



***Fourth Quarter 2006
Earnings Teleconference***

February 27, 2007

Forward-Looking Statements



This presentation contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements that contain projections, estimates or assumptions about our revenues, income and other financial items and our plans and objectives for future operations or about our future economic performance, transactions and dispositions and financings related thereto. In many cases you can identify forward-looking statements by terminology such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and other similar words. However, the absence of these words does not mean that the statements are not forward-looking.

Actual results may differ materially from those expressed or implied by forward-looking statements as a result of many factors or events, including legislative and regulatory developments, the outcome of pending lawsuits, governmental proceedings and investigations, the effects of competition, financial market conditions, access to capital, the timing and extent of changes in commodity prices and interest rates, weather conditions, changes in our business plan and other factors we discuss or reference to in the "Risk Factors" section of our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Each forward-looking statement speaks only as of the date of the particular statement and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

This presentation contains non-GAAP measures as defined by the Securities and Exchange Commission rules. A reconciliation of these measures to the most directly comparable GAAP measures is contained herein or within our earnings release and the financial tables attached thereto, which are available, together with this presentation, on our investors page at www.reliant.com. Statements disclosing the utility and purposes of these measures are set forth in Item 2.02 to our Current Report on Form 8-K accompanying the earnings release, which is available on our website.



Opening Remarks

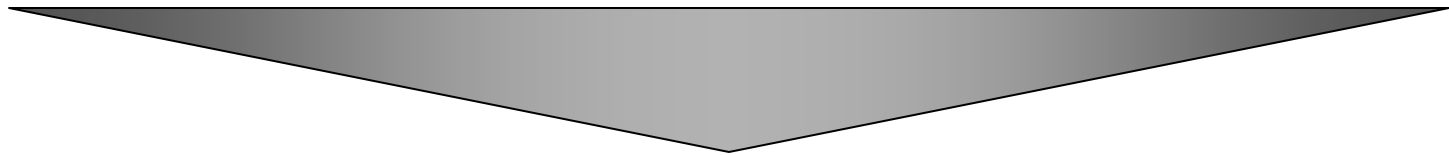
Joel V. Staff

Chairman and Chief Executive Officer

February 27, 2007

2006 Priorities

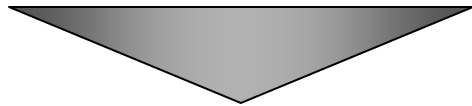
- Fill key open roles
- Convert to open wholesale model
- Transition Texas retail market to full competition with competitive margins
- Improve commercial capacity factor
- Reduce collateral postings by \$1 billion



Outperformed

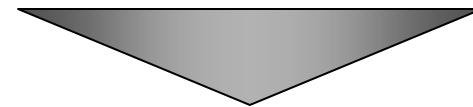
Power Industry

- Variable earnings profiles driven by volatile and uncertain markets
- Mixed regulated and unregulated markets; slow evolution to competition
- Increasing political and regulatory focus on environmental issues



Wholesale Market

- Capital intensive, cyclical industries earn returns below cost of capital over full cycle
- Absent large cost advantages, new build under earns return on capital and new build costs increasing rapidly
- Significant recovery of supply/demand balance over next several years



Retail Market

- Attractive business with high ROIC and relatively stable earnings
- Value created through segmentation, product/service innovation and brand
- Confluence of market forces will dramatically change industry load
- Success in Texas will open new competitive markets

Realize Superior Returns

Utilize deep fundamental knowledge of core markets

- Highly disciplined capital investments
- Innovative application of insights

Wholesale

Superior Operator of Diverse Asset Portfolio

- Realize full value of advantaged portfolio
- Achieve operating and commercial excellence
- Optimize portfolio for risk-adjusted returns

Retail

Provide Superior Customer Value

- Strengthen leadership position in ERCOT
- Enter and develop new markets
- Lead development of smart energy to reshape customer load

Value Adding Financial Structure and Actions

- Flexible capital structure supporting strategy
- Timely access to competitively priced capital
- Value creating innovative transactions



Financial Review

Mark M. Jacobs
Chief Financial Officer

February 27, 2007

Summary of Results



\$ Millions	<u>Q4 2006</u>	<u>Q4 2005</u>
Open wholesale gross margin	\$ 230	\$ 348
Adjusted retail gross margin	144	94
Total open gross margin ¹	<u>374</u>	<u>444</u>
Total adjusted expenses ²	300	229
Open EBITDA	\$ 74	\$ 215
Impact of historical wholesale hedges ³	(41)	(231)
Gains on sales of assets and emission allowances	-	52
Adjusted EBITDA	<u>\$ 33</u>	<u>\$ 36</u>

	<u>FY 2006</u>	<u>FY 2005</u>
Open EBITDA	\$ 838	\$ 1,002
Adjusted EBITDA	\$ 621	\$ 686

1. Includes other gross margin of \$2 million in 2005.
2. Excludes Western states and Cornerstone settlements, depreciation and amortization, debt conversion expense, interest and taxes and includes other income, net.
3. Historical wholesale hedges were entered into to primarily hedge the economics of our wholesale operations. These amounts primarily relate to settlements of forward power and fuel hedges, long-term tolling purchases, long-term natural gas transportation contracts, storage contracts and our legacy energy trading. These amounts are derived based on methodology consistent with the calculation of open energy gross margin for the wholesale energy segment.

Wholesale Key Earnings Drivers



	<u>Q4 2006</u>	<u>Q4 2005</u>	<u>Impact (\$ MM)</u>
Economic generation (TWh)	9.4	10.6	\$ (5)
Commercial capacity factor	88.2%	81.2%	\$ 14
Generation volume (TWh)	8.3	8.6	
Unit open energy gross margin (\$/MWh)	\$ 16.55	\$ 30.79	\$ (136)
Open energy gross margin (\$ millions)	\$ 137	\$ 264	
Other margin (\$ millions)	\$ 93	\$ 84	\$ 9
Total open gross margin (\$ millions)	\$ 230	\$ 348	\$ (118)

	<u>FY 2006</u>	<u>FY 2005</u>	
Commercial capacity factor	85.1%	82.3%	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: blue; margin-right: 5px;"></div> Market Metrics <div style="width: 15px; height: 15px; background-color: yellow; margin-right: 5px; margin-top: 5px;"></div> Performance Metrics </div>

Retail Key Earnings Drivers



	<u>Q4 2006</u>	<u>Q4 2005</u>	<u>Impact (\$ MM)</u>
Mass volume (TWh)	5.7	6.2	\$ (10)
C&I volume (TWh)	9.1	8.9	\$ (3)
Total volume (TWh) *	14.8	15.1	
Mass gross margin (\$/MWh)	\$ 29.17	\$ 18.94	\$ 59
C&I gross margin (\$/MWh)	\$ (1.13)	\$ (1.26)	\$ 4
Weighted average gross margin (\$/MWh) *	\$ 10.54	\$ 7.04	
Total adjusted gross margin (\$ millions) **	\$ 144	\$ 94	\$ 50

	<u>FY 2006</u>	<u>FY 2005</u>
Mass gross margin (\$/MWh)	\$ 27.36	\$ 23.70
C&I gross margin (\$/MWh)	\$ 5.33	\$ 2.02

 Performance Metrics

* All volumes exclude market usage adjustments.

** Includes market usage adjustments of \$(12) million in Q4 2006 and \$(12) million in Q4 2005.

Cash Flow Analysis

\$ Millions



	Twelve months ended <u>December 31, 2006</u>	Twelve months ended <u>December 31, 2005</u>
GAAP net cash provided by (used in) continuing operations from operating activities	\$1,330	(\$1,110)
Increase (decrease) in margin deposits, net	(1,264)	1,214
Western states and Cornerstone settlement payments	160	--
Adjusted cash flow provided by continuing operations	\$226	\$104
Capital expenditures	(97)	(82)
Proceeds from sales of emission allowances*	205	234
Purchases of emission allowances*	(23)	(146)
Free cash flow provided by continuing operations	\$311	\$110

* Consistent with SEC guidance to the industry, purchases and sales of emission allowances are classified as cash flows from investing activities for GAAP purposes.

2007-2009 Outlook¹



\$ Millions	2006A	2007E ²	2008E ²	2009E ²
Open wholesale gross margin	\$ 1,064 ³	\$ 1,229	\$ 1,452	\$ 1,386
Wholesale operation and maintenance	599	605	582	571
Open wholesale contribution margin	\$ 467⁴	\$ 624	\$ 870	\$ 815
Adjusted retail gross margin	\$ 984	\$ 941	\$ 933	\$ 925
Retail operation and maintenance	234	225	222	220
Selling & marketing	124	139	136	133
Bad debt	89	77	73	69
Adjusted retail contribution margin	\$ 537	\$ 500	\$ 502	\$ 503
Other general and administrative	166 ⁵	150	153	158
Open EBITDA	\$ 838	\$ 974	\$ 1,219	\$ 1,160
Impact of historical wholesale hedges ⁶	\$ (376)	\$ (151)	\$ (71)	\$ (98)
Gains on sales of emission allowances	159	-	-	-
Adjusted EBITDA	\$ 621	\$ 823	\$ 1,148	\$ 1,062
Depreciation and amortization	\$ 308	\$ 294	\$ 305	\$ 306
Emission allowances amortization	65	89	134	137
Total depreciation and amortization	373	383	439	443
Interest expense, net	394	301	250	226
Adjusted cash flow provided by continuing operations	\$ 226	\$ 535	\$ 856	\$ 816
Capital expenditures	(97)	(238)	(308)	(183)
Emissions activity, net	182	(69)	(128)	(130)
Free cash flow provided by continuing operations⁷	\$ 311	\$ 228	\$ 420	\$ 503

1. Based on forward commodity prices as of 12/22/2006.

2. Certain factors that could affect GAAP financial measures are not accessible on a forward-looking basis, but could be material to future reported earnings or cash flows.

3. Includes other gross margin of \$1 million.

4. Includes wholesale bad debt expense of \$(2) million and other contribution margin of \$1 million.

5. Excludes Western states and Cornerstone settlements, depreciation and amortization, debt conversion expense, interest and taxes and includes other income, net.

6. Historical wholesale hedges were entered into to primarily hedge the economics of our wholesale operations. These amounts primarily relate to settlements of forward power and fuel hedges, long-term tolling purchases, long-term natural gas transportation contracts, storage contracts and our legacy energy trading. These amounts are derived based on methodology consistent with the calculation of open energy gross margin for the wholesale energy segment.

7. 2007 through 2009 assumes no changes in working capital.

2007 Strategic Priorities

	Wholesale	Retail
Maximize Value of Current Business	<ul style="list-style-type: none">— Capture full benefit from tightening supply/demand balance— Achieve operating and commercial excellence	<ul style="list-style-type: none">— Strengthen ERCOT leadership position
Create New Sources of Value	<ul style="list-style-type: none">— Optimize portfolio for superior risk-adjusted returns	<ul style="list-style-type: none">— Deliver benefits of competition to new markets— Lead development of smart energy



Value Adding Financial Structure and Actions

Value Proposition



- Fundamental view shows significant value uplift for wholesale business above the forward curves
- Retail business is attractive, high ROIC business with growth potential
- Deep fundamental knowledge of core markets will realize superior returns
 - Highly disciplined capital investments
 - Innovative application of insights



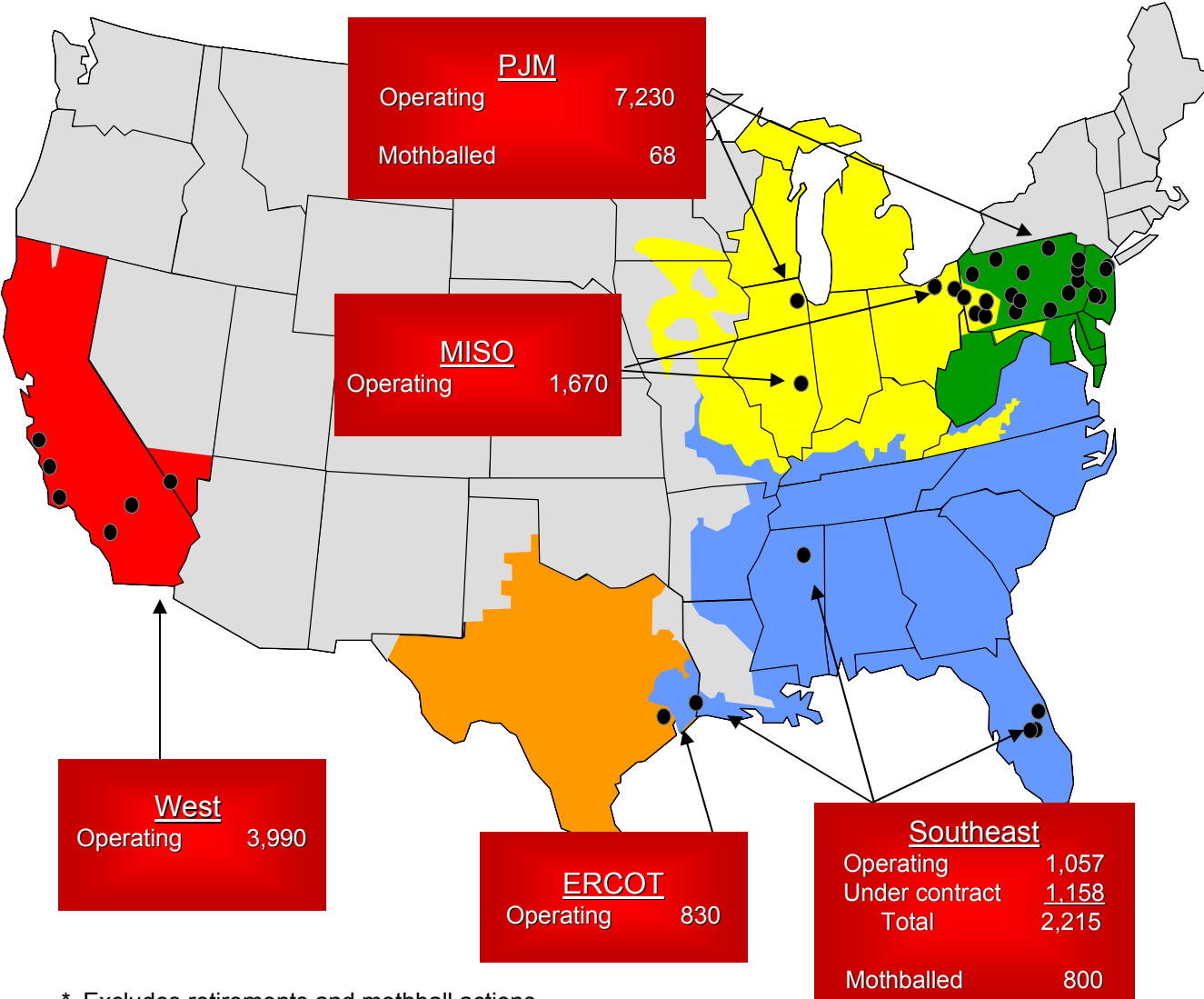
Appendix

February 27, 2007

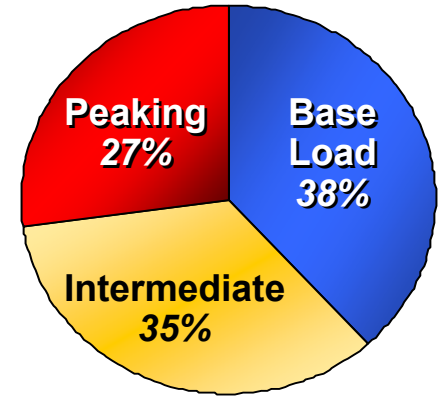
Wholesale U.S. Generation Portfolio



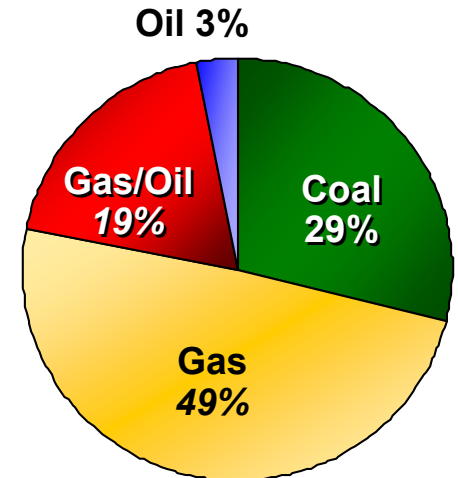
Total capacity 15,935 MW* as of 12/31/2006
(Operating and under contract)



Dispatch Type
(% of 15,935 MWs)



Fuel Type
(% of 15,935 MWs)



* Excludes retirements and mothball actions.

Forward Market Data Used in Outlook*



	<u>2007</u>	<u>2008</u>	<u>2009</u>
NYMEX (Henry Hub) Natural Gas (\$/MMBtu)	7.29	8.13	7.86
TETCO M3 Natural Gas (\$/MMBtu)	8.07	9.32	8.96
Coal (\$/MMBtu)	1.65	1.70	1.72
SO ₂ (\$/ton)	495	516	534
NO _x (\$/ton)	899	862	619
Weighted Avg Plant to Hub Basis (\$/MWh) (5x16) **	(7.84)	(9.52)	(8.69)
Simple Avg Plant to Hub Basis (\$/MWh) (5x16) **	(7.04)	(8.61)	(7.85)
PJM WHUB (\$/MWh) (5x16)	67.42	74.04	70.70
FE HUB (\$/MWh) (5x16)	57.84	62.81	61.71
PJM on-peak 7HR Spark Spread to TETCO M3 (\$/MWh)	10.94	8.83	7.97
FE on-peak 7HR Spark Spread to Dominion South Point (\$/MWh)	4.48	3.51	4.14
PJM Market Implied Heat Rate	8.88	8.81	8.65
FE Market Implied Heat Rate	7.62	7.47	7.55

* Forward curves as of December 22, 2006.

** Forward plant to hub basis estimated by Reliant Energy utilizing forward market data and historical commodity relationships.

Historical Wholesale Hedge Detail¹



**NPV² of historical wholesale hedges
Jan 07 ~(\$354) million; Jan 08 ~(\$280) million**

	<u>2007E</u>	<u>2008E</u>	<u>2009E</u>
Total Closed Hedges (TWh)	7.0	1.7	-
Avg Sales Price	\$ 50.63	\$ 47.84	\$ -
Avg Buyback Price	\$ (69.74)	\$ (69.15)	\$ -
Total Closed Value (\$MM)	\$ (134)	\$ (35)	\$ -
Total Remaining Hedges (TWh)	2.5 ³	1.3 ³	1.1 ³
Avg Hedge Price	\$ 35.56	\$ 37.04	\$ 28.18
Current Market Price	\$ (59.04)	\$ (58.59)	\$ (56.96)
Other (\$MM)	\$ 1.3	\$ 0.2	\$ (0.8)
Total Remaining Hedge Value (\$MM)	\$ (58)	\$ (28)	\$ (33)
Total Fuel Hedges (Btu)⁴	214	30	23
Avg Hedged Fuel Cost	\$ 1.90	\$ 1.84	\$ 1.90
Avg Market Fuel Cost	\$ 2.01	\$ 1.83	\$ 1.86
Fuel Hedge Value (\$MM)	\$ 23	\$ (0)	\$ (1)
Fuel Inventory Value (\$MM)	\$ 4	\$ 4	\$ 1
Total Fuel Value (\$MM)	\$ 27	\$ 3	\$ (0)
Other Hedges			
Tolling/gas transport (\$MM) ²	\$ 14	\$ (11)	\$ (65)
Total Hedge Value (\$MM)	<u><u>\$ (151)</u></u>	<u><u>\$ (71)</u></u>	<u><u>\$ (98)</u></u>

1. Historical wholesale hedges were entered into to primarily hedge the economics of our wholesale operations. These amounts primarily relate to settlements of forward power and fuel hedges, long term tolling purchases, long-term natural gas transportation contracts, storage contracts and our legacy energy trading. These amounts are derived based on methodology consistent with the calculation of open energy gross margin for the wholesale energy segment. Forward commodity prices as of 12/22/2006.

2. Includes tolling/other hedges that extend from 2009-2020, based on 5.62% after-tax debt rate and 38% tax rate.

3. On-peak (5x16) hedge volumes are 42% in 2007, 39% in 2008 and 37% in 2009; the balance are off-peak.

4. Fuel hedge data excludes Seward.

Wholesale Generation Detail*



Economic Generation (TWh in the money)	2007E		2008E		2009E	
	TWh	% Economic	TWh	% Economic	TWh	% Economic
PJM Coal	24.0	82.1%	24.2	82.7%	24.5	83.9%
MISO Coal	7.1	64.1%	7.2	65.1%	7.3	66.4%
Total Coal	31.1	77.1%	31.4	77.9%	31.8	79.1%
PJM/MISO Gas	1.0	3.5%	1.1	3.4%	1.1	3.2%
West	3.6	14.0%	3.8	14.5%	3.9	15.0%
Other	5.9	72.8%	5.9	69.9%	5.9	78.0%
Total Gas/Oil	10.5	16.8%	10.8	16.2%	10.9	16.0%
Total	41.6	40.4%	42.2	39.5%	42.7	39.4%

Commercial Capacity Factor	2007E	2008E	2009E
PJM Coal	82.9%	86.5%	85.9%
MISO Coal	72.4% **	88.5%	89.6%
Total Coal	80.5%	87.0%	86.8%
PJM/MISO Gas	92.8%	96.4%	96.5%
West	87.0%	90.7%	90.6%
Other	88.5%	92.0%	90.0%
Total Gas/Oil	88.5%	92.0%	90.9%
Total	82.5%	88.3%	87.8%

Generation Volume	2007E	2008E	2009E
PJM Coal	19.9	21.0	21.0
MISO Coal	5.1 **	6.4	6.6
Total Coal	25.0	27.4	27.6
PJM/MISO Gas	0.9	1.1	1.1
West	3.2	3.4	3.5
Other	5.2	5.4	5.3
Total Gas/Oil	9.3	9.9	9.9
Total	34.3	37.3	37.5

* Excludes PPAs and tolling agreements.

** Includes planned outage in MISO Coal (Avon Lake) which reduces generation 1.2 TWh and CCF by 16.5%.

Plant Margins



	2007E	2008E	2009E
Open Unit Margin (\$/MWh)			
PJM Coal	\$ 31.95	\$ 36.71	\$ 35.29
MISO Coal	\$ 26.90	\$ 31.24	\$ 31.30
Total Coal	\$ 30.91	\$ 35.44	\$ 34.34
PJM/MISO Gas	\$ 19.61	\$ 24.45	\$ 20.74
West	\$ 8.37	\$ 7.97	\$ 9.34
Other	\$ 9.53	\$ 9.44	\$ 8.61
Total Gas/Oil	\$ 10.15	\$ 10.52	\$ 10.19
Total	\$ 25.30	\$ 28.80	\$ 27.97
Open Energy Gross Margin (\$MM)			
PJM Coal	\$ 635	\$ 770	\$ 743
MISO Coal	138	199	206
Total Coal	773	969	949
PJM/MISO Gas	18	26	22
West	27	27	33
Other	50	51	46
Total Gas/Oil	95	104	101
Total	\$ 868	\$ 1,073	\$ 1,050
Other Margin (\$MM)			
PJM Coal	\$ 32	\$ 38	\$ 33
MISO Coal	11	12	12
Total Coal	43	50	45
PJM/MISO Gas	80	71	47
West	154	175	158
Other	84	83	86
Total Gas/Oil	318	329	291
Total	\$ 361	\$ 379	\$ 336
Total open wholesale gross margin	\$ 1,229	\$ 1,452	\$ 1,386

SO₂ Emission Allowances



Current Position (tons)	Vintage Year			
	2007 & prior	2008	2009	2010-2014
Allowances required for forward sales	27,600	15,300	11,600	11,400
Current allowances inventory	92,183	16,175	58,231	352,549 ¹
Excess Inventory	64,583	875	46,631	341,149
Expected Emissions	249,386	274,854	281,676	

Emission Allowances Sales Since 9/1/05 ²	Vintage Year				
	2006	2007	2008	2009	2010
Allowance (tons)	46,202	54,000	136,500	94,444	16,002 ³
Average price (\$/ton)	\$ 944	\$ 1,062	\$ 1,042	\$ 1,080	\$ 322 ³
Total of sales activity (\$MM)	\$ 44	\$ 57	\$ 142	\$ 102	\$ 5

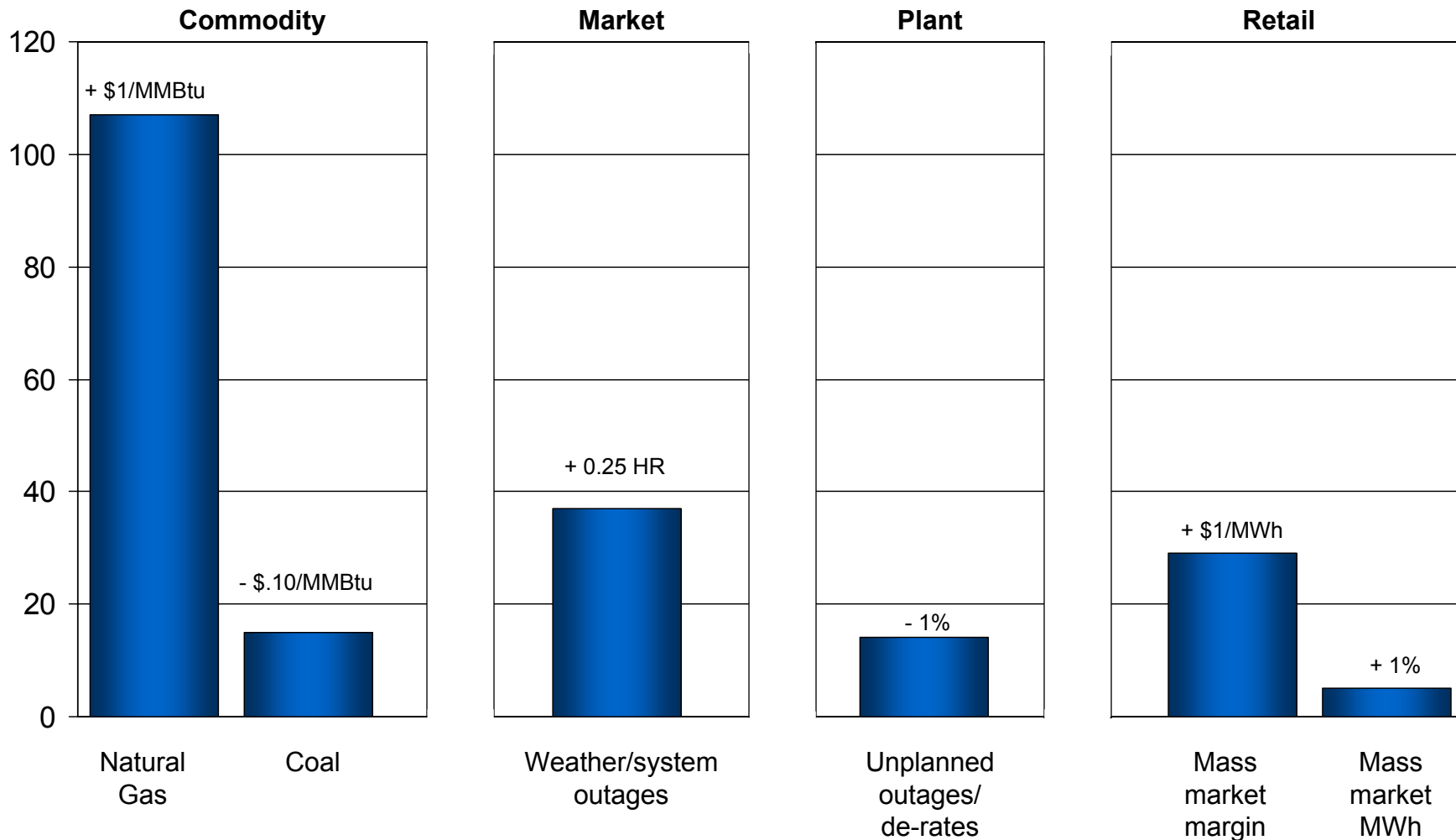
1. Total allowances are 705,098 for 2010-2014. Beginning in 2010, two allowances are required for one ton of emissions.
2. Sales as of 12/31/2006, not including proceeds from EPA auction.
3. Sales of 2010 vintage are in Allowances and \$/Allowance.

Gross Margin Sensitivities*

\$ Millions



Wholesale



* Sensitivities are for annual gross margin.

Assumptions Used in Wholesale Open Gross Margin Sensitivities

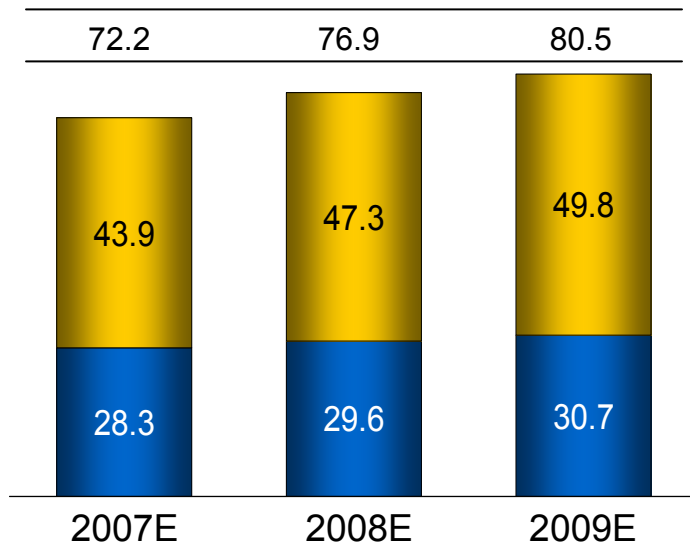


	<u>Gross margin change (\$MM)</u>
Natural gas sensitivity (\$1/mmbtu)	
On-peak power price impact - assumes 8.0 market implied heat rate (MIHR) and all 5x16 hours are affected \$1/mmbtu nat gas change x 8.0mmbtu/MWh on-peak x 4600MW coal x 4160 hrs per year x 90% economic on-peak x 85% Commercial Capacity Factor (CCF)	117
Off-peak power price impact - assumed to be negligible	0
Average on-peak and off-peak plant-to-hub congestion (PJM only) 0.5 mmbtu/MWh (MIHR) congestion per \$1/mmbtu nat gas move x 3300MW coal x 8760hrs x 82% economic x 87% CCF	(10)
Estimated net gross margin change from \$1 move in natural gas	107
Coal sensitivity (\$0.10/mmbtu)	
On-peak power price impact - assumes are not affected, while costs increase \$0.10/mmbtu coal price move x 10.3 mmbtu/MWh unit heat rate x 4600 MW coal x 4160 hrs x 85%CCF x 90% economic on-peak	15
Off-peak power price impact - assumes off-peak prices increase in line with coal cost	0
Estimated net gross margin change from \$0.10 move in coal	15
Weather sensitivity (0.25mmbtu/MWh (MIHR))	
Assumes that only on-peak power prices/heat rates are affected.	
Coal: 0.25mmbtu/MWh x \$8 nat gas x 4600 MW x 4160 hrs per year x 85% CCF x 90% economic on-peak	29
CCGTs: 0.25mmbtu/MWh x \$8 nat gas x 1500 MW open x 4160 hrs per year x 90% CCF x 40% economic on-peak	4
Calif: 0.25mmbtu/MWh x \$8 nat gas x 2500 MW open x 1250 hrs per summer x 90% CCF x 65% economic on-peak	4
Estimated net gross margin change from 0.25 move in market implied heat rates across year	37

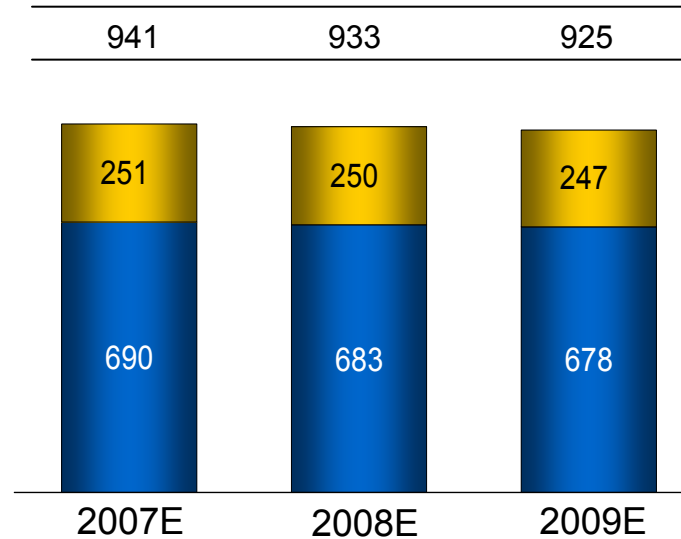
Retail Key Earnings Drivers



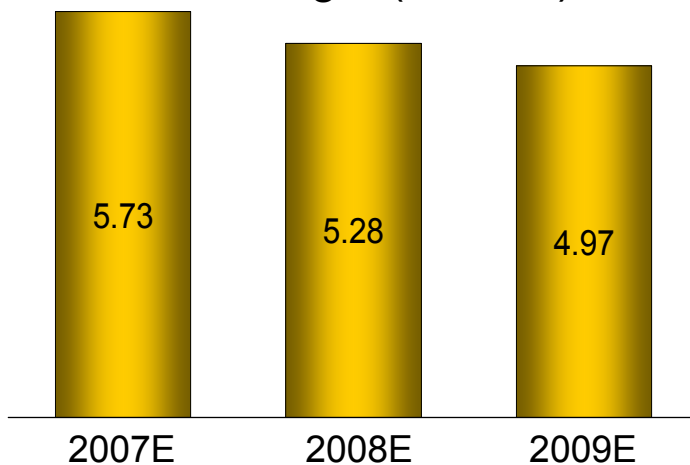
Volumes (TWh)



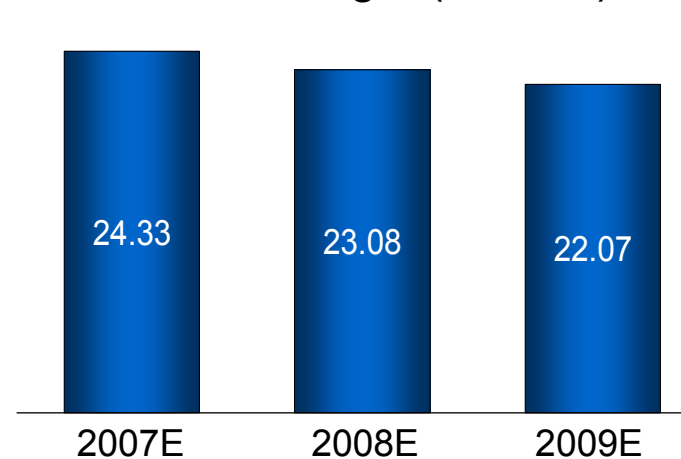
Adjusted Gross Margin (\$MM)



C&I Margin (\$/MWh)



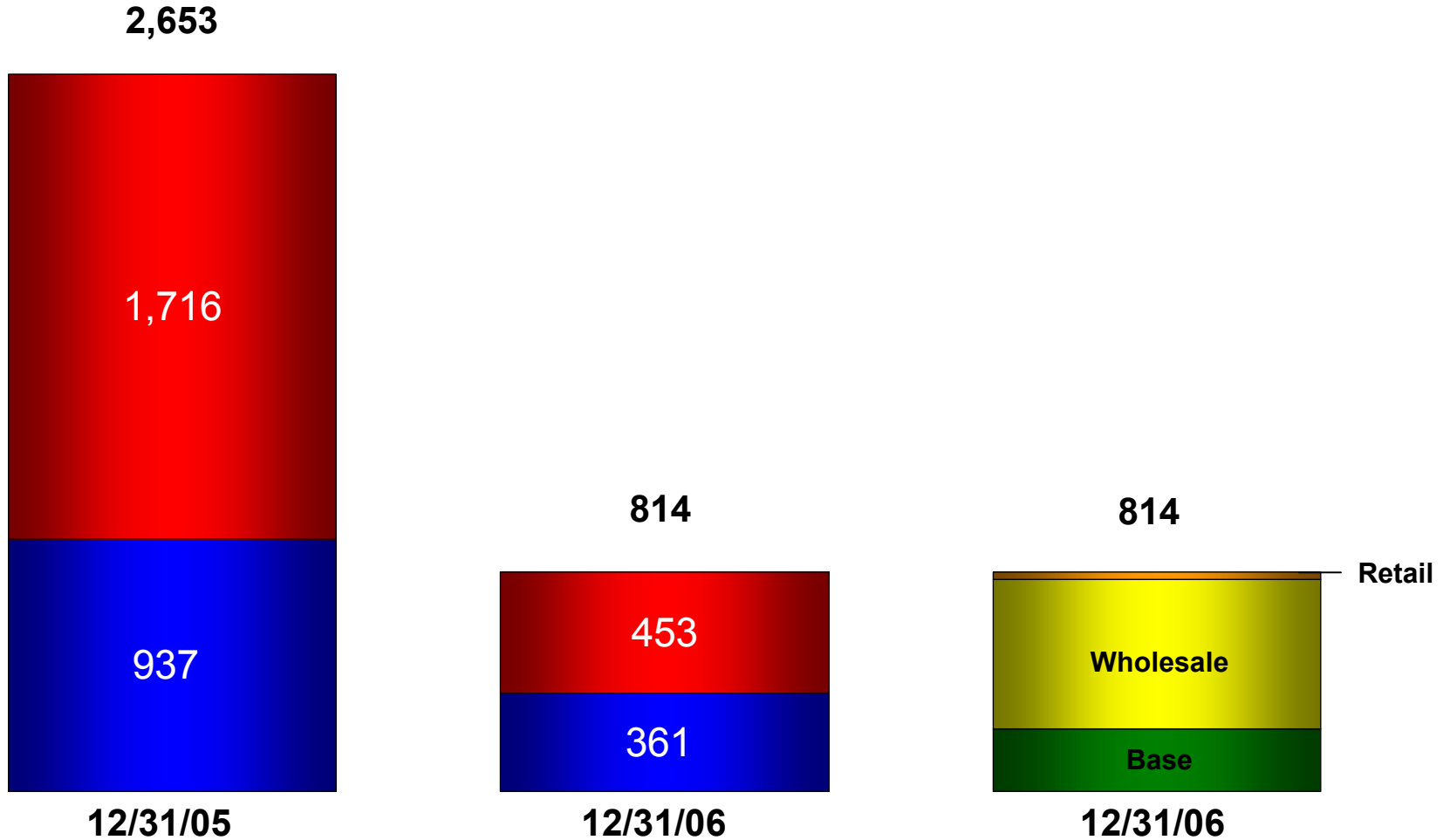
Mass Margin (\$/MWh)



Capital Committed to Collateral



\$ Millions



- Cash*
- Letters of credit

* Margin deposits posted by Reliant Energy.

Reg G Outlook Reconciliation¹



	2007E ²	2008E ²	2009E ²
Retail Energy:			
Gross margin	\$ 1,496	\$ 1,022	\$ 932
Unrealized gains on energy derivatives	(555)	(89)	(7)
Adjusted gross margin	<u>\$ 941</u>	<u>\$ 933</u>	<u>\$ 925</u>
Operation and maintenance	225	222	220
Selling and marketing	139	136	133
Bad debt expense	77	73	69
Adjusted contribution margin - Retail Energy	<u>\$ 500</u>	<u>\$ 502</u>	<u>\$ 503</u>
Wholesale Energy:			
Gross margin	\$ 1,065	\$ 1,380	\$ 1,285
Unrealized losses on energy derivatives	13	1	3
Historical wholesale hedges ³	151	71	98
Open gross margin	<u>\$ 1,229</u>	<u>\$ 1,452</u>	<u>\$ 1,386</u>
Operation and maintenance	605	582	571
Open contribution margin - Wholesale Energy	<u>\$ 624</u>	<u>\$ 870</u>	<u>\$ 815</u>
Consolidated:			
Gross margin	2,561	2,402	2,217
Unrealized gains on energy derivatives	(542)	(88)	(4)
Historical wholesale hedges ³	151	71	98
Open gross margin	<u>2,170</u>	<u>2,385</u>	<u>2,311</u>
Operation and maintenance	830	804	791
Selling and marketing	139	136	133
Bad debt expense	77	73	69
Open contribution margin - Consolidated	<u>\$ 1,124</u>	<u>\$ 1,372</u>	<u>\$ 1,318</u>
Other general and administrative	(149)	(152)	(157)
Other income (expense), net	(1)	(1)	(1)
Open EBITDA	<u>\$ 974</u>	<u>\$ 1,219</u>	<u>\$ 1,160</u>
Historical wholesale hedges	(151)	(71)	(98)
Gains on sales of assets and emission allowances, net	-	-	-
Adjusted EBITDA	<u>\$ 823</u>	<u>\$ 1,148</u>	<u>\$ 1,062</u>
Unrealized gains on energy derivatives	542	88	4
EBITDA	<u>\$ 1,365</u>	<u>\$ 1,236</u>	<u>\$ 1,066</u>
Depreciation and amortization	(383)	(439)	(443)
Interest expense, net	(301)	(250)	(226)
Income (loss) from continuing operations before income taxes	<u>\$ 681</u>	<u>\$ 547</u>	<u>\$ 397</u>

1. Based on forward commodity prices as of 12/22/2006.

2. Certain factors that could affect GAAP financial measures are not accessible on a forward-looking basis, but could be material to future reported earnings.

3. Historical wholesale hedges were entered into to primarily hedge the economics of our wholesale operations. These amounts primarily relate to settlements of forward power and fuel hedges, long-term tolling purchases, long-term natural gas transportation contracts, storage contracts and our legacy energy trading. These amounts are derived based on methodology consistent with the calculation of open energy gross margin for the wholesale energy segment.