "Recipients"), and CenterPoint Energy, Inc., a Texas corporation ("CenterPoint").

RECITALS

A. In connection with the authorizations sought in File No. 70-9895, CenterPoint will register as a holding company under the Public Utility Holding Company Act of 1935, as amended (the "1935 Act"). Because it is contemplated that CenterPoint will be only temporarily a registered holding company, CenterPoint does not intend to establish a subsidiary service company to provide services to CenterPoint and its subsidiaries.

B. Instead, during this interim period which is not intended to exceed one year, CenterPoint will provide services, as set forth herein, to its Associate Companies.

Accordingly, CenterPoint and the CenterPoint Companies desire to enter into this Master Services Agreement to allow for the provision of temporary services by CenterPoint to the CenterPoint Companies.

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties hereto agree as follows:

I. TERM OF AGREEMENT.

This Agreement shall be effective beginning on the date of the Initial Order up to one year from the date of such order or such other period as permitted by the Securities and Exchange Commission (the period during which this Agreement remains effective being referred to herein as the "Term").

II. SERVICES OFFERED.

Exhibit I to the Agreement lists and describes the services that may be available from CenterPoint. CenterPoint offers to supply those services to each Recipient that is a party to the Agreement. The services are and will be provided to the Recipient only at the request of the Recipient. From time to time, the parties may identify additional services that CenterPoint may provide to Recipients under this Agreement. CenterPoint will consult with the Recipients to delineate the scope and terms of additional services that may be offered.

The services offered may be further described in Service Level Agreements that define performance metrics or standards and other procedures and requirements with respect to the provision of a particular category of services. To the extent a category of service is more fully described in a Service Level Agreement, it is incorporated into this Agreement by reference.

CenterPoint shall maintain sufficient resources to perform its obligations under this Agreement and shall perform its obligations in a commercially reasonable manner. If no specific performance metrics for the provision of a service are established, CenterPoint shall provide the service exercising the same care and skill as it exercises in performing similar services for itself.

If a Recipient requests the level at which any service to be provided to be scaled up to a level in excess of the level in effect during the prior twelve months, the Recipient shall give CenterPoint such advance notice as it may reasonably require sufficient to make any necessary preparations to perform such services on the scaled up or modified basis. The level of a service shall be considered scaled up if providing the service at the proposed level involves an increase in personnel, equipment or other resources that is not de minimis and is not reasonably embraced by the agreed definition and scope of that service prior to the proposed increase.

II. SERVICES SELECTED

A. Initial Selection of Services.

Each Recipient shall designate on Exhibit II to the Agreement, which may be amended when additional services are offered, the services that it agrees to receive from CenterPoint. Designation may also be in the form of an opt-out where each company agrees to receive all services from CenterPoint except those specifically enumerated in Exhibit II.

B. Annual Selection of Services.

CenterPoint shall send an annual service proposal form to each Recipient on or about July 1 listing services proposed for the next fiscal year. By July 31, the Recipient shall notify CenterPoint of the services it has elected to receive during the next fiscal year.

III. PERSONNEL

CenterPoint will provide services by using the services of executives, accountants, financial advisers, technical advisers, attorneys, engineers and other persons with the necessary qualifications.

If necessary, CenterPoint, after consultation with the Recipient, may also arrange for the services of affiliated or unaffiliated experts, consultants, attorneys and others in connection with the performance of any of the services supplied under this Agreement. CenterPoint also may serve as administrative agent, arranging and monitoring services provided by third parties to Recipient, whether such services are billed directly to Recipient or through CenterPoint.

CenterPoint's sole responsibility to the Recipient for errors or omissions in services shall be to furnish correct information and/or adjustments in the services, at no additional cost or expense to Recipient; provided, Recipient must promptly advise CenterPoint of any such error or omission of which it becomes aware after having used reasonable efforts to detect any such errors or omissions. In no event shall CenterPoint have any liability under this Agreement or otherwise arising out of or resulting from the performance of, or the failure to perform, services for loss of anticipated profits by reason of any business interruption, facility shutdown or non-operation, loss of data or otherwise or for any incidental, indirect, special or consequential damages, whether or not caused by or resulting from negligence, including gross negligence, or breach of obligations hereunder and whether or not Recipient was informed of the possibility of the existence of such damages.

CenterPoint may contract for the services of certain employees of the CenterPoint System Companies for the purpose of staffing its service operations. These arrangements will comply with the applicable provisions under the 1935 Act, including the provisions of Rule 90 thereunder requiring the performance of services on the basis of cost.

IV. COMPENSATION AND ALLOCATION

As and to the extent required by law, CenterPoint will provide such services at cost allocated on a fair nondiscriminatory basis. The CenterPoint Policies and Procedures Manual contains rules for determining and allocating costs. The parties shall use good faith efforts to discuss any situation in which the actual charge for a service is reasonably expected to exceed the estimated charge, if any, set forth in a Service Level Agreement, provided, however, that charges incurred in excess of any such estimate shall not justify stopping the provision of, or payment for, services under this Agreement.

V. TAXES.

Recipient shall bear all taxes, duties and other similar charges (and any related interest and penalties), imposed as a result of its receipt of services under this Agreement, including any tax which Recipient is required to withhold or deduct from payments to CenterPoint. CenterPoint may collect from Recipient any sales, use and similar taxes imposed

on the provision of services and shall pay such tax to the appropriate governmental or taxing authority.

VI. BILLING

Charges will be rendered during the first week of each month covering amounts incurred during the prior month. Charges will be based on actual amounts paid. If allocations are required, they may be based on estimated values based on estimates in budget plans for the relevant values. Estimated amounts will be adjusted on subsequent charges either in a subsequent month or at the end of the year. Any amount remaining unpaid after fifteen days following receipt of the bill shall bear interest thereon from the date of the bill at the lesser of the prime rate announced by JPMorgan Bank and in effect from time to time plus 2% per annum or the maximum non-usurious rate of interest permitted by applicable law.

CenterPoint will support its charges with reasonable documentation (which may be maintained in electronic form). CenterPoint will make adjustments to charges as required to reflect the discovery of errors or omissions in the charges.

VII. TERMINATION AND MODIFICATION.

A. Modification of Services.

The Recipient may modify its selection of services at any time during the fiscal year by giving CenterPoint written notice sixty (60) days in advance for the additional services it wishes to receive, and/or the services it no longer wishes to receive, from CenterPoint.

B. Modification of Other Terms and Conditions.

No other amendment, change or modification of this Agreement shall be valid, unless made in writing and signed by all parties hereto.

C. Termination of this Agreement.

The Recipient may terminate this Agreement with CenterPoint by providing sixty (60) days advance written notice of such termination to CenterPoint. CenterPoint may terminate this Agreement as to the Recipient by providing sixty (60) days advance written notice of such termination to the Recipient.

This Agreement is subject to termination or modification at any time to the extent its performance may conflict with the provisions of the 1935 Act, or with any rule, regulation or order of the Securities and Exchange Commission ("SEC") adopted before or after the making of this Agreement. This Agreement shall be subject to the approval of any state commission or other state regulatory body whose approval is, by the laws of said state, a legal prerequisite to the execution and delivery or the performance of this Agreement.

VIII. NOTICE.

Where written notice is required by this Agreement, said notice shall be deemed given when delivered in person, by electronic mail, or when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed, if to CenterPoint, to the Chief Financial officer and, if to Recipient, to its President at the address listed on the most recent Exhibit II received by CenterPoint.

IX. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its conflict of laws provisions.

X. ENTIRE AGREEMENT

This Agreement, together with its exhibits, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective parties hereof and thereto, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and cancelled in their entirety and of no further force or effect.

XI. WAIVER

No waiver by any party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

XII. ASSIGNMENT

This Agreement shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or any party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld, delayed or conditioned.

XIII. SEVERABILITY

If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

XIV. EFFECTIVE DATE

This Agreement is effective as of the date of the Initial Order.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

By Recipient:

By CenterPoint:

EXHIBIT I

Cost Accumulation and Assignment, Allocation Methods, and Description of Services Offered by CenterPoint to Recipient

This document sets forth the methodologies used to accumulate the costs of services that may be performed by CenterPoint and to assign or allocate such costs to other subsidiaries and business units within the CenterPoint registered holding company system that receive services from CenterPoint.

Cost of Services Performed

CenterPoint shall maintain an accounting system that enables costs to be identified by Cost Center, Account Number or Capital Project ("Account Codes"). The primary inputs to the accounting system shall be payroll records for CenterPoint's employees, accounts payable transactions and journal entries. Charges for labor shall be made at the employees' effective hourly rate, including the cost of pensions, other employee benefits and payroll taxes. To the extent practicable, costs of services shall be directly assigned to the applicable Account Codes. The full cost of providing services shall also include certain indirect costs, e.g., departmental overheads, administrative and general costs, and taxes. Indirect costs shall be associated with the services performed in proportion to the directly assigned costs of the services or other relevant cost allocators.

Cost Assignment and Allocation

CenterPoint's costs shall be directly assigned, distributed or allocated to Recipients in the manner described below:

1. Costs accumulated in Cost Centers for services specifically performed for a single Recipient shall be directly assigned or charged to such Recipient;

2. Costs accumulated in Cost Centers for services specifically performed for two or more Recipients shall be distributed among and charged to such Recipients using methods determined on a case-by-case basis consistent with the nature of the work performed and based on one of the allocation methods described below; and

3. Costs accumulated in Cost Centers for services of a general nature which are applicable to all Recipients or to a class or classes of Recipients shall be allocated among or charged to such Recipients by application of one or more of the allocation methods described below.

Allocation Methods

The following methods shall be applied, as indicated in the Description of Services section that follows, to allocate costs for services of a general nature.

1. Operating Expense - A ratio based on operating expense minus fuel and purchase power. This ratio will be determined annually based on annual plan operating expense and will be adjusted for any known and reasonably quantifiable events and will be trued-up at the end of the fiscal year based on actual operating expense.

2. Total Assets Ratio - A ratio based on the total assets minus investments in subsidiaries and goodwill. This ratio will be determined annually based on annual plan assets and will be adjusted for any known and reasonably quantifiable events and will be trued-up at the end of the fiscal year based on twelve month average of actual assets.

3. Cash Flow- A ratio based on operating expense including fuel, purchase power, capital expenditures; less depreciation expense. This ratio will be determined annually based on annual plan cash flow and will be adjusted for any known and reasonably quantifiable events and will be trued-up at the end of the fiscal year based on actual cash flow.

4. Head Count - A ratio based on active and retiree headcount. This ratio will be determined annually based on annual plan head count and will be adjusted for any known and reasonably quantifiable events and will be trued-up at the end of the fiscal year based on actual head count.

5. Direct Labor - A ratio based on billable hours. This ratio will be determined monthly based monthly billable hours.

6. Client Unit Usage - This factor is determined based on the actual unit/usage that is utilized by the applicable Recipients. This factor will be determined annually based on units/usage utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

7. Square Footage - This factor will be determined based on actual square footage used by the applicable Recipients. This factor will be determined annually based on square footage utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

Description of Services

A description of each of the services performed by CenterPoint, which may be modified from time to time, is presented below. As discussed above, where identifiable, costs will be directly assigned or distributed to Recipients. For costs accumulated in Cost Centers which are for services of a general nature that cannot be directly assigned or distributed, the method or methods of allocation are also set forth. Substitution or changes may be made in the methods of allocation hereinafter specified, as may be appropriate and to the extent permitted under the SEC 60-day letter procedure, and will be provided to state regulatory agencies and to each affected Recipient.

1. Accounting Services

CenterPoint may provide various services to the Recipients including corporate tax, treasury, strategic planning, planning, corporate accounting and reporting, general ledger maintenance and all accounting record keeping, processing certain accounts such as accounts payable, cash management, and others as may be deemed necessary, hedging policy and oversight, financial planning and rates. Each Recipient may also maintain its own corporate and accounting group and engage CenterPoint to provide advice and assistance on accounting matters, including the development of accounting practices, procedures and controls, the preparation and analysis of financial reports and the filing of financial reports with regulatory bodies, on a system-wide basis. Costs of a general nature may be allocated using the Operating Expense or Cash Flow Ratio.

2. Internal Auditing

CenterPoint may conduct periodic audits of administration and accounting processes. Audits would include examinations of Recipients' service agreements, accounting systems, source documents, allocation methods and billings to assure proper authorization and accounting for services. Costs of a general nature may be allocated using the Direct Labor Ratio.

3. Communications

CenterPoint may assist the Recipients to develop and support branding and corporate promotions, advertising and brand equity. Individually, the Recipients may maintain independent marketing personnel to handle the day-to-day details of marketing campaigns. Costs of a general nature may be allocated using the Total Assets Ratio.

4. Legal Services

CenterPoint may provide various legal services and general legal oversight, as well as corporate secretarial functions and filing of reports under securities laws and the 1935 Act for the benefit of the Recipients. Costs of a general nature may be allocated using the Operating Expense Ratio.

5. Human Resources

CenterPoint may assist the Recipients in developing policy and planning for total compensation plans, workforce planning and training, employee relations policies and programs, and in training personnel in a coordinated manner throughout the CenterPoint System Companies. Each Recipient may maintain a human resources group to handle the individualized application of policies and programs. Costs of a general nature may be allocated using the Head Count Ratio. Costs of providing employee and executive benefits will be allocated directly to the Recipient based on costs incurred for its employees and retirees, and any costs of a general nature which are not otherwise recovered, such as through payroll burden charges, will be allocated using the Head Count Ratio.

6. Executive

CenterPoint may use the executive staff of CenterPoint in order to assist the Recipients in formulating and executing general plans and policies, including operations, issuance of securities, appointment of executive personnel, budgets and financing plans, expansion of services, acquisitions and dispositions of property, public relations and other related matters. Costs of a general nature may be allocated using the Total Asset Ratio.

7. Regulatory and Governmental Affairs

CenterPoint may assist the Recipients in developing policy for regulatory strategy, Senate Bill 7 Implementation, and support litigation and regulatory proceedings. Costs of a general nature may be allocated using the Total Asset Ratio.

8. Information Systems and Technology

CenterPoint may provide the Recipients with the following services: Mainframe Operations, Enterprise Document Management, Data Circuit Management, Voice Services, IT Solutions Delivery, and Desktop Data Device services. Costs are billed to Recipients based on various metrics and cost allocations.

Mainframe Operations

	Methodology	Metric
Legacy Mainframe CPU Utilization	Client Unit Usage	CPU Second
Legacy Mainframe Data Storage	Client Unit Usage	Megabyte
SAP Mainframe Data Storage	Client Unit Usage	Megabyte
SAP Mainframe CPU Utilization	Client Unit Usage	CPU Second
Enterprise Client Specific	Client Unit Usage	Direct Billed

Enterprise Document Management

Methodology: Client Unit Usage
Metric: Hour

Data Circuit Management

Methodology: Client Unit Usage
Metric: Hour

Voice Services

	Methodology	Metric
Telephone Basic Line	Client Unit Usage	telephone line
Moves/Adds/Change (MAC)	Client Unit Usage	hour
Call Center Basic Line	Client Unit Usage	telephone line
Video Conferencing	Client Unit Usage	conference + long distance

IT Solutions Delivery

Methodology: Client Unit Usage
Metric: Hour

SAP Production Support

Allocation Methodology: Headcount and Operating Expense

Desktop Data Device Services

	Methodology	Metric
Equipment	Client Unit Usage	login ID
Lotus Notes Messaging	Client Unit Usage	login ID
LAN and Security Account Creation	Client Unit Usage	login ID
Network WAN/LAN	Client Unit Usage	login ID
Client Support Center Help Desk	Client Unit Usage	login ID

9. Business Support

FACILITY MANAGEMENT - Provide clients with general operating maintenance, administrative and management duties for building operations. This service also include project management and security for managed properties. Costs for Facility Management are allocated based on the Square Footage utilized.

OFFICE SUPPORT SERVICES - Provide clients with copying, inserting, mailing, call center, and graphic design functionality. This service also includes records management and managing office supplies. Costs for Office Support Services are generally allocated based on client unit usage.

FINANCIAL SERVICES - Provides payroll, bank reconciliation, check disbursements, and escheat processing/reporting. This service also provides clients with assistance in Corporate Travel. Costs for FS are generally allocated based on client unit usage.

PURCHASING & LOGISTICS - Provides clients with procurement and Accounts Payable services. Costs for purchasing and logistics are generally allocated based on client unit usage.

EXHIBIT II

AGREED UPON SERVICES TO BE RECEIVED FROM CENTERPOINT

SERVICES	YES	NO
1. Regulatory and Govt. Affairs	_____	_____
2. Internal Auditing	_____	_____
3. Accounting Services	_____	_____
4. Communications	_____	_____
5. Human Resources	_____	_____
6. Legal Services	_____	_____
7.	_____	_____
8. Financial Services	_____	_____
9. Information Systems and Technology	_____	_____
10. Executive	_____	_____
11.	_____	_____
12. Customer Services	_____	_____
13. Employee Services	_____	_____
14. Engineering	_____	_____
15. Business Support	_____	_____
i. Purchasing	_____	_____
ii. Facilities Management	_____	_____
16. Other	_____	_____

[Signature Blocks]

(Company Name)

(President)

(Address)

(Date)

EXHIBIT G-13

AGREEMENT OF LIMITED PARTNERSHIP

OF

TEXAS GENCO, LP

Effective as of December 21, 2001

AGREEMENT OF LIMITED PARTNERSHIP

This Agreement of Limited Partnership (this "Agreement") is made and executed to be effective as of December 21, 2001, by Texas Genco GP, LLC, a Texas limited liability company, as general partner (the "General Partner"), and Texas Genco LP, LLC, a Delaware limited liability company, as limited partner (a "Limited Partner;" the General Partner and any Limited Partners each being a "Partner" and, collectively, the "Partners").

WHEREAS, the certificate of limited partnership of Texas Genco, LP (the "Partnership") has been filed with the Secretary of State of the State of Texas; and

WHEREAS, it is desired that the orderly management of the affairs of the Partnership be provided for;

NOW, THEREFORE, it is agreed as follows:

ARTICLE I

DEFINITIONS

The following terms used in this Agreement shall have the following meanings (unless otherwise expressly provided herein):

"Agreement" shall mean this Agreement as originally executed and as it may be amended from time to time hereafter.

"Capital Contribution" shall mean any contribution to the capital of the Partnership in cash or property by a Partner whenever made.

"Capital Percentage" shall have the meaning given such term in Section 5.1.

"Certificate of Limited Partnership" shall mean the Certificate of Limited Partnership of the Partnership filed with and endorsed by the Secretary of State of the State of Texas, as such certificate may be amended from time to time hereafter.

"Code" shall mean the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent superseding federal revenue laws.

"Entity" shall mean any foreign or domestic general partnership, limited partnership, limited liability company, corporation, joint enterprise, trust, business trust, employee benefit plan, cooperative or association.

"Fiscal Year" shall have the meaning given such term in Section 8.1.

"Genco Business" shall mean the electric generation business and operations conducted with the Genco Assets (as such term is defined in the Master Separation Agreement), subject to the Genco Liabilities (as such term is defined in the Master Separation Agreement) contributed to and assumed by the Partnership as provided in the Master Separation Agreement.

"Indemnitee" shall have the meaning given such term in Section 6.1.

"Master Separation Agreement" shall mean the Master Separation Agreement between Reliant Energy, Incorporated and Reliant Resources, Inc., effective as of December 31, 2000, as amended.

"Partner" shall mean each Person who executes a counterpart of this Agreement as a Partner and each Person who may hereafter become a Partner pursuant to Section 5.3 or Section 10.3, but shall not include any Partner that ceases to be a Partner.

"Partnership" shall mean Texas Genco, LP, a Texas limited partnership.

"Partnership Interest" shall mean, with respect to any Partner at any time, the partnership interest of such Partner in the Partnership at such time, including such Partner's Capital Percentage in the profits, losses, allocations and distributions of the Partnership, and the right of such Partner to any and all other benefits to which a Partner may be entitled as provided in the this Agreement, together with the obligations of such Partner to comply with all the terms and provisions of this Agreement.

"Partnership Representative" shall mean any Person who at any time shall be, or shall have been, a general partner, limited partner, employee or agent of the Partnership, or any Person who is or was serving at the request of the Partnership as a partner, director, officer, venturer, proprietor, trustee, employee or agent or similar functionary of an Entity (but excluding Persons providing trustee, fiduciary or custodial services on a fee-for-services basis).

"Person" shall mean any individual or Entity, and any heir, executor, administrator, legal representative, successor or assign of such "Person" where the context so admits.

"Texas Act" shall mean the Texas Revised Limited Partnership Act, as the same may be amended from time to time hereafter.

ARTICLE II

FORMATION OF THE PARTNERSHIP

2.1 Formation. On December 21, 2001, the Certificate of Limited Partnership of the Partnership was filed with the Secretary of State of the State of Texas pursuant to the Texas Act.

2.2 Name. The name of the Partnership is Texas Genco, LP. If the Partnership shall conduct business in any jurisdiction other than the State of Texas, the General Partner shall register the Partnership or its trade name with the appropriate authorities in such state in order to have the legal existence of the Partnership recognized.

2.3 Place of Business. The initial principal place of business of the Partnership shall be 1111 Louisiana, Houston, Texas 77002. The Partnership may locate its places of business and registered office at any place or places as the General Partner may from time to time deem advisable.

2.4 Registered Office and Registered Agent. The Partnership's registered office shall be at the office of its registered agent at 1021 Main Street, Suite 1150, Houston, Texas 77002, and the name of its initial registered agent at such address shall be CT Corporation System.

2.5 Term. The Partnership and this Agreement shall continue until the earliest of (a) such time as all of the Partnership's assets have been sold or otherwise disposed of, or (b) such time as the Partnership's existence has been terminated as otherwise provided herein or in the Texas Act.

2.6 Purpose of the Partnership. Subject to the further provisions hereof, the object and purpose of the Partnership is to engage in any lawful business activities in which a limited partnership formed under the Texas Act may engage or participate, with its primary objectives being to engage in the Genco Business; to manage, protect and conserve all assets of the Partnership; to borrow money and issue evidences of indebtedness in furtherance of the objects and purposes of the Partnership; to secure obligations of the Partnership by mortgages, deeds of trusts, pledges or other liens and security interests on Partnership property; to have and maintain one or more offices; and to make such additional investments, engage in such additional business endeavors and to do any and all acts and things that may be necessary, incidental or convenient to carry on the Partnership's business as contemplated by this Agreement. The Partnership shall have any and all powers necessary or desirable to carry out the object and purpose of the Partnership to the extent the same may be legally exercised by limited partnerships under the Texas Act.

ARTICLE III

GENERAL PARTNER

3.1 Name and Address. The name and place of business of the General Partner are as follows:

Texas Genco GP, LLC
1111 Louisiana
Houston, Texas 77002

3.2 Standard of Performance. The General Partner shall act in good faith in the performance of its obligations hereunder but shall have no liability or obligation to any Limited Partner or the Partnership for any decision made or action taken in connection herewith if made or taken in good faith, irrespective of whether the same may be reasonably prudent or whether bad judgment was exercised in connection therewith. In no event shall the General Partner be or become obligated personally to respond to damages to any Limited Partner pursuant to this Agreement, the liability of the General Partner being limited to its interest in the Partnership. Any claim or judgment in favor of a Limited Partner shall be limited accordingly.

3.3 Powers of General Partner. Except to the extent otherwise provided herein, the General Partner shall have full power and authority to take all action in connection with the Partnership's affairs and to exercise exclusive management, supervision and control of the Partnership's properties and business and shall have full power to do all things necessary or incident thereto. Without limiting the foregoing, the General Partner, without the necessity of any further approval of a Limited Partner, shall have the following powers

(a) to control and manage the Partnership's assets and to arrange for collections, disbursements and other matters necessary or desirable in connection with the management of the Partnership's assets (such power to include the power and authority to borrow money in furtherance of the Partnership's purposes);

(b) to the extent that the Partnership's financial resources will permit the General Partner to do so, to see that all indebtedness owing with respect to and secured by the Partnership's assets, or any part thereof, is paid and to make such other payments and perform such other acts as the General Partner may deem necessary to preserve the interest of the Partnership therein;

(c) to pay and discharge all taxes and assessments levied and assessed against the Partnership's assets or any part thereof for the account of the Partnership;

(d) to carry such insurance as the General Partner may deem necessary or appropriate;

(e) to have such other authority and power as may be reasonably necessary or appropriate for the operation, maintenance and preservation of the Partnership's assets;

(f) to determine the number of employees, if any, the selection of such employees, the hours of labor and compensation for the service of such employees;

(g) to amend this Agreement to reflect a change that is necessary or desirable in connection with the issuance of any Partnership Interests pursuant to Section 5.3; and

(h) to determine the time and amount of distributions to the Partners, to make such distributions in accordance with Sections 7.2 and 7.3 and the other provisions of this Agreement, and to establish reasonable reserves as the General Partner may determine to be advisable.

3.4 Reimbursements and Fees. The General Partner shall be reimbursed by the Partnership for all third-party expenses incurred in connection with the discharge of its duties hereunder as General Partner, such as audit, accounting and legal fees incurred by the General Partner in the accounting for and the maintenance of the assets of the Partnership; provided that the General Partner shall be required to pay such expenses only to the extent the Partnership provides funds therefor.

ARTICLE IV

LIMITED PARTNER

4.1 Name and Address. The name and place of business of the Limited Partner are as follows:

Texas Genco LP, LLC
200 West Ninth Street Plaza, Suite 409
Wilmington, Delaware 19801

4.2 No Control or Liability. Except as otherwise provided herein, (i) no Limited Partner shall have any control over the management of the Partnership or any power to transact any Partnership business or to bind or obligate the Partnership, and (ii) no Limited Partner shall be personally liable for all or any part of the debts or other obligations of the Partnership.

4.3 Rights and Powers. No Limited Partner shall have any right or power to withdraw from the Partnership (or to receive any distribution under Section 6.04 of the Texas Act in the event of withdrawal) or to cause the liquidation of the Partnership or the partition of its properties. Except as set forth in Article VII and Article XI hereof, no Limited Partner shall have any right to priority of distributions from the Partnership over any other Partner.

ARTICLE V

CAPITAL OF THE PARTNERSHIP

5.1 Initial Contributions. Contemporaneously with the execution of this Agreement, the General Partner is making a Capital Contribution to the Partnership in the amount set forth below in exchange for its general partner Partnership Interest, and the Limited Partner is making a Capital Contribution to the Partnership in the amount set forth below in exchange for its limited partner Partnership Interest, the relative amounts of each such interest being expressed as a "Capital Percentage:"

	Capital Contribution	Capital Percentage
General Partner		
Texas Genco GP, LLC	$10	1%
Limited Partner		
Texas Genco LP, LLC	$990	99%

5.2 Additional Contributions. No Partner shall be required to make additional Capital Contributions unless, and except on such terms as, the Partners unanimously agree; provided, however, that the contribution of assets to and assumption of liabilities by the Partnership provided for in the Master Separation Agreement shall be made at the time and in the manner

provided for therein and shall not require any consent or authorization by any Partner other than such consents or authorizations as may be required therein.

5.3 Additional Issuances of Partnership Interests.

(a) In the event of any additional Capital Contributions, and in order to raise additional capital or to acquire assets, to redeem or retire Partnership debt or for any other purpose, the Partnership authorized, at the discretion of the General Partner, to issue additional Partnership Interests from time to time to Partners or to other Persons. The General Partner may cause the Partnership to assume liabilities in connection with any such issuance and shall determine the consideration and terms and conditions with respect to any such issuance; provided, however, that no Partnership Interests carrying any rights or obligations other than the rights and obligations carried by the initial Partnership Interests issued pursuant to this Agreement may be issued without the approval of all of the Limited Partners. The General Partner shall do all things necessary or advisable in connection with any such issuance, including, without limitation, the making of appropriate adjustments to the Partners' Capital Percentages and compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency.

(b) Upon (i) the execution and delivery to the Partnership of this Agreement, as it may be amended, by any Person who is issued any Partnership Interest, (ii) receipt by the Partnership of any Capital Contribution required of such Person made in connection with the issuance of such interest, (iii) consent by all other Partners to such Person being admitted as a Partner and (iv) any other action required by Texas law, such Person shall be admitted as a Limited Partner of the Partnership.

5.4 Record of Contributions. The books and records of the Partnership shall include true and full information regarding the amount of cash and cash equivalents and designation and statement of the value of any other property contributed by each Partner to the Partnership.

5.5 Interest. No interest shall be paid by the Partnership on Capital Contributions.

5.6 Loans from Partners. Loans by a Partner to the Partnership shall not be considered Capital Contributions.

5.7 Withdrawal or Reduction of Partners' Capital Contributions.

(a) A Partner shall not be entitled to withdraw any part of his Capital Contribution or to receive any distribution from the Partnership, except as otherwise provided in this Agreement.

(b) A Partner shall not receive out of the Partnership's property or other assets any part of his Capital Contributions until all liabilities of the Partnership, except liabilities to Partners on account of their Capital Contributions, have been paid or there remains property or other assets of the Partnership sufficient to pay all such liabilities.

(c) A Partner, irrespective of the nature of his Capital Contribution, has only the right to demand and receive cash in return for his Capital Contribution.

5.8 Loans to Partnership. Nothing in this Agreement shall prevent any Partner from making secured or unsecured loans to the Partnership by agreement with the Partnership.

5.9 No Further Obligation. Except as expressly provided for in or contemplated by this Article V, no Partner shall have any obligation to provide funds to the Partnership, whether by Capital Contributions, loans, return of monies received pursuant to the terms of this Agreement or otherwise.

ARTICLE VI

INDEMNIFICATION

6.1 Indemnification. Each Partnership Representative shall be entitled to indemnification to the fullest extent permitted by the Texas Act and other applicable provisions of Texas law or any successor statutory provisions, as from time to time amended, from and against any judgments, penalties, including excise and similar taxes, fines, settlements and reasonable expenses actually incurred by the Partnership Representative in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative, and any appeal in such an action, suit or proceeding and any inquiry or investigation that could lead to such action, suit or proceeding, with respect to which such Partnership Representative was, is or is threatened to be made a named defendant or respondent because of the Partnership Representative's status as such (each such Partnership Representative being hereinafter referred to as an "Indemnitee"). Any repeal of this Section 6.1 shall be prospective only, and shall not adversely affect any right of indemnification existing at the time of such repeal or modification or thereafter arising as a result of acts or omissions prior to the time of such repeal or modification. If any provision or provisions of this Agreement relating to indemnification shall be held to be invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby; and, to the fullest extent possible, the provisions of this Agreement shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable. Any indemnification pursuant to this Article VI shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification. In no event may an Indemnitee subject any Limited Partner to personal liability by reason of the indemnification provisions of this Agreement.

6.2 Advancement or Reimbursement of Expenses. An Indemnitee shall be entitled to advance payment or reimbursement of reasonable expenses incurred by the Indemnitee in its capacity as such after the Partnership has received a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the Indemnitee has met the standard of conduct necessary for indemnification under Article XI of the Texas Act, and a written undertaking (made in conformance with the requirements of Article XI of the Texas Act) by or on behalf of the Indemnitee to repay the amount paid or reimbursed if it is ultimately determined that the Indemnitee did not meet that standard or it is ultimately determined that indemnification of the Indemnitee against expenses incurred by such Indemnitee in connection with that action, suit or proceeding is prohibited by Section 11.05 of the Texas Act. In addition, the Partnership shall pay or reimburse reasonable expenses incurred by a Partnership Representative in connection with the Partnership Representative's appearance as a witness or other participation in an action,

suit or proceeding involving or affecting the Partnership at a time when such Partnership Representative is not a named defendant or respondent in such action, suit or proceeding. Any indemnification of or advancement of expenses to a Partnership Representative who is a general partner of the Partnership in accordance with Article XI of the Texas Act and this Article VI shall be reported promptly to the Limited Partners, but in no event later than six months after the date that the indemnification or advance occurs.

6.3 Nonexclusivity and Survival of Indemnification. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall not be deemed exclusive of any other rights to which an Indemnitee may be entitled under applicable law, this Agreement, any other agreement or otherwise, both as to action in an official capacity and as to action in any other capacity while an Indemnitee. The provisions of this Article VI shall not be deemed to preclude the indemnification of any Person who is not specified in this Article VI but whom the Partnership has the power or obligation to indemnify under the provisions of the Texas Act or otherwise.

6.4 Insurance. To the fullest extent permitted by the Texas Act, the Partnership may purchase and maintain insurance or another arrangement on behalf of any Partnership Representative against any liability asserted against such Partnership Representative and incurred by such Partnership Representative in that capacity or arising out of the Partnership Representative's status in that capacity, regardless of whether the Partnership would have the power to indemnify such Partnership Representative against that liability under the provisions of Article XI of the Texas Act or this Article VI.

ARTICLE VII

ALLOCATIONS AND DISTRIBUTIONS

7.1 Allocations. Except as may otherwise be unanimously agreed by the Partners, all items of income, gain, loss, deduction, and credit of the Partnership shall be allocated among the Partners in accordance with their Capital Percentages.

7.2 Distributions. From time to time the General Partner shall, in its sole discretion, determine to what extent (if any) the Partnership's cash on hand exceeds its current and anticipated needs, including, without limitation, for operating expenses, debt service, acquisitions, and a reasonable contingency reserve, and if such an excess exists, cause the Partnership to distribute to the Partners, in accordance with their Capital Percentages, an amount in cash equal to that excess.

7.3 Limitation Upon Distributions. Notwithstanding anything herein to the contrary, no distribution may be made to the Partners if such distribution would violate the terms of Section 6.07 of the Texas Act.

ARTICLE VIII

ACCOUNTING PERIOD, RECORDS AND REPORTS

8.1 Accounting Period. The Partnership's fiscal year shall be the calendar year ending December 31 or such other period as the General Partner may determine (the "Fiscal Year").

8.2 Records, Audits and Reports. At the expense of the Partnership, the General Partner shall maintain records and accounts of all operations and expenditures of the Partnership.

8.3 Inspection. The books and records of the Partnership shall be maintained at the principal place of business of the Partnership and shall be open to inspection by the Partners at all reasonable times during any business day.

ARTICLE IX

TAX MATTERS

9.1 Tax Returns and Elections. The General Partner or its designees shall cause the preparation and timely filing of all tax returns required to be filed by the Partnership pursuant to the Code, if any, and all other tax returns and other tax filings and elections that the General Partner or its designees deem necessary. Copies of such returns, or pertinent information therefrom, shall be furnished to the Partners as promptly as practicable after filing.

9.2 State, Local or Foreign Income Taxes. In the event state or foreign income taxes are applicable, any references to federal income taxes or to "income taxes" contained herein shall refer to federal, state, local and foreign income taxes. References to the Code or Treasury regulations promulgated under the Code shall be deemed to refer to corresponding provisions that may become applicable under state, local or foreign income tax statutes and regulations.

9.3 Assignments and Issuance of Partnership Interests. The Partnership shall allocate taxable items attributable to a Partnership Interest that is assigned or issued in connection with a Capital Contribution by a new Partner during a Fiscal Year between the assignor and the assignee of such Partnership Interest or the existing Partners and the new Partners by closing the books of the Partnership as of the end of the day prior to the day in which such Partnership Interest is assigned or issued.

ARTICLE X

RESTRICTIONS ON TRANSFERABILITY; ADMISSION OF SUBSTITUTE PARTNERS

10.1 Generally. All Partnership Interests at any time and from time to time outstanding shall be held subject to the conditions and restrictions set forth in this Article X, which conditions and restrictions shall apply equally to the Partners and their respective transferees (except as otherwise expressly stated), and each Partner by executing this Agreement agrees with the Partnership and with each other Partner to such conditions and restrictions.

Without limiting the generality of the foregoing, the Partnership shall require as a condition to the transfer of record ownership of a Partnership Interest that the transferee of such interest execute and deliver this Agreement as evidence that such interest is held subject to the terms, conditions and restrictions set forth herein.

10.2 Restriction on Transfer. No Partnership Interest shall be sold, assigned, given, transferred, exchanged, devised, bequeathed, pledged or otherwise disposed of to any Person except upon the unanimous approval of the Partners and otherwise in accordance with the terms of this Agreement.

10.3 Substitute Partners. Any Person that acquires any Partnership Interest that is not already a Partner shall not have the right to participate in the management of the business and affairs of the Partnership, to vote such Partnership Interest, or to become a Partner of the Partnership unless the Partners of the Partnership unanimously consent to such Person becoming a Partner of the Partnership. If such Person is not admitted as a Partner of the Partnership, such Person only is entitled to receive the share of profits, distributions, and allocations of income, gain, loss, deduction, credit, or similar item to which the Person would be entitled if such Person were a Partner of the Partnership.

ARTICLE XI

DISSOLUTION AND TERMINATION

11.1 Dissolution.

(a) The Partnership shall dissolve upon the occurrence of any of the following events:

(i) the written consent of all Partners;

(ii) an event of withdrawal of the General Partner; or

(iii) as provided in Section 2.5 hereto.

(b) The personal representative (or other successor-in-interest) of a deceased Partner shall, subject to the provisions of Article X, succeed to the deceased Partner's interest in the Partnership. However, such personal representative (or other successor in interest) shall not be entitled to be admitted as a Partner unless the conditions specified in Article X are met.

11.2 Effect of Dissolution. Upon the occurrence of any of the events specified in this Article XI effecting the dissolution of the Partnership, the Partnership shall cease to carry on its business, except insofar as may be necessary for the winding up of its business, but its separate existence shall continue until a certificate of cancellation has been issued by the Secretary of State of the State of Texas or until a decree dissolving the Partnership has been entered by a court of competent jurisdiction.

11.3 Winding Up, Liquidating and Distribution of Assets.

(a) Upon dissolution, an accounting shall be made of the accounts of the Partnership and of the Partnership's assets, liabilities and operations, from the date of the last previous accounting until the date of dissolution. The General Partner shall immediately proceed to wind up the affairs of the Partnership.

(b) If the Partnership is dissolved and its affairs are to be wound up, the General Partner shall (1) sell or otherwise liquidate all of the Partnership's assets as promptly as practicable (except to the extent the General Partner may determine to distribute any assets in kind to the Partners), (2) allocate any income or loss resulting from such sales to the Partners in accordance with this Agreement, (3) discharge all liabilities to creditors in the order of priority as provided by law, (4) discharge all liabilities of the Partners (other than liabilities to Partners or for Capital Contributions to the extent unpaid in breach of an obligation to do so), including all costs relating to the dissolution, winding up and liquidation and distribution of assets, (5) establish such reserves as the General Partner may determine to be reasonably necessary to provide for contingent liabilities of the Partnership, (6) discharge any liabilities of the Partnership to the Partners other than on account of their interests in Partnership capital or profits and (7) distribute the remaining assets to the Partners, either in cash or in kind, as determined by the General Partner, pro rata according to the Capital Percentage of each. If any assets of the Partnership are to be distributed in kind, the net fair market value of such assets as of the date of dissolution shall be determined by independent appraisal or by agreement of all of the Partners.

(c) Notwithstanding anything to the contrary in this Agreement, upon a liquidation of the Partnership no Partner shall have any obligation to make any contribution to the capital of the Partnership other than any Capital Contributions such Partner agreed to make in accordance with this Agreement.

(d) Upon completion of the winding up, liquidation and distribution of the assets, the Partnership shall be deemed terminated.

(e) The General Partner shall comply with any applicable requirements of applicable law pertaining to the winding up of the affairs of the Partnership and the final distribution of its assets.

11.4 Certificate of Cancellation. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets have been distributed to the Partners, a certificate of cancellation shall be executed in duplicate, and verified by the person signing the certificate of cancellation and filed with the Secretary of State of the State of Texas, which certificate shall set forth the information required by the Texas Act.

11.5 Return of Contribution Non-recourse to Other Partners. Except as provided by law, upon dissolution, each Partner shall look solely to the assets of the Partnership for the return of the Partner's Capital Contribution. If the Partnership property remaining after the payment or discharge of the debts and liabilities of the Partnership is insufficient to return the cash or other

property contribution of one or more Partners, such Partner or Partners shall have no recourse against any other Partner.

ARTICLE XII

MISCELLANEOUS PROVISIONS

12.1 Notices. Any notice, demand or communication required or permitted to be given by any provision of this Agreement shall be deemed to have been sufficiently given or served for all purposes if delivered personally to the party or to an executive officer of the party to whom the same is directed or if sent by registered or certified mail, postage and charges prepaid, addressed to the Partner's and/or Partnership's address, as appropriate, which is set forth in this Agreement. If mailed, any such notice shall be deemed to be delivered two calendar days after being deposited in the United States mail with postage thereon prepaid, addressed and sent as aforesaid.

12.2 Books of Account and Records. Proper and complete records and books of account in which shall be entered fully and accurately all transactions and other matters relating to the Partnership's business in such detail and completeness as is customary and usual for businesses of the type engaged in by the Partnership shall be kept or shall be caused to be kept by the Partnership. Such books and records shall be maintained as provided in Section 8.3.

12.3 Application of Texas Law. This Agreement, and the application of interpretation hereof, shall be governed exclusively by its terms and by the laws of the State of Texas, and specifically the Texas Act.

12.4 Waiver of Action for Partition. Each Partner irrevocably waives, during the term of the Partnership, any right that such Partner may have to maintain any action for partition with respect to the property and assets of the Partnership.

12.5 Execution of Additional Instruments. Each Partner hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

12.6 Gender and Number. Whenever required by the context, as used in this Agreement, the singular number shall include the plural and the neuter shall include the masculine or feminine gender, and vice versa.

12.7 Headings. The headings in this Agreement are inserted for convenience only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

12.8 Waivers. No waiver of any right under this Agreement shall be effective unless evidenced in writing and executed by the Person entitled to the benefits thereof. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent another act or omission, which would have originally constituted a violation, from having the effect of an original violation.

12.9 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other rights or remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, rule, regulation or otherwise.

12.10 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

12.11 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors and assigns.

12.12 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Partnership or any creditor of any Partner of the Partnership.

12.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

12.14 Amendment. Except as otherwise expressly provided herein (including, without limitation, Section 3.3(g)), this Agreement may not be modified or amended without the written consent of all Partners.

EXECUTED to be effective as of the date first above written.

GENERAL PARTNER:

TEXAS GENCO GP, LLC

By:

Name:
Title:

LIMITED PARTNER:

TEXAS GENCO LP, LLC

By:

Name:
Title:

EXHIBIT G-13.1

[BAKER BOTTS L.L.P. LETTERHEAD]

May 26, 2002

MEMORANDUM

TO: Files

FROM: Joanne Rutkowski

RE: Status of LP LLC under the 1935 Act

Background

The Staff has asked us to provide support for Applicants' assertion that LP LLC will not be a holding company within the meaning of Section 2(a)(7) of the Public Utility Holding Company Act of 1935 (the "1935 Act" or "Act"). Briefly stated, the Texas Genco assets will be held by a Texas limited partnership (Texas Genco, LP) that, in turn, is owned by two single-member limited liability companies, Texas Genco GP, LLC ("GP LLC") organized in Texas and Texas Genco LP, LLC ("LP LLC") organized in Delaware. GP LLC and LP LLC are wholly-owned subsidiaries of Texas Genco Holding, Inc., a Texas corporation. This structure is intended to facilitate the Texas Genco IPO (which will be conducted at the Texas Genco Holdings, Inc. level) and to minimize Texas franchise tax liability (by channeling profits through LP LLC, a non-Texas entity).

Of interest here, LP LLC will be a conduit entity that will exist solely to minimize certain Texas franchise tax liability. LP LLC, which will be a Delaware limited liability company, will acquire a 99% limited partnership interest in Texas Genco, LP. Applicants have chosen this structure because Texas franchise tax, which is based upon 4.5% of taxable income, does not provide for any consolidated return concept. Thus each company reports its income on a stand-alone basis, and the payment of dividends from a Texas company to its parent is a taxable event for purposes of Texas franchise tax law. Dividends from a non-Texas company such as LP LLC, however, are not treated as Texas receipts of the recipient, Texas Genco Holdings, Inc. The use of the LP LLC thus helps to minimize the Texas franchise tax liability of New REI. The income of LP LLC is exempt from Texas franchise tax because LP LLC has no tax nexus to Texas. In addition, the Texas franchise tax law does not impose a franchise tax on the income of a limited or general partnership. The income earned by Texas Genco LP is therefore exempt from the Texas franchise tax.

Because it will not acquire 10% or more of the voting securities of Texas Genco, LP (hereinafter referred to as the "Partnership") or otherwise exercise an impermissible controlling influence over the management or operations of the Partnership, LP LLC will not be a holding company for purposes of the Act.(1)

Structure of the Partnership

As indicated above, the Partnership will be a Texas limited partnership formed by GP LLC as general partner, with LP LLC as a limited partner. The Partnership will be operated and controlled by GP LLC. LP LLC, as the limited partner, will be a conduit through which flow substantially all of the Partnership's profits and losses. LP LLC will not, however, participate in or have control over the day-to-day operations of the Partnership.

GP LLC will be responsible for the day-to-day management of the Partnership. Section 3.3. of the Agreement of Limited Partnership of Texas Genco, LP (the "Partnership Agreement") provides:

> Powers of General Partner. Except to the extent otherwise provided herein, [GP LLC] shall have full power and authority to take all action in connection with the Partnership's affairs and to exercise exclusive management, supervision and control of the Partnership's properties and business and shall have full power to do all things necessary or incident thereto. Without limiting the foregoing, [GP LLC], without the necessity of any further approval of [LP LLC], shall have the following powers:
>
> to control and manage the Partnership's assets and to arrange for collections, disbursements and other matters necessary or desirable in connection with the management of the Partnership's assets (such power to include the power and authority to borrow money in furtherance of the Partnership's purposes);

- --------

(1) As explained more fully in the Application, GP LLC, which will be a Texas limited liability company, will be a "holding company" because it will acquire the 1% general partnership interest in Texas Genco LP. Because they will be formed under Texas law and will derive all of their utility revenues from operations within Texas, both Texas Genco Holdings, Inc. and GP LLC will qualify for exemption under Section 3(a)(1).

to the extent that the Partnership's financial resources will permit [GP LLC] to do so, to see that all indebtedness owing with respect to and secured by the Partnership's assets, or any part thereof, is paid and to make such other payments and perform such other acts as [GP LLC] may deem necessary to preserve the interest of the Partnership therein;

to pay and discharge all taxes and assessments levied and assessed against the Partnership's assets or any part thereof for the account of the Partnership;

to carry such insurance as [GP LLC] may deem necessary or appropriate;

to have such other authority and power as may be reasonably necessary or appropriate for the operation, maintenance and preservation of the Partnership's assets;

to determine the number of employees, if any, the selection of such employees, the hours of labor and compensation for the service of such employees;

to amend this Agreement to reflect a change that is necessary or desirable in connection with the issuance of any Partnership Interests pursuant to Section 5.3; and

to determine the time and amount of distributions to the Partners, to make such distributions in accordance with Sections 7.2 and 7.3 and the other provisions of this Agreement, and to establish reasonable reserves as the General Partner may determine to be advisable.

The Partnership Agreement establishes rights to distributions and allocates the profits and losses of the Partnership generally in proportion to the Partnership interests, that is, 1% to GP LLC and 99% to LP LLC.

Article IV of the Partnership Agreement generally provides that "no Limited Partner shall have any control over the management of the Partnership or any power to transact any Partnership business or to bind or obligate the Partnership." Section 4.2 of the Partnership Agreement. Article IV further provides that: "No Limited Partner shall have any right or power

to withdraw from the Partnership . . . or to cause the liquidation of the Partnership or the partition of its properties." Section 4.3. Under the Partnership Agreement, the consent of LP LLC (as the sole limited partner) will be necessary in certain defined circumstances. In particular, under the Partnership Agreement, the consent of LP LLC will be required only with respect to:

1. The issuance of partnership interests with features or rights different than those of the initial partnership securities without the consent of the limited partner (Section 5.3(a) of the Partnership Agreement);

2. Admission of additional partners (Section 5.3(b) of the Partnership Agreement);

3. Changes to allocations of income, gain, loss, deduction and credit of the Partnership (Section 7.1 of the Partnership Agreement);

4. Transfers of partnership interests (Section 10.2 of the Partnership Agreement);

5. Dissolution of the Partnership (Section 11.1 of the Partnership Agreement); and

6. Amendment of the Partnership Agreement (Section 12.14 of the Partnership Agreement).

Issues Arising Under the Act

The Partnership will own the Texas Genco assets and so, will be an "electric utility company" within the meaning of the Act. GP LLC will own the "voting security" of, and otherwise control the management and operations of the Partnership and so, will be a "holding company" as defined in Section 2(a)(7) of the Act, as will Texas Genco Holdings, Inc. As holding companies, Texas Genco Holdings, Inc. and GP LLC will qualify for an exemption from registration pursuant to Section 3(a)(1) of the Act because they both will be predominantly intrastate in character and will carry on their business solely within Texas, which is the state in which both Texas Genco Holdings, Inc. and GP LLC are organized.

For the reasons described below, it is our opinion that LP LLC should not be deemed to be a holding company within the meaning of Section 2(a)(7) of the Act with respect to the Partnership because LP LLC will not (A) directly or indirectly, own, control or hold with the power to vote "voting securities" of a public utility company or of a holding company, as the term is defined in Section 2(a)(17) of the Act, nor will it (B) exercise "a controlling influence over the management or policies" of a public utility or of a holding company such that regulation is required under the Act.

A. The limited partnership interest is not a voting security.

A "voting security" is defined in Section 2(a)(17) of the Act as "any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a company." The Commission has issued a number of no-action letters supporting our conclusion that the consent rights associated with the Limited Partner's interest in the Partnership do not cause that interest to be considered a "voting security" under the Act. See, e.g., General Electric Capital Corporation (April 25, 2002), SW Acquisition, L.P. (April 12, 2000); Berkshire Hathaway, Inc. (March 10, 2000); Torchmark Corp. (January 19, 1996); Commonwealth Atlantic L.P. (November 30, 1991); Nevada Sun-Peak L.P. (May 14, 1991); and John Hancock Mutual Life Insurance Company (July 23, 1986). In this series of no-action letters, the Staff has identified numerous types of consent rights that do not cause the holder of such rights to have a vote in the direction or management of the underlying holding company or utility. Instead, the Staff has recognized that these consent rights are intended to protect the investment of the limited partners or preferred shareholders, similar to the rights granted to debt holders by means of negative covenants in debt instruments. The consent rights granted to LP LLC in this matter fall squarely within the boundaries outlined in prior no-action letter requests.

In SW Acquisition, L.P., the Staff concurred with the opinion that the limited partnership interests described in that request did not constitute "voting securities" based on factual circumstances in which the limited partners held 99.9% of the equity of the partnership, and the limited partners were granted consent rights concerning a wide variety of events. In particular, the limited partners in SW Acquisition, L.P. held consent rights concerning the approval of: (i) distributions under the partnership agreement, (ii) a public offering of the securities of the partnership or its subsidiaries, (iii) changes in the aggregate of greater than 15% to the business plan and annual operating budget, (iv) contracts for goods and services, or the incurrence of indebtedness, in excess of $1 million, except in accordance with the current business plan and annual budget, (v) mergers, joint ventures, partnerships and similar transactions, (vi) capital expenditures that vary from the current budget by $5 million or more, (vii) material changes in accounting practices or a change of the partnership's accountant, (viii) initiating actions or suits in excess of $1 million, and (ix) adopting material employee benefits plans or employment agreements. The consent rights held by the limited partners in SW Acquisition, L.P. are more extensive that the consent rights to be granted to LP LLC under the Partnership Agreement in this matter.

Furthermore, on several occasions the Staff has issued no-action letters in response to requests by limited partners with significant consent rights, irrespective of the fact that the consent of a single limited partner (as opposed to a group of unrelated partners) was necessary to approve the applicable events covered by such consent rights. See, e.g., Nevada-Sun Peak L.P. (consent of single limited partner required for extensive list of "major business

decisions"); Dominion Resources, Inc. (Jan. 21, 1988) (consent of single limited partner required for specified "major events").

For these reasons, it is our view that the consent rights to be held by LP LLC should not cause the interests it will hold the Partnership to be deemed to be "voting securities."

B. LP LLC will not exercise such a controlling influence over the Partnership that regulation would be required under the Act.

Under Section 2(a)(7) of the Act, the owner of less than 10% of the voting securities of a holding company or a public-utility company is not presumed to control such holding company or public-utility company unless the Commission determines, after notice and opportunity for hearing, that such owner exercises such a controlling influence over the holding company or public-utility company in question that the Commission finds it necessary or appropriate to regulate the owner as a holding company under the Act.

We believe that the structure and terms of the LP LLC's investment in the Partnership evidence the fact that LP LLC will not have such controlling influence over the management or policies of the Partnership that regulation under the Act is required. Our opinion is bolstered by the facts and arguments relied upon in prior no-action letter requests granted by the Staff. The determination of whether a party has a "controlling influence" is a judgment to be made by the Commission based on the facts of a particular case. In the past, the Commission has relied on the following facts and circumstances in making its determination: "(i) the terms and provisions of the securities that create the relationship, (ii) whether there are agreements between those with voting control and others who have invested in the company, (iii) any past or present business relationship between the entities with voting control and the company and (iv) the nature of the parties involved, including whether there is capable, independent and financially interested management to operate the public utility and holding company." Berkshire Hathaway, Inc., supra.

As shown above, the consent rights to be granted to LP LLC are less extensive than those granted to other similar investors that have received no-action letter assurances. In addition, there are no voting agreements among GP LLC and LP LLC. Nor does LP LLC have any ability to control the management or day-to-day operations of the Partnership. The Partnership Agreement provides that GP LLC has the exclusive right to control the business of the Partnership. LP LLC is a passive investor with an economic interest structured to minimize Texas Genco Holdings, Inc.'s liability under Texas franchise law. LP LLC has no affirmative rights under the Partnership Agreement, and will not otherwise attempt, to control the daily operations of the Partnership.

The limited approval rights of LP LLC are similar to the consent rights retained by classes of debt holders and are necessary to help protect such investors from extraordinary events outside of the ordinary course of business.

LP LLC will have no right to appoint or otherwise nominate any members of management of the Partnership. In contrast, in prior no-action letters, the Staff has given assurances to passive investors that were granted the right to appoint one or more voting members to the Board of Directors of a holding company or a public-utility company. The ability to have such representation has been supported in no-action letter requests as necessary to permit the passive investor to monitor the activities of the entity in which it has invested, without giving the investor the right to veto or otherwise manage or control the operations of such entity. See Western Resources, Inc. (Nov. 24, 1997) (granting owner of common and preferred stock representing approximately 45% of utility's equity the right to appoint two of the utility's fifteen directors); Ocean State Power 2 (Feb. 16, 1988) (granting each of the six partners a representative to the partnership's management committee). As stated in Torchmark Corp., the limited partner is not required to be "a stranger to the organization of the Partnership" as long as its involvement is limited to protecting its investment.

In addition, in the recent no-action letter involving Berkshire Hathaway, Inc., the Staff indicated that it would not recommend that the Commission find that Berkshire Hathaway would have a "controlling influence" over the holding company acquired in that transaction despite the fact that Berkshire Hathaway would own approximately 81% of the holding company's total equity, including approximately 9.7% of its voting stock and the remainder in convertible preferred stock (which entitled it to appoint two of the holding company's ten directors and to exercise consent rights with respect to certain extraordinary actions).

Unlike previous matters, the Partnership Agreement does not grant to the limited partner a right to replace the general partner. Compare General Electric Capital Corporation (in which the limited partner could replace the general partner for defined "cause").

Finally, the terms and structure of the proposed transaction help to protect against any abuses under the Act and thus the Commission would have no basis to conclude that regulation of LP LLC as a holding company is necessary or appropriate in the public interest or for the protection of investors or consumers. In the first instance, LP LLC will already be subject to regulation as a subsidiary of a registered holding company. Further, LP LLC will be a conduit entity, formed for the sole purpose of minimizing tax liability. The underlying utility operations will be conducted in accordance with the comprehensive plan established by the Texas restructuring law and, finally, also as a result of the Texas restructuring, there will be no captive retail customers associated with the generation operations.

III. Conclusion

For the foregoing reasons, it is our opinion that LP LLC will not be a "holding company" as such term is defined in Section 2(a)(7) of the Act.

EXHIBIT G-14

May 26, 2002

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Reliant Energy, Inc. (File No. 70-9895)

Dear Sirs,

I am writing in reference to the Application-Declaration on Form U-1 in File No. 70-9895, as amended (the "Application"), under the Public Utility Holding Company act of 1935, as amended (the "1935 Act"), filed by Reliant Energy, Incorporated ("REI") and CenterPoint Energy, Inc. (collectively, the "Applicants"), seeking authority in connection with the restructuring of the utility operations of REI, a Texas public-utility holding company that is currently exempt from registration pursuant to Section 3(a)(2) of the Act.

I have acted as counsel to REI in connection with the filing of the Application. All capitalized terms used herein but not defined herein shall have the meaning ascribed to them in the Application.

In connection with this opinion, I have examined the Application and the exhibits thereto, and I have examined originals, or copies certified to my satisfaction, of such corporate records of the Applicants, certificates of public officials, certificates of officers and representatives of the Applicants and other documents as I have deemed it necessary to require as a basis for the opinions hereinafter expressed. In such examination I have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity with the originals of all documents submitted to us as copies. As to various questions of fact material to such opinions I have, when relevant facts were not independently established, relied upon certificates by officers of Applicants and other appropriate persons and statements contained in the Application.

Based upon the foregoing, and having regard to legal considerations which I deem relevant, I am of the opinion that, in the event

that the proposed transactions are consummated in accordance with the Application, and subject to the assumptions and conditions set forth below:

1. The laws of the States of Texas, Arkansas, Mississippi, Louisiana, Oklahoma and Minnesota applicable to the transactions as described in the Application will have been complied with.

2. The consummation of the transactions as described in the Application will not violate the legal rights of the lawful holders of any securities issued by REI or any associate company of REI.

The opinions expressed above in respect of the transactions as described in the Application are subject to the following assumptions or conditions:

a. The transactions shall have been duly authorized and approved, to the extent required by state law, by the Board of Directors and shareholders of Applicants, and such authorization and approval shall remain in effect at the closing thereof.

b. The Securities and Exchange Commission shall have duly entered an appropriate order or orders granting and permitting the Application to become effective with respect to the transactions.

c. The transactions shall have been accomplished in accordance with required approvals, authorizations, consents, certificates and orders of all state commission or regulatory authorities with respect thereto, and all such required approvals, authorizations, consents, certificates and orders shall have been obtained and remain in effect at the closing thereof.

d. No opinions are expressed with respect to laws other than those of the States of Texas, Arkansas, Mississippi, Louisiana, Oklahoma and Minnesota.

e. Registration statements with respect to the shares of CenterPoint Energy, Inc. common stock to be issued in connection with the Electric Restructuring shall have become effective pursuant to the Securities Act of 1933, as amended; no stop order shall have been entered with respect thereto; and the issuance of shares of CenterPoint Energy, Inc. common stock in connection with the Electric Restructuring shall have been consummated in compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder.

f. The solicitation of proxies from the stockholders of REI with respect to the Electric Restructuring shall have been made in accordance with the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

g. No act or event other than as described herein shall have occurred subsequent to the date hereof which would change the opinions expressed above.

I hereby consent to the use of this opinion as an exhibit to the Application.

Very truly yours,

Joanne C. Rutkowski

AGREEMENT CONCERNING
REMAINING CREDIT SUPPORT ARRANGEMENTS

THIS AGREEMENT CONCERNING REMAINING CREDIT SUPPORT ARRANGEMENTS (the "Agreement"), is entered into as of June __, 2002 (the "Effective Date"), by and between Reliant Energy, Incorporated, a Texas corporation ("REI"), and Reliant Resources, Inc., a Delaware corporation ("Resources"), as an Ancillary Agreement pursuant to that certain Master Separation Agreement (the "Master Separation Agreement") between REI and Resources, dated as of December 31, 2000. Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in the Master Separation Agreement.

WHEREAS, the Board of Directors of REI has determined that it is in the best interests of REI and its shareholders to separate REI's existing businesses into two independent business groups;

WHEREAS, in order to effectuate the foregoing, REI and Resources have entered into the Master Separation Agreement, which provides for, among other things, the assumption by Resources of the Resources Liabilities, and the execution and delivery of certain other agreements in order to facilitate and provide for the separation of the Resources Group from the REI Group;

WHEREAS, Section 10.10 of the Master Separation Agreement requires REI and each Subsidiary of REI to maintain in full force and effect, but only until the Distribution Date, each guarantee, letter of credit, keepwell or support agreement or other credit support document, instrument or other similar arrangement issued for the benefit of any Person in the Resources Group by or on behalf of REI or a Person in the REI Group that is outstanding as of the Separation Date (the "Credit Support Arrangements");

WHEREAS, Section 10.10 of the Master Separation Agreement further provides that Resources shall pay or cause the Person in the Resources Group for whose benefit the Credit Support Arrangement is provided to pay, the underlying obligation as and when the same shall become due and payable, to the end that neither REI nor any Subsidiary of REI shall be required to make any payment by reason of any Credit Support Arrangement and that all Credit Support Arrangements shall be deemed Resources Liabilities, and Section 3.2 of the Master Separation Agreement provides that Resources and the Appropriate Member of the Resources Group shall indemnify the REI Indemnitees against, among other things, any Resources Liability;

WHEREAS, notwithstanding Resources' efforts to attempt to obtain releases for and otherwise replace the Credit Support Arrangements prior to the Distribution Date, certain Credit Support Arrangements might still remain or be discovered after the Distribution Date (the "Remaining Credit Support Arrangements");

WHEREAS, REI and Resources are entering into this Agreement to provide for the securing of Resources' indemnities with regard to the Remaining Credit Support

Arrangements and the administration of any claims against the REI Indemnitees with regard to the Remaining Credit Support Arrangements.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties, intending to be legally bound, agree as follows:

1. RELEASE OF REMAINING CREDIT SUPPORT ARRANGEMENTS. Commencing on the Effective Date and at all times thereafter, Resources, at its sole expense, shall continue its efforts pursuant to Section 10.10 of the Master Separation Agreement, after becoming aware or being notified by REI, to obtain the release of REI and/or the applicable REI Subsidiary or Subsidiaries (collectively, the "Applicable REI Party") from all Remaining Credit Support Arrangements.

2. KNOWN REMAINING CREDIT SUPPORT ARRANGEMENTS AT DISTRIBUTION DATE. On the Distribution Date, Resources shall provide REI with the certificate of an officer of Resources stating that, to the best of Resources' knowledge after due investigation, there are no Remaining Credit Support Arrangements, except for those Remaining Credit Support Arrangements that are specifically identified in such certificate. On the Distribution Date, Resources shall provide to the Applicable REI Party at Resources option a letter or letters of credit, cash deposit or treasury bonds (each of the foregoing items being referred to as "Collateral") with respect to each such Remaining Credit Support Arrangement so identified in such certificate, in accordance with the provisions of Section 5 hereof.

3. REMAINING CREDIT SUPPORT ARRANGEMENTS DISCOVERED AFTER DISTRIBUTION DATE. In the event that, after the Distribution Date, either party becomes aware of a Remaining Credit Support Arrangement not previously known, the discovering party shall promptly notify the other party, and Resources upon such notice shall continue its efforts pursuant to Section 10.10 of the Master Separation Agreement to obtain the release or termination of such Remaining Credit Support Arrangement. If such release or termination is not obtained within fifteen days after receipt of the notice referred to in the previous sentence, Resources shall provide to the Applicable REI Party Collateral in accordance with the provisions of Section 5 hereof.

4. THIRD PARTY CLAIMS. Third Party Claims with regard to any Credit Support Arrangements, including any Credit Support Arrangement believed to have been previously terminated or released, shall be administered in accordance with the provisions of the Master Separation Agreement.

5. COLLATERAL.

(a) Where Resources is required to provide Collateral pursuant to this Agreement, such Collateral shall be held by the Applicable REI Party and be in an amount equal to the maximum potential liability the Applicable

REI Party has under the applicable Remaining Credit Support Arrangement, provided in the event that Resources elects to provide Collateral in the form of treasury bonds or in cases where the maximum potential liability is denominated in a currency other than U.S. Dollars, the Collateral shall be in an amount reasonably acceptable to REI in excess of the maximum potential liability. In cases where the Remaining Credit Support Arrangement provides for a maximum limit for the Applicable REI Party's liability and there is an open transaction secured by such Remaining Credit Support Arrangement, the Applicable REI Party's maximum potential liability shall be deemed to be such maximum limit. In cases where the Remaining Credit Support Arrangement does not provide for such maximum limit and there is an open transaction secured by such Remaining Credit Support Arrangement, the Applicable REI Party's maximum potential liability shall be deemed to be the reasonably anticipated exposure of the Applicable REI Party at the time Resources is required to provide the Collateral; provided that the amount of the Collateral shall be reviewed from time to time and any excess will be returned to, and any shortfalls will be replenished by, Resources within three business days of notice of such excess or shortfall. In cases where there is no open transaction secured by the Remaining Credit Support Arrangement (regardless of whether or not such Remaining Credit Support Arrangement provides for a maximum limit for liability of the Applicable REI Party) Resources shall not be required to provide Collateral if Resources provides an officer's certificate to the foregoing fact, together with its written undertaking to take no action, including engaging in further transactions with the beneficiary of the applicable Remaining Credit Support Arrangement, that could increase the Applicable REI Party's exposure under such Remaining Credit Support Arrangement.

(b) Where Resources is required to provide Collateral pursuant to this Agreement and chooses to provide a letter of credit, such letter of credit shall be issued for the benefit of the Applicable REI Party at Resources' sole expense by a financial institution reasonably acceptable, and in a form reasonably satisfactory, to REI. Resources shall maintain such letter of credit in full force and effect for so long as the Applicable REI Party remains subject to any potential liability under such Remaining Credit Support Arrangement; provided that such letter of credit may be for a term as short as 90 days with provisions allowing for draw if the letter of credit has not been renewed 10 days prior to its stated expiration. The form of letter of credit will contain the following drawing conditions: "[Beneficiary] has complied with the provisions of Section 3.5 of the Master Separation Agreement, has suffered a loss of $_____ due to liability of Beneficiary under [describe Remaining Credit Support Arrangement] and such loss has not been reimbursed by Resources after demand under the Master Separation Agreement."

6. AMENDMENTS. This Agreement shall not be supplemented, amended or modified in any manner whatsoever (including by course of dealing or performance or usage of trade) except in writing signed by the parties.

7. RESOLUTION OF DISPUTES. If a dispute, claim or controversy results from or arises out of or in connection with this Agreement, the parties agree to use the procedures set forth in Article IX of the Master Separation Agreement, in lieu of other available remedies, to resolve the same.

8. SUCCESSORS AND ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. No party shall assign this Agreement or any rights herein without the prior written consent of the other party, which may be withheld for any or no reason.

9. NOTICES. Unless expressly provided herein, all notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be deemed to be duly given (i) when personally delivered or (ii) if mailed registered or certified mail, postage prepaid, return receipt requested, on the date the return receipt is executed or the letter is refused by the addressee or its agent or (iii) if sent by overnight courier which delivers only upon the signed receipt of the addressee, on the date the receipt acknowledgment is executed or refused by the addressee or its agent or (iv) if sent by facsimile or other generally accepted means of electronic transmission, on the date confirmation of transmission is received (provided that a copy of any notice delivered pursuant to this clause (iv) shall also be sent pursuant to clause (ii) or (iii)), addressed to the attention of the addressee's General Counsel with a copy to the addressee's Treasurer at the address of its principal executive office or to such other address or facsimile number for a party as it shall have specified in writing.

10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

11. TIME OF ESSENCE. In all instances where either party is required hereunder to pay any sum or do any act a particular time or within any indicated period, it is understood that time is of the essence.

12. SEVERABILITY. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If any portion of this Agreement is declared invalid for any reason, such declaration shall have no effect upon the remaining portions of this Agreement, which shall continue in full force and effect as if this Agreement had been executed with the invalid portions thereof deleted.

13. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

14. RIGHTS OF THE PARTIES. Nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any person or entity, other than the parties and to the extent provided herein their respective Subsidiaries, any rights or remedies under or by reason of this Agreement or any transaction contemplated thereby.

15. RESERVATION OF RIGHTS. The waiver by either party of any of its rights or remedies afforded hereunder or at law is without prejudice and shall not operate to waive any other rights or remedies which that party shall have available to it, nor shall such waiver operate to waive the party's rights to any remedies due to a future breach, whether of a similar or different nature. The failure or delay of a party in exercising any rights granted to it hereunder shall not constitute a waiver of any such right and that party may exercise that right at any time. Any single or partial exercise of any particular right by a party shall not exhaust the same or constitute a waiver of any other right.

16. ENTIRE AGREEMENT. All understandings, representations, warranties and agreements, if any, heretofore existing between the parties regarding the subject matter hereof are merged into this Agreement and the applicable provisions of the Master Separation Agreement, which fully and completely express the agreement of the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement Concerning Remaining Credit Support Arrangements as of the date first above written.

RELIANT ENERGY, INCORPORATED

By: _____

Name: _____

Title: _____

RELIANT RESOURCES, INC.

By: _____

Name: _____

Title: _____

EXHIBIT G-16

[RELIANT ENERGY LETTERHEAD]

June 27, 2002

Mr. Paul F. Roye
Director, Division of Investment Management
United States Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: IRS Tax Ruling for Reliant Energy, Incorporated (TIN: 74-0694415) under Section 355 on Spin-off of Reliant Resources, Inc.

Dear Mr. Roye:

I am the Managing Director of Tax for Reliant Energy, Incorporated ("Reliant Energy"). By letter dated September 17, 2001, I submitted a private letter ruling request, on behalf of Reliant Energy to the IRS, relating to a proposed distribution (the "Reliant Resources Distribution") by Reliant Energy of the stock of Reliant Resources, Inc. ("Reliant Resources"). I supplemented Reliant Energy's private letter ruling request with letters dated October 19, 2001, December 12, 2001, January 4, 2002, January 15, 2002, January 18, 2002, January 24, 2002, and January 25, 2002 (collectively, "Ruling Request"). On January 28, 2002, the IRS issued a private letter ruling ("Private Letter Ruling") to Reliant Energy concluding that the Reliant Resources Distribution qualified as a tax-free distribution under Section 368(a)1(D) and Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"). The purpose of obtaining the Private Letter Ruling is to provide assurance that Reliant Energy and its shareholders will not be subject to taxation as a result of the Reliant Resources Distribution.

The Private Letter Ruling represented the IRS' statement of the tax law as applied to the specific transaction (the "Transaction") set forth in the Ruling Request. The Transaction set forth in the Ruling Request consisted of a series of steps. These steps included first a restructuring of Reliant Energy's business into two separate groups of companies (the "Restructuring"). The Ruling Request stated that the Reliant Resources Distribution would occur subsequent to the Restructuring.

Reliant Energy may rely on the IRS statement of tax law set forth in the Private Letter Ruling only if Reliant Energy undertakes the Transaction in the manner in which it is set forth in the Ruling Request. If there is a material change to the Transaction, Reliant Energy may not rely upon the Private Letter Ruling. Specifically, if Reliant Energy were to alter the order of the steps of the Transaction set forth in the Ruling Request whereby the Reliant Resources

Distribution were to occur before (and not after) the Restructuring, then Reliant Energy would no longer be able to rely upon the Private Letter Ruling and the Private Letter Ruling would have no force or effect.

In order to obtain a private letter ruling upon which it could rely in such circumstances, Reliant Energy would first need to prepare and submit an entirely new ruling request to the IRS setting forth the steps of the new transaction. The IRS would then open a new file to consider such ruling request. If the IRS agreed with the ruling requested by Reliant Energy in its new request, the IRS would then issue a new private letter ruling to Reliant Energy. It would probably take Reliant Energy 6-8 months to obtain such a ruling, once it began its preparation.

If you have any additional questions regarding this matter, please do not hesitate to contact me.

Very truly yours,

/s/ CHARLES A. SMITH, JR.
Charles A. Smith, Jr.
Managing Director, Tax

July 2, 2002

Paul F. Roye
Director
Division of Investment Management
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Reliant Energy, Incorporated ("Reliant Energy") and
CenterPoint Energy, Inc. ("CenterPoint") (File No. 070-09895)

Dear Mr. Roye:

We are writing to offer the following commitments in connection with the approvals requested in the above-captioned matter:

1. Reliant Energy, on behalf of itself and its majority-owned subsidiary Reliant Resources, Inc., undertakes and acknowledges that:

(a) Reliant Energy and Reliant Resources, Inc. will continue to comply with any document requests, subpoenas and requests to make persons available for testimony in connection with the ongoing enforcement investigation by the Commission (MHO-9425).

(b) Reliant Energy and Reliant Resources, Inc. agree that the grant of authority in File No. 70-9895 will have no bearing on the ability of the Commission to proceed with its enforcement investigation and invoke remedies in connection therewith.

(c) Neither Reliant Energy nor Reliant Resources, Inc. will assert or otherwise raise the Commission's findings in File No. 70-9895 as a bar or defense to any enforcement action or private securities litigation relating to the subject of the ongoing enforcement investigation.

2. Reliant Energy and Reliant Resources, Inc. are filing Forms 10-K/A, amending their respective Annual Reports on Form 10-K filed with the Commission on April 15, 2002. In connection with these filings, the Commission will be provided with sworn statements of the principal executive officer and principal financial officer of each company in the forms attached

hereto. Such statements are intended to comply with the Commission's order requiring the filing of sworn statements pursuant to Section 21(a)(1) of the Securities Exchange Act of 1934 (File No. 4-460).

3. Reliant Energy and CenterPoint undertake, as a condition to the Commission's approval of the Distribution, that they will file in this record, by post-effective amendment, prior to the Distribution, the opinion of an investment banker concerning CenterPoint's financing plan to achieve the projected equity capitalization at the end of fiscal 2005. Reliant Energy and CenterPoint have submitted to the Commission projections concerning CenterPoint's common equity capitalization. Applicants project that CenterPoint will have 20% common equity capitalization by the end of fiscal 2005, as calculated in accordance with GAAP, which includes securitization debt as debt. Net of securitization debt, Applicants project that CenterPoint will have 35% common equity capitalization by the end of fiscal 2005. This opinion, which would be based upon and subject to customary procedures and assumptions, will state that, from a financial point of view, CenterPoint can reasonably expect to raise equity and debt capital in at least the amounts provided for in CenterPoint's financing plan. This opinion would also state that the investment banker has reviewed, among other things, CenterPoint's financing plan and the financial and other projections, forecasts and assumptions on which it is based and held discussions with certain senior officers, directors and other representatives and advisors of CenterPoint concerning the financing plan.

Sincerely,