



**Fourth Quarter 2007
Earnings Teleconference
February 26, 2008**

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, capital structure and other financial items and our plans and objectives for future operations or about our future economic performance, transactions and dispositions and financings and approvals 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, regulatory and/or market 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 and other factors we discuss or refer 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. To the extent required, 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.

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



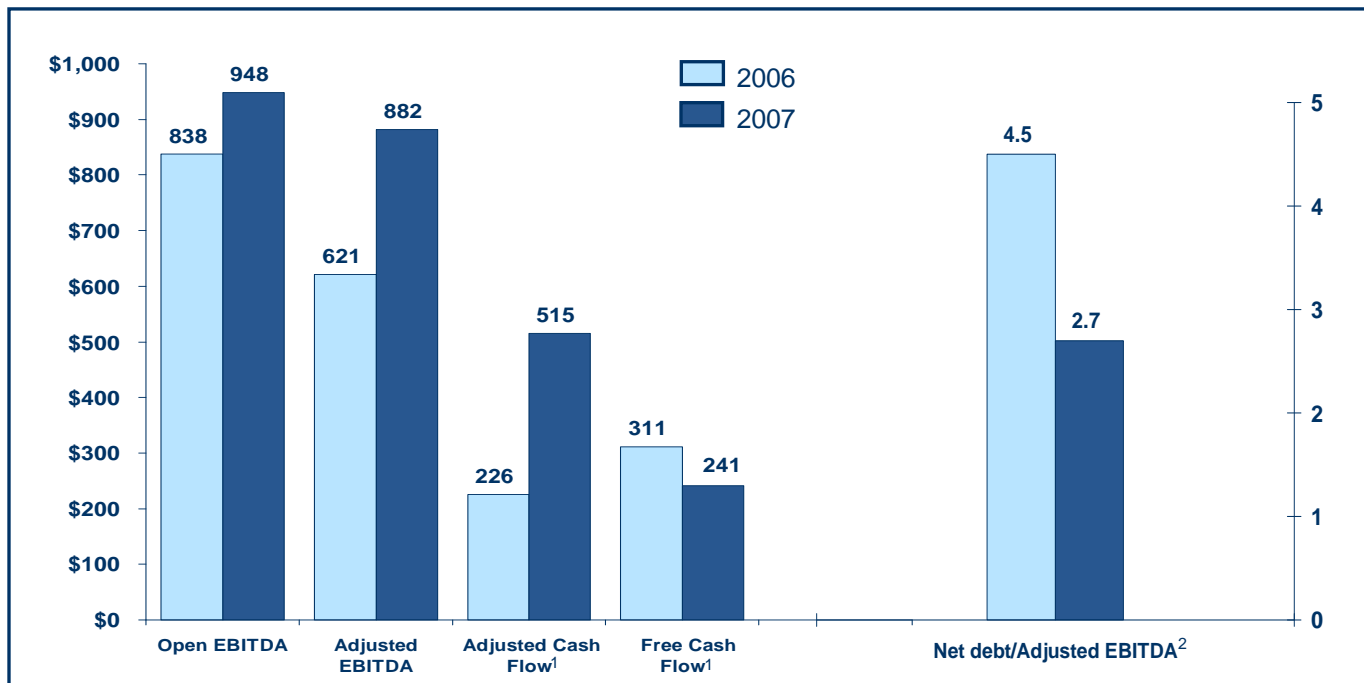
Opening Remarks

Mark M. Jacobs
President & CEO

2007 Highlights – Transitional Year



- Introduced strategy to capitalize on strong foundation
- Strengthened leadership team
- Competitive market development
- Rebuilt balance sheet strength



1. Provided by continuing operations.

2. Adds back \$60 million REMA lease expense.

Wholesale

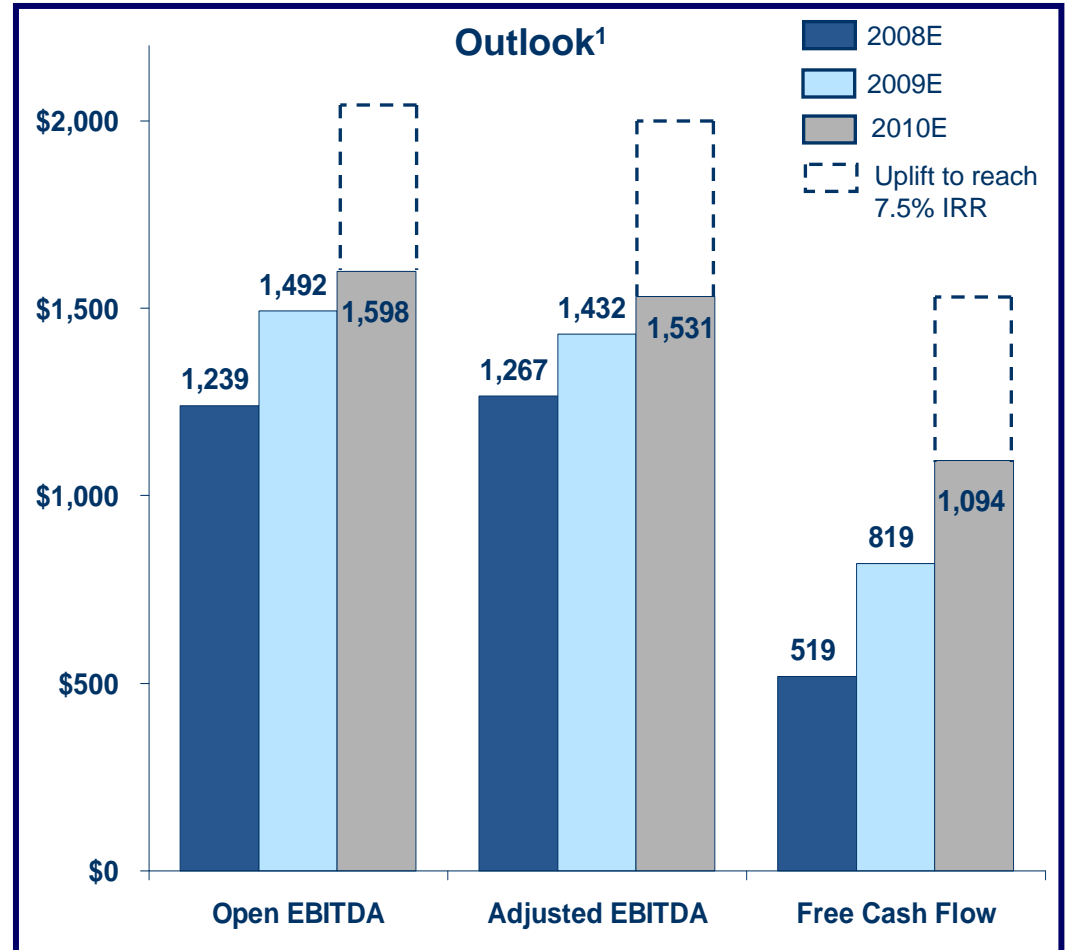
- Deliver operating improvements
- Develop capacity markets

Retail

- Customer lifetime value
- Smart Energy
- Enter new markets

Financial

- Balance sheet strength
- Flexible, highly disciplined reinvestment model



1. Excludes potential Smart Energy investments.



Operations Review

Brian Landrum
Chief Operating Officer

- Realize full value of cyclical upturn
 - Supply and demand continue to tighten
 - Progress on capacity markets
 - Returns from forward curves not yet at new build
- Achieve operating and commercial excellence
 - CCF improvements at higher margin plants
 - Top quartile availability in 2008
- Optimize and grow portfolio
 - Environmental capital spend up modestly in outlook
 - Cheswick/Keystone scrubbers on-line in 2009, as planned

Bullish outlook – Significant increase in contribution margin

- Strengthen ERCOT leadership
 - Over \$500 million contribution margin in 2007
 - Early segmentation success, continue focus on higher lifetime value customers
- Lead development of Smart Energy to reshape usage patterns
 - Launch products in first half of 2008
- Enter and develop new markets
 - Successful C&I entry in DE and IL in 2007
 - Plans to enter NY C&I in 2008

Relatively stable contribution margin business
Long term growth potential



Financial Overview

Rick Dobson

CFO

Financial Highlights



\$ Millions

	<u>2007A</u>	<u>2006A</u>
Open wholesale contribution margin ¹	\$ 609	\$ 466
Retail contribution margin	504	537
Other general and administrative ²	(165)	(165)
Open EBITDA	<u>\$ 948</u>	<u>\$ 838</u>
Historical and operational wholesale hedges		
Power	(206)	(326)
Fuel	48	25
Tolling/Other	66	(75)
Impact of historical and operational wholesale hedges	\$ (92)	\$ (376)
Gains on sales of assets and emission allowances, net	26	159
Adjusted EBITDA	<u>\$ 882</u>	<u>\$ 621</u>

1. Includes bad debt expense of (\$1) million and (\$2) million in 2007 and 2006, respectively.

2. Includes income of equity investment, net of \$5 million and \$6 million in 2007 and 2006, respectively and insignificant amounts for Other Operations.

Wholesale Key Earnings Drivers¹



	2007	2006	Impact (\$ MM)
Economic generation (TWh)	41.0	39.6	\$ 72
Commercial capacity factor	82.2%	85.1%	(47)
Generation (TWh)	33.7	33.7	
Open energy unit margin (\$/MWh)	\$ 25.66	\$ 21.07	128
Open energy gross margin (\$ millions)	\$ 864	\$ 711	
Other margin (\$ millions)	383	352	31
Open wholesale gross margin (\$ millions)	\$ 1,247	\$ 1,063	\$ 184
Operation and maintenance²	638	597	(41)
Open wholesale contribution margin	\$ 609	\$ 466	\$ 143

Market Metrics
 Performance Metrics

1. Excludes Channelview's financial results beginning August 20, 2007.
2. Includes bad debt expense of \$(1) million and \$(2) million in 2007 and 2006, respectively.

Retail Key Earnings Drivers



	<u>2007</u>	<u>2006</u>	<u>Impact (\$ MM)</u>
Mass volume (TWh)	26.3	28.4	\$ (59)
C&I volume (TWh)	41.6	39.0	3
Total volume (TWh) ¹	67.9	67.4	
Mass gross margin (\$/MWh)	\$ 27.29	\$ 27.36	2
C&I gross margin (\$/MWh)	\$ 5.86	\$ 5.33	33
Weighted average gross margin (\$/MWh)	\$ 14.17	\$ 14.61	
Retail gross margin (\$ millions) ²	\$ 952	\$ 984	\$ (32)
O&M, Selling and marketing, Bad debt	448	447	(1)
Retail contribution margin	\$ 504	\$ 537	\$ (33)

Performance Metrics

1. Volumes exclude market usage adjustments.
2. Includes market usage adjustments of (\$11) million in 2007 and \$0 in 2006.

Cash Flow Analysis

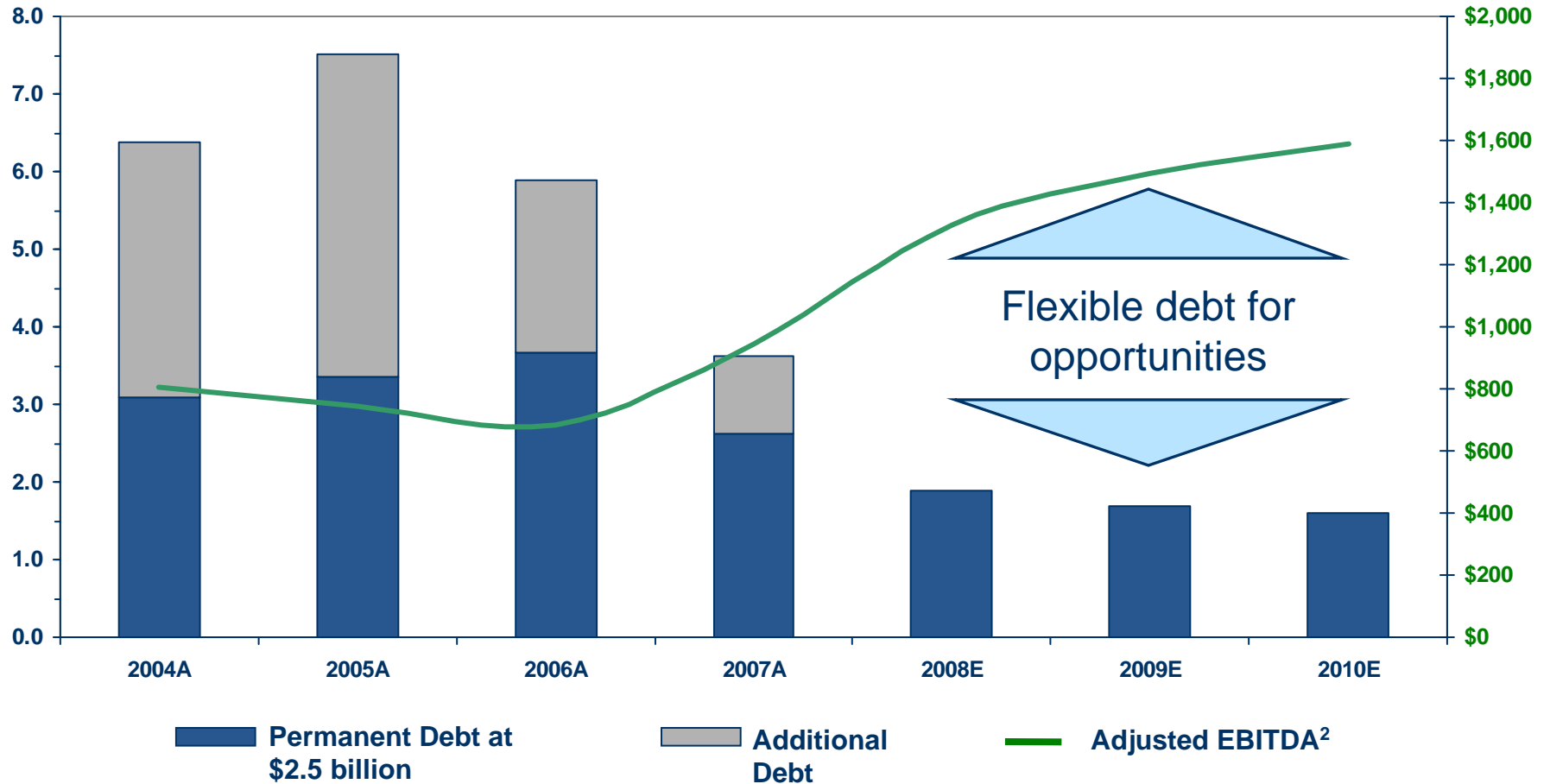


\$ Millions

	Twelve months ended <u>December 31, 2007</u>	Twelve months ended <u>December 31, 2006</u>
GAAP net cash provided by continuing operations from operating activities	\$755	\$1,330
Decrease in margin deposits	(297)	(1,264)
Western states and similar settlements payments	57	160
Adjusted cash flow provided by continuing operations	\$515	\$226
Capital expenditures	(189)	(97)
Proceeds from sales of emission allowances	7	205
Purchases of emission allowances	(92)	(23)
Free cash flow provided by continuing operations	\$241	\$311

Gross Debt/Adjusted EBITDA²

Adjusted EBITDA



1. 2008-2010 assumes gross debt is held at \$2.5 billion. Gross debt includes GAAP debt and certain off-balance sheet debt.
2. Also includes \$60 million REMA lease expense for 2004-2010 and \$18 million of receivables facility expense and \$9 million of EI Dorado equity loss, net of 50% EI Dorado EBITDA for 2004.

- Significantly higher earnings in wholesale business with improving supply and demand fundamentals
- Retail is an attractive, high return on invested capital business with growth potential in new markets
- Strong, flexible balance sheet supports value creation opportunities
- Deep fundamental knowledge of core markets will yield superior returns
 - Highly disciplined capital investments
 - Innovative application of insights



Appendix

Wholesale Key Earnings Drivers¹



	<u>Q4 2007</u>	<u>Q4 2006</u>	<u>Impact (\$ MM)</u>
Economic generation (TWh)	8.5	9.4	\$ 9
Commercial capacity factor	84.8%	88.2%	(6)
Generation (TWh)	7.2	8.3	
Open energy unit margin (\$/MWh)	\$ 27.25	\$ 16.79	55
Open energy gross margin (\$ millions)	\$ 197	\$ 139	
Other margin (\$ millions)	88	91	(3)
Open wholesale gross margin (\$ millions)	\$ 285	\$ 230	\$ 55
Operation and maintenance²	151	141	(10)
Open wholesale contribution margin	\$ 134	\$ 89	\$ 45

Market Metrics
 Performance Metrics

1. Excludes Channelview's financial results beginning August 20, 2007.
2. Includes bad debt expense of \$(1) million in Q4 2007.

	<u>YTD 2007¹</u>	<u>Q4 2006</u>	<u>2006A</u>
Economic generation (TWh)	3.5	1.4	5.7
Commercial capacity factor	93.2%	90.3%	91.9%
Generation (TWh)	3.3	1.2	5.3
Open energy unit margin (\$/MWh)	\$ 6.09	\$ -	\$ 1.33
Open energy gross margin (\$ millions)	\$ 20	\$ -	\$ 7
Other margin (\$ millions)	20	14	56
Open gross margin (\$ millions)	\$ 40	\$ 14	\$ 63
Operation and maintenance	20	8	32
Open contribution margin	\$ 20	\$ 6	\$ 31

 Market Metrics
 Performance Metrics

1. Channelview's results for the periods it was consolidated through August 20, 2007.

Retail Key Earnings Drivers



	Q4 2007	Q4 2006	Impact (\$ MM)
Mass volume (TWh)	5.4	5.7	\$ (8)
C&I volume (TWh)	10.6	9.1	(5)
Total volume (TWh) ¹	16.0	14.8	
Mass gross margin (\$/MWh)	\$ 25.58	\$ 29.17	(20)
C&I gross margin (\$/MWh)	\$ 7.23	\$ (1.13)	92
Weighted average gross margin (\$/MWh)	\$ 13.40	\$ 10.54	
Retail gross margin (\$ millions) ²	\$ 204	\$ 144	\$ 60 ³
O&M, Selling and marketing, Bad debt	100	108	8
Retail contribution margin	\$ 104	\$ 36	\$ 68

 Performance Metrics

1. Volumes exclude market usage adjustments.
2. Includes market usage adjustments of (\$11) million in Q4 2007 and (\$12) million in Q4 2006.
3. Includes net market usage adjustments \$1 million.

\$ Millions	<u>2008E</u>	<u>2009E</u>	<u>2010E</u>
Open wholesale gross margin	\$ 1,496	\$ 1,738	\$ 1,812
Wholesale operation and maintenance and bad debt	582	552	565
Open wholesale contribution margin	\$ 914	\$ 1,186	\$ 1,247
Retail gross margin	\$ 917	\$ 914	\$ 977
Retail operation and maintenance	234	240	248
Selling & marketing	134	134	139
Bad debt	66	71	75
Retail contribution margin	\$ 483	\$ 469	\$ 515
Other general and administrative	158	163	164
Open EBITDA	\$ 1,239	\$ 1,492	\$ 1,598
Historical and operational wholesale hedges			
Power (Closed)	\$ (66)	\$ (39)	\$ (39)
Fuel	90	8	-
Tolling/Other	4	(29)	(28)
Impact of historical and operational wholesale hedges	\$ 28	\$ (60)	\$ (67)
Gains on sales of assets and emission allowances, net	-	-	-
Adjusted EBITDA	\$ 1,267	\$ 1,432	\$ 1,531
Depreciation and amortization	\$ 304	\$ 305	\$ 315
Emission allowances amortization	152	174	148
Total depreciation and amortization	\$ 456	\$ 479	\$ 463
Interest expense, net	\$ 212	\$ 178	\$ 160
Adjusted cash flow provided by continuing operations²	\$ 1,027	\$ 1,225	\$ 1,344
Capital expenditures	(361)	(240)	(113)
Emissions activity, net	(147)	(166)	(137)
Free cash flow provided by continuing operations²	\$ 519	\$ 819	\$ 1,094

1. Forward commodity prices as of December 21, 2007. Excludes potential Smart Energy investments.
2. Assumes no changes in working capital.

Forward Market Data Used in Outlook¹



	<u>2008</u>	<u>2009</u>	<u>2010</u>
NYMEX Gas (\$/MMBtu)	7.63	8.35	8.42
TETCO M3 (\$/MMBtu)	8.56	9.35	9.41
Coal (\$/MMBtu) ²	2.18	2.09	2.11
SO ₂ (\$/ton)	546	564	581
NO _X (\$/ton) ³			
Seasonal	789	748	732
Annual	N/A	3,250	2,810
PJM Weighted Avg Plant to Hub Basis (\$/MWh) (5x16) ⁴	(10.64)	(11.83)	(12.03)
FE HUB (\$/MWh) (5x16)	65.49	70.89	70.16
FE on-peak 7 HR Spark Spread to Dominion South Point (\$/MWh)	9.06	9.65	8.39
FE Market Implied Heat Rate - on peak (5X16)	8.14	8.12	7.97
PJM WHUB (\$/MWh) (5x16)	76.82	82.28	83.21
PJM on-peak 7 HR Spark Spread to TETCO M3 (\$/MWh)	16.89	16.85	17.33
PJM Market Implied Heat Rate - on peak (5X16)	9.01	8.88	8.93

1. Forward curves as of December 21, 2007.

2. Simple average of Central Pennsylvania, Central Appalachian and Pittsburgh Seam coal. Does not include transportation costs.

3. Beginning in 2009 CAIR initiates annual NO_x program. Seasonal NO_x program from May – September. Annual NO_x program from January – December.

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

NPV² of historical and operational wholesale hedges Jan 08 ~(\$92) million; Jan 09 ~(\$109) million

	2008E	2009E	2010E
Total Closed Hedges (TWh)	2.9	1.1	0.9
Avg Sales Price	\$ 44.21	\$ 28.81	\$ 19.35
Avg Buyback Price	\$ (66.72)	\$ (63.53)	\$ (63.30)
Total Closed Value (\$MM)	\$ (66)	\$ (39)	\$ (39)
Total Fuel Hedges (million mmBtu's)³	227	24	12
Avg. Hedged Fuel Cost	\$ 2.23	\$ 2.17	\$ 2.45
Avg. Market Fuel Cost	\$ 2.55	\$ 2.21	\$ 2.28
Fuel Hedge Value	\$ 75	\$ 1	\$ (2)
Fuel Inventory Value, \$MM	\$ 15	\$ 7	\$ 2
Total Fuel Value	\$ 90	\$ 8	\$ 0
Tolling/Gas Transport/Other⁴	\$ 4	\$ (29)	\$ (28)
Total Historical & Operational Hedge Value	\$ 28	\$ (60)	\$ (67)

1. Forward commodity prices as of December 21, 2007.

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

3. Fuel hedge data excludes Seward.

4. Includes tolling/other hedges that extend through 2020.

Wholesale Generation Detail¹



Economic Generation (TWh in the money)	2008E		2009E		2010E	
	TWh	% Econ	TWh	% Econ	TWh	% Econ
PJM Coal	24.2	82.5%	24.9	85.5%	25.4	87.7%
MISO Coal	8.1	73.4%	8.3	74.9%	8.4	76.3%
Total Coal	32.3	80.0%	33.2	82.6%	33.8	84.5%
PJM/MISO Gas	1.6	5.0%	1.7	4.9%	1.8	5.0%
West	3.9	14.8%	4.0	15.4%	4.1	15.9%
Other	0.1	7.2%	0.1	7.8%	0.1	6.7%
Total Gas/Oil	5.6	9.3%	5.8	9.3%	6.0	9.6%
Total	37.9	37.7%	39.0	38.0%	39.8	38.8%
Commercial Capacity Factor	2008E		2009E		2010E	
PJM Coal	87.3%		85.2%		89.2%	
MISO Coal	87.6%		88.6%		80.4%	
Total Coal	87.4%		86.1%		87.0%	
PJM/MISO Gas	94.9%		95.0%		95.8%	
West	93.3%		92.9%		92.9%	
Other	95.0%		95.0%		95.0%	
Total Gas/Oil	93.8%		93.5%		93.8%	
Total	88.3%		87.2%		88.0%	
Generation Volume	2008E		2009E		2010E	
PJM Coal	21.1		21.2		22.7	
MISO Coal	7.1		7.3		6.8	
Total Coal	28.2		28.5		29.5	
PJM/MISO Gas	1.5		1.6		1.7	
West	3.6		3.7		3.8	
Other	0.2		0.1		0.1	
Total Gas/Oil	5.3		5.4		5.6	
Total	33.5		34.0		35.1	

1. Excludes PPAs and tolling agreements.

Open Unit Margin (\$/MWh)

	<u>2008E</u>	<u>2009E</u>	<u>2010E</u>
PJM Coal	\$ 34.80	\$ 38.39	\$ 37.33
MISO Coal	27.11	33.30	32.05
Total Coal	<u>32.86</u>	<u>37.08</u>	<u>36.12</u>
PJM/MISO Gas	21.64	21.48	21.66
West	4.78	6.88	4.80
Other	20.00	20.00	20.00
Total Gas/Oil	<u>10.02</u>	<u>11.46</u>	<u>10.10</u>
Total	<u>\$ 29.28</u>	<u>\$ 32.99</u>	<u>\$ 31.95</u>

Open Energy Gross Margin (\$MM)

	<u>2008E</u>	<u>2009E</u>	<u>2010E</u>
PJM Coal	\$ 734	\$ 813	\$ 847
MISO Coal	193	245	217
Total Coal	<u>927</u>	<u>1,058</u>	<u>1,064</u>
PJM/MISO Gas	34	35	36
West	17	26	18
Other	2	2	3
Total Gas/Oil	<u>53</u>	<u>63</u>	<u>57</u>
Total	<u>\$ 980</u>	<u>\$ 1,121</u>	<u>\$ 1,120</u>

Other Margin (\$MM)

	<u>2008E</u>	<u>2009E</u>	<u>2010E</u>
PJM Coal	\$ 113	\$ 183	\$ 217
MISO Coal	14	14	14
Total Coal	<u>128</u>	<u>197</u>	<u>231</u>
PJM/MISO Gas	143	186	215
West	183	160	160
Other	63	75	85
Total Gas/Oil	<u>389</u>	<u>421</u>	<u>460</u>
Total	<u>\$ 516</u>	<u>\$ 617</u>	<u>\$ 691</u>
Total open wholesale gross margin	<u>\$ 1,496</u>	<u>\$ 1,738</u>	<u>\$ 1,812</u>

Calendar Year

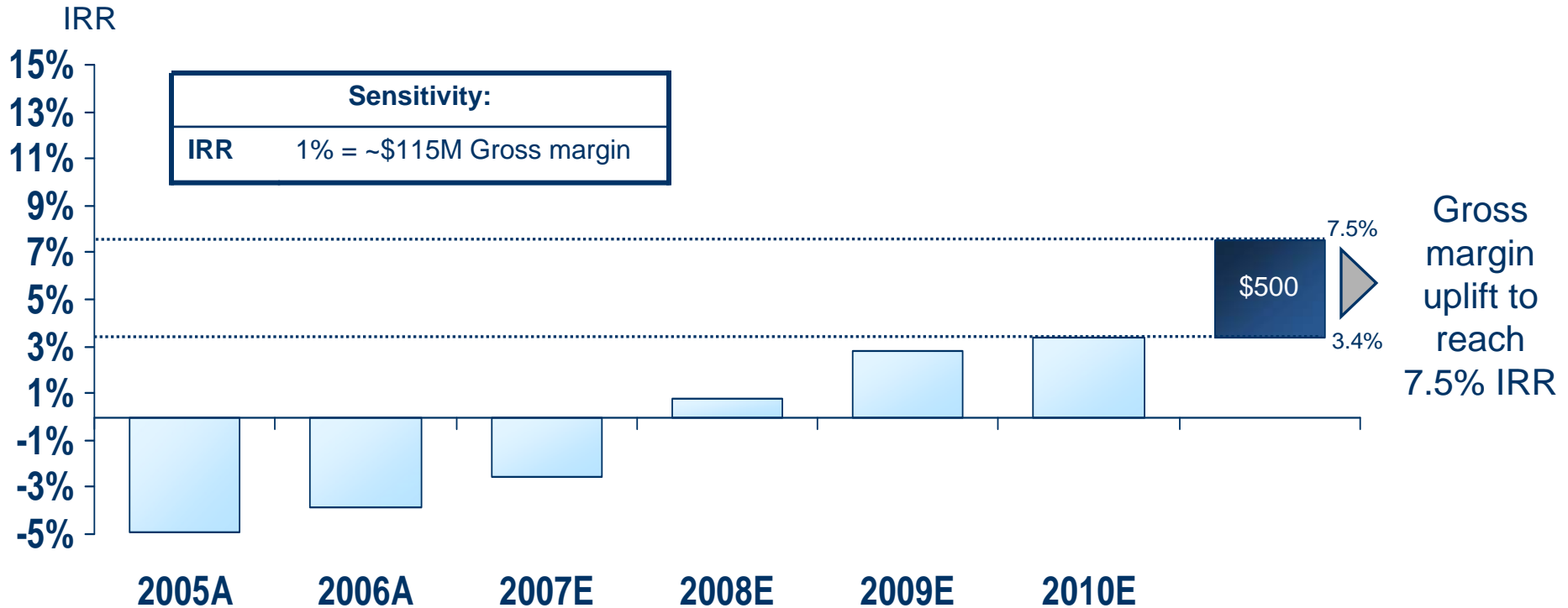
PJM Zone	2007		2008		2009		2010	
	\$/MW-day	\$MM	\$/MW-day	\$MM	\$/MW-day	\$MM	\$/MW-day	\$MM
EMAAC	\$ 132.35	\$ 45	\$ 168.85	\$ 62	\$ 173.72	\$ 64	n/a	n/a
RTO	\$ 29.37	\$ 45	\$ 84.06	\$ 154	\$ 106.10	\$ 77	\$ 144.75	\$ 107
MAAC+APS	n/a	n/a	n/a	n/a	\$ 158.80	\$ 190	n/a	n/a
MAAC	n/a	n/a	n/a	n/a	n/a	n/a	\$ 181.27	\$ 287
		\$ 90		\$ 216		\$ 331		\$ 394

Planning Year¹

PJM Zone	2007		2008		2009		2010	
	\$/MW-day	\$MM	\$/MW-day	\$MM	\$/MW-day	\$MM	\$/MW-day	\$MM
EMAAC	\$ 197.67	\$ 73	\$ 148.80	\$ 54	\$ 191.32	\$ 70	n/a	n/a
RTO	\$ 40.80	\$ 70	\$ 111.92	\$ 213	\$ 102.04	\$ 74	\$ 174.29	\$ 129
MAAC+APS	n/a	n/a	n/a	n/a	\$ 191.32	\$ 230	n/a	n/a
MAAC	n/a	n/a	n/a	n/a	n/a	n/a	\$ 174.29	\$ 278
		\$ 143		\$ 267		\$ 374		\$ 407

1. Planning year is June 1 through May 31 of the following year.

Implied IRR on New Build¹



Significant uplift from supply/demand tightening

1. Approximate IRR on CCGT new build. Returns assume constant 25 year cash flow and \$775/kW average construction cost (excluding capitalized interest) for a 680MW, 2x1 CCGT with oversized duct burners with max output heat rate of 7.7mmbtu/MWh and forward fuel prices as of December 21, 2007. \$100/KW construction cost increase reduces IRR by approximately 1%. Actuals through December 31, 2007. Excludes Channelview's financial results beginning August 20, 2007.

Current Position (tons)	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011-2014</u>
Current inventory ²	23,140	58,231	64,109	288,440
Expected Emissions	270,978	226,862	196,124	

2007 Activity - Year to Date

Emission Allowances Sales³

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Allowances (tons)	2,502	-	-	-
Average price (\$/ton)	\$ 536	\$ -	\$ -	\$ -
Total of sales activity (\$MM)	\$ 1	\$ -	\$ -	\$ -

Emission Allowances Purchases

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Allowances (tons)	160,733	2,000	-	-
Average price (\$/ton)	\$ 548	\$ 495	\$ -	\$ -
Total of purchases activity (\$MM)	\$ 88	\$ 1	\$ -	\$ -

1. Does not include futures contracts.

2. Beginning in 2010, two allowances are required for one ton of emissions. Total allowances are 128,218 and 576,880 for 2010 and 2011-2014, respectively.

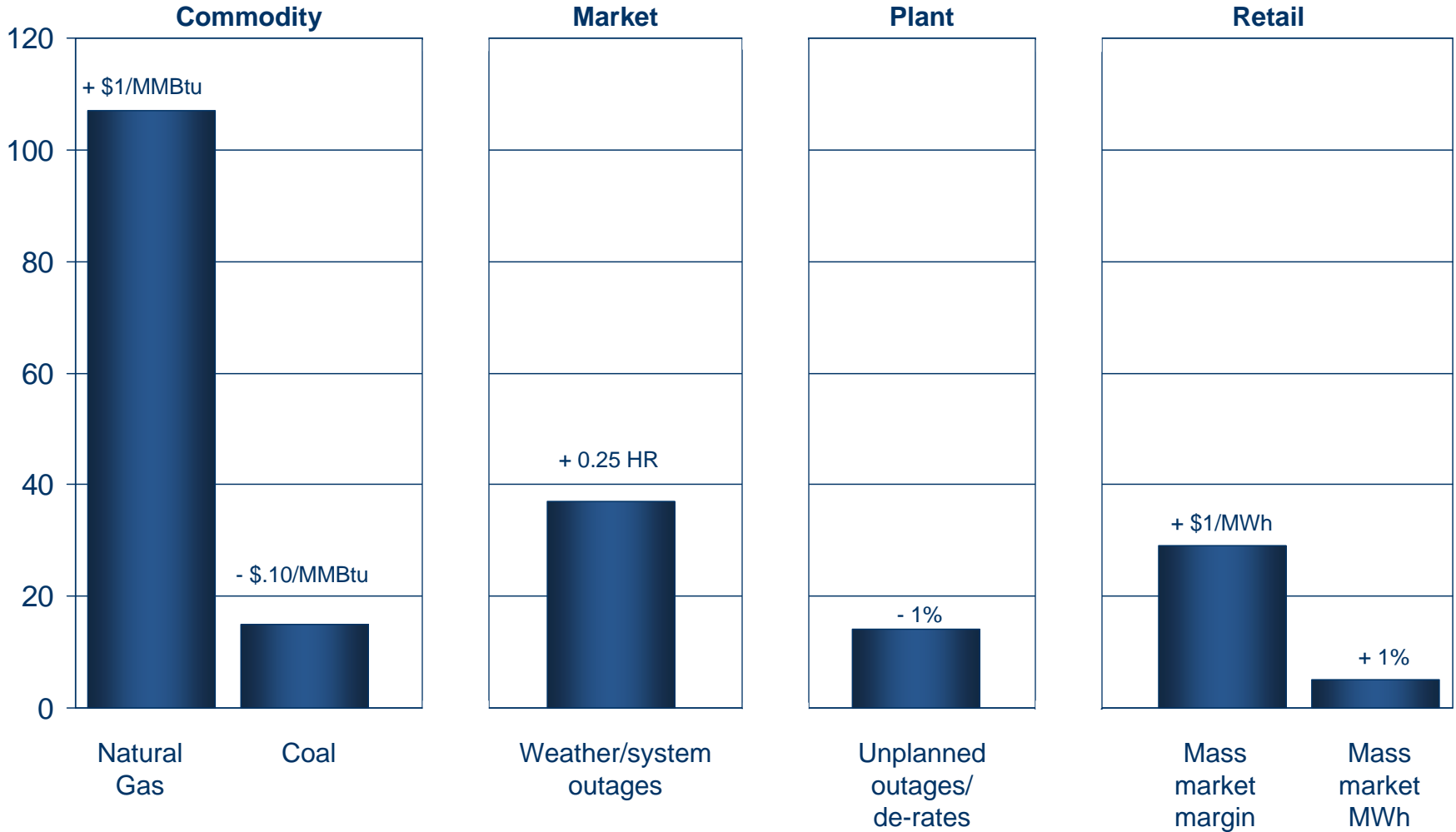
3. Does not include proceeds from EPA auction.

Gross Margin Sensitivities¹



\$ Millions

Wholesale



1. Sensitivities are for annual gross margin.

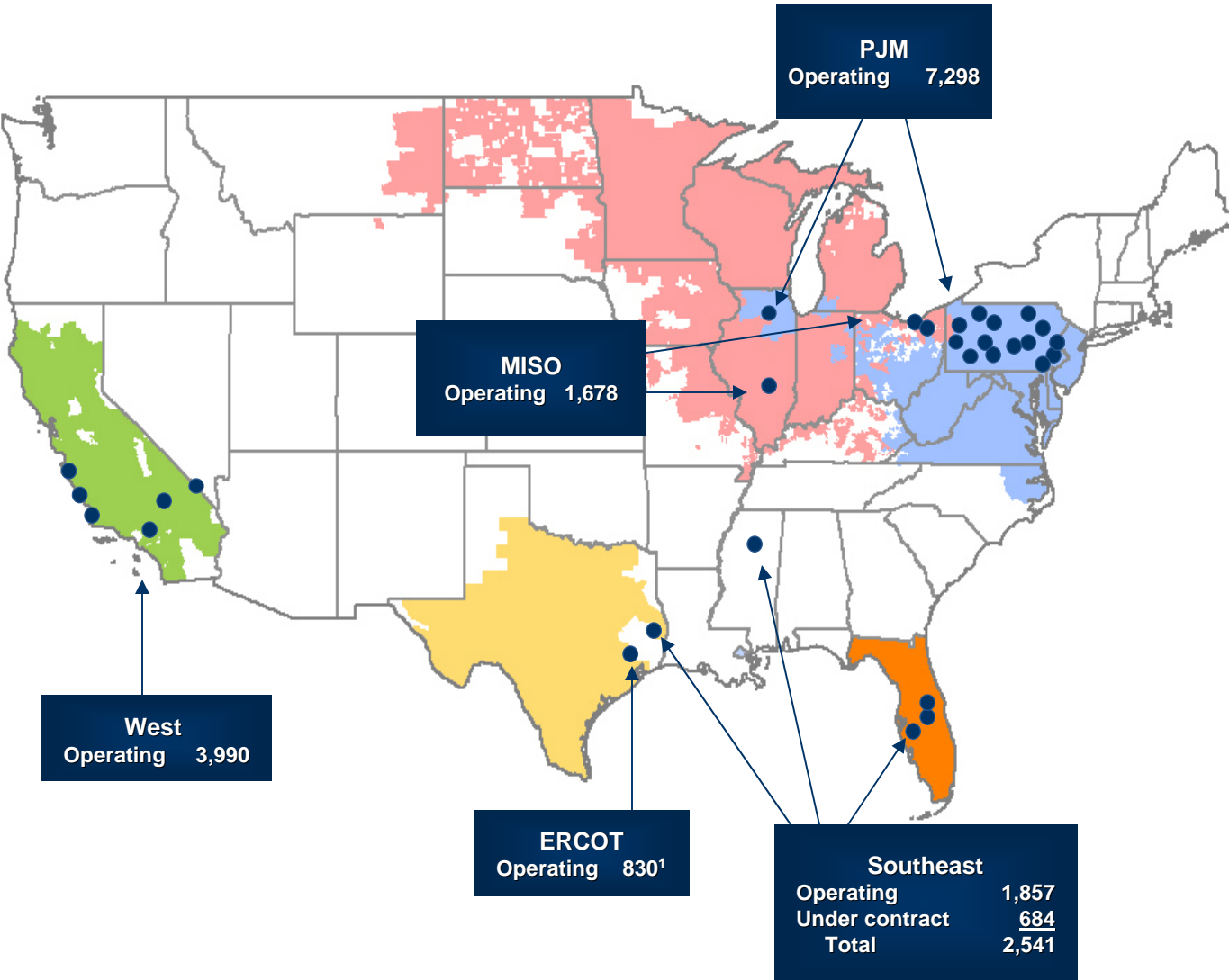
Assumptions Used in Wholesale Open Gross Margin Sensitivities



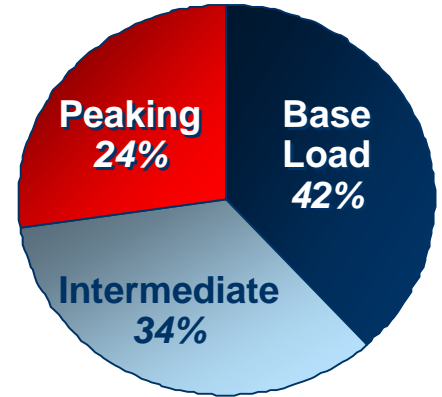
	<u>Gross margin change (\$MM)</u>
Natural gas sensitivity (\$1/mmbtu)	
On-peak power price impact - assumes 8.0 market implied heat rate (MIHR) and all 5x16 hours are affected \$1/mmbtu nat gas change x 8.0mmbtu/MWh on-peak x 4600MW coal x 4160 hrs per year x 90% economic on-peak x 85% Commercial Capacity 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 MIHR's across year	37

Wholesale U.S. Generation Portfolio

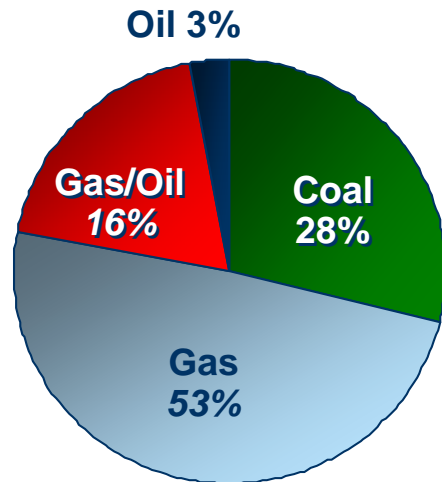
Total capacity 16,337 MW as of 12/31/2007



Dispatch Type (% of 16,337 MWs)



Fuel Type (% of 16,337 MWs)

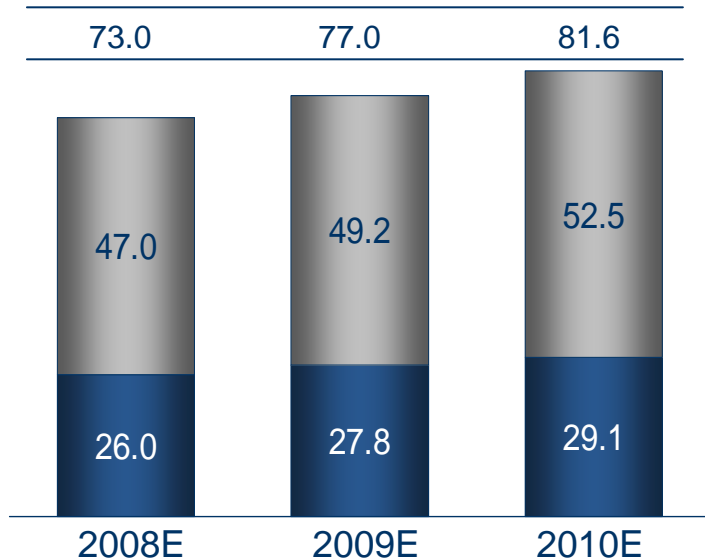


1. Represents Channelview, which is in bankruptcy.

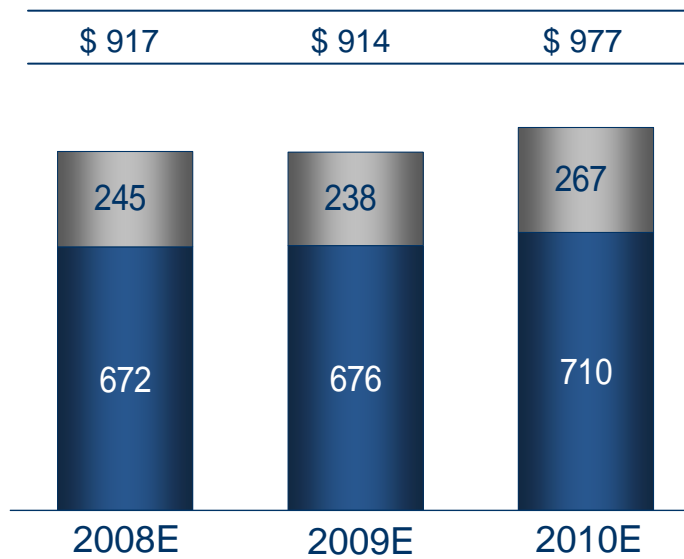
Retail Key Earnings Drivers



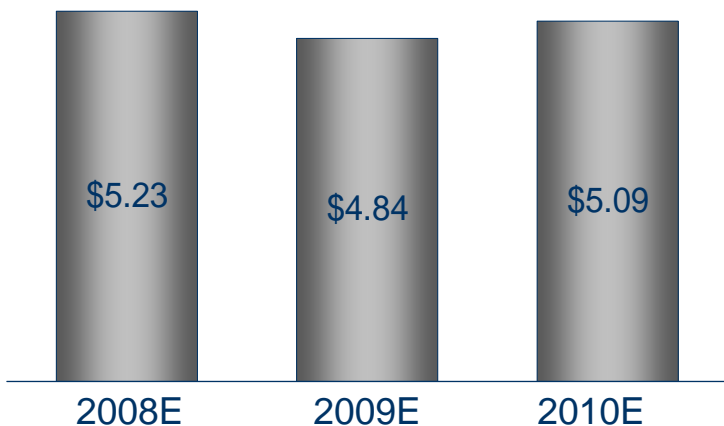
Volumes (TWh)



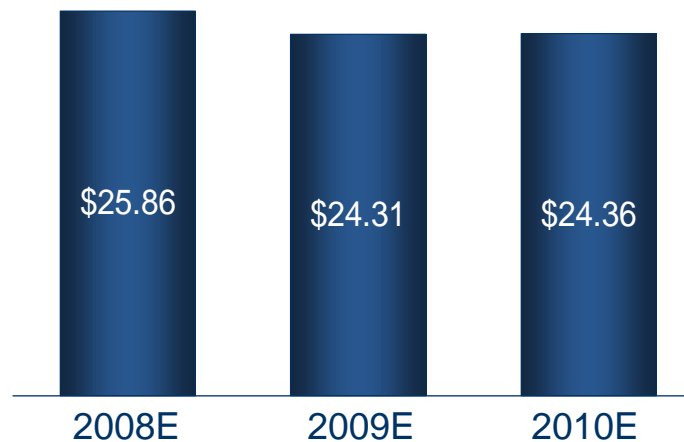
Retail Gross Margin (\$MM)

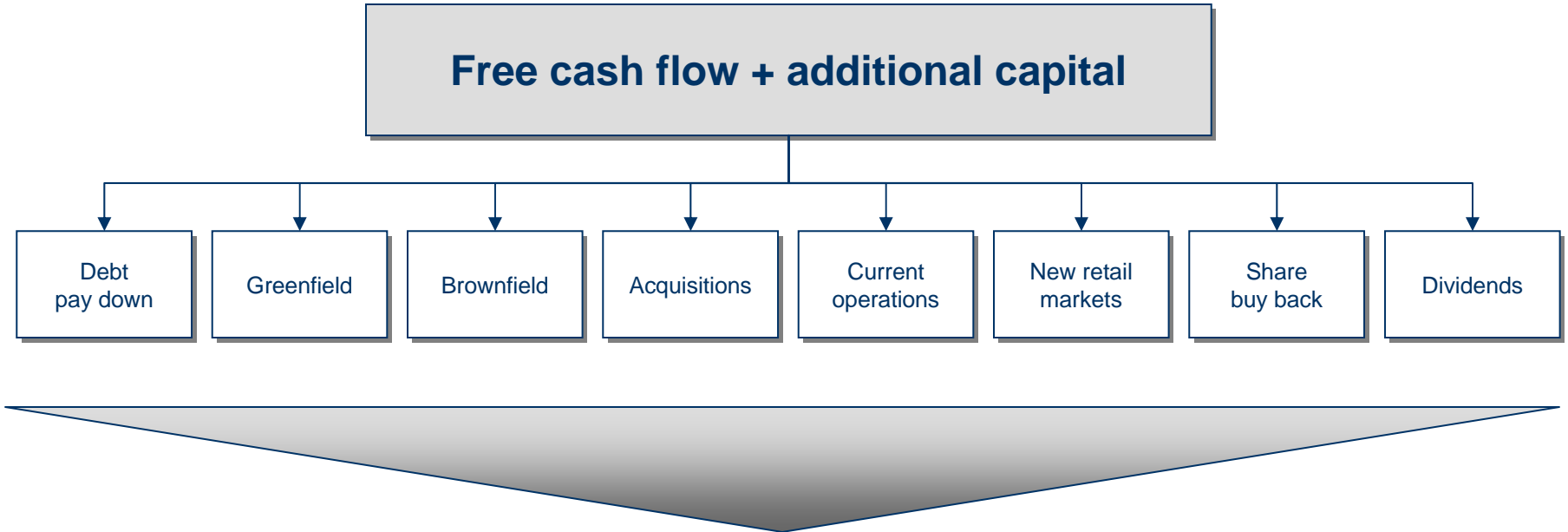


C&I Margin (\$/MWh)



Mass Margin (\$/MWh)





Assessment Process

- ROIC > WACC
- Risk across scenarios
- Impact to capital structure

Reg G Reconciliation¹



	2004A	2005A	2006A	2007A	2008E	2009E	2010E
\$ Millions							
Wholesale Energy:							
Open wholesale gross margin	\$ 730	\$ 1,269 ²	\$ 1,064 ²	\$ 1,247	\$ 1,496	\$ 1,738	\$ 1,812
Operation and maintenance	549	547	599	638 ²	582	552	565
Bad debt	(2)	2	(2)	(1)	-	-	-
Open wholesale contribution margin	\$ 183	\$ 720	\$ 467	\$ 610	\$ 914	\$ 1,186	\$ 1,247
Historical and operational wholesale hedges	50	(484)	(376)	(92)	28	(60)	(67)
Unrealized gains (losses) on energy derivatives	48	(123)	56	7	(37)	8	13
Changes in California-related receivables and reserves	(23)	1	-	-	-	-	-
Operation and Maintenance - severance and restructuring	(11)	-	-	-	-	-	-
Contribution margin, including historical and operational wholesale hedges and unrealized gains/losses on energy derivatives	247	114	147	525	905	1,134	1,193
Retail Energy:							
Retail gross margin	\$ 1,022	\$ 752	\$ 984	\$ 952	\$ 917	\$ 914	\$ 977
Operation and maintenance	216	190	234	245	234	240	248
Selling and marketing	80	95	124	124	134	134	139
Bad debt expense	48	56	89	79	66	71	75
Retail contribution margin	\$ 678	\$ 411	\$ 537	\$ 504	\$ 483	\$ 469	\$ 515
Unrealized gains (losses) on energy derivatives	(272)	(69)	(287)	438	225	(10)	(14)
Gains recorded prior to 2003 to be realized/collected in current period	(21)	-	-	-	-	-	-
Operation and maintenance - severance and restructuring	(6)	-	-	-	-	-	-
Selling and marketing - severance and restructuring	(2)	-	-	-	-	-	-
Contribution margin, including unrealized gains/losses on energy derivatives	377	342	250	942	708	459	501
Consolidated:							
Open wholesale contribution margin	183	720	467	610	914	1,186	1,247
Retail contribution margin	678	411	537	504	483	469	515
Total	861	1,131	1,004	1,114	1,397	1,655	1,762
Other general and administrative	(173) ³	(132)	(172)	(171)	(158)	(163)	(164)
Loss on sales of receivables	(34)	-	-	-	-	-	-
Adjusted other income (expense), net	(5)	3	6	5	-	-	-
Open EBITDA	\$ 649	\$ 1,002	\$ 838	\$ 948	\$ 1,239	\$ 1,492	\$ 1,598
Historical and operational wholesale hedges	50	(484)	(376)	(92)	28	(60)	(67)
Gains on sales of assets and emission allowances, net	20	168	159	26	-	-	-
Adjusted EBITDA	\$ 719	\$ 686	\$ 621	\$ 882	\$ 1,267	\$ 1,432	\$ 1,531
Unrealized gains (losses) on energy derivatives	(224)	(192)	(231)	445	188	(2)	(1)
Western states and similar settlements	-	(359)	(35)	(22)	-	-	-
Changes in California - related receivables and reserves	(23)	1	-	-	-	-	-
Other ³	(28)	(8)	-	-	-	-	-
Debt extinguishments and conversions	-	-	(37)	(73)	(1)	-	-
EBITDA	\$ 444	\$ 128	\$ 318	\$ 1,232	\$ 1,454	\$ 1,430	\$ 1,530
Depreciation and amortization	(453)	(446)	(373)	(424)	(456)	(479)	(463)
Interest expense, net	(383)	(376)	(394)	(315)	(212)	(178)	(160)
Income (loss) from continuing operations before income taxes	\$ (392)	\$ (694)	\$ (449)	\$ 493	\$ 786	\$ 773	\$ 907

1. Based on actuals through December 31, 2007 and forward commodity prices as of December 21, 2007. Includes Channelview's results for the periods it was consolidated through August 20, 2007.

2. Includes insignificant amounts for Other Operations.

3. Includes severance and restructuring included in operating and maintenance of \$(17) million, selling and marketing of \$(2) million and other general and administrative of \$(25) million, gain on sale of counterparty claim of \$30 million and gain on sale of non-marketable investment in ICE of \$9 million, gains recorded prior to 2003 to be realized/collected in current period of \$(21) million, accrual for payment to CenterPoint Energy, Inc. of \$(2) million in 2004 and includes settlement of shareholder class action lawsuits of \$(6) million in 2005.

Reg G Reconciliation



\$ Millions

	<u>2004A</u>	<u>2005A</u>	<u>2006A</u>	<u>2007A</u>
Total debt ¹	\$ 4,558	\$ 5,106	\$ 3,533	\$ 2,955
REMA operating leases (off-balance sheet)	522	497	480	461
El Dorado debt (off-balance sheet)	63	-	-	-
Gross debt	<u>5,143</u>	<u>5,603</u>	<u>4,013</u>	<u>3,416</u>
Less:				
Cash and cash equivalents			(464)	(755)
Restricted cash			(25)	(3)
Net margin deposits			(436)	(140)
Net Debt¹			<u>\$ 3,088</u>	<u>\$ 2,518</u>

- Gross debt/adjusted EBITDA and Net debt/adjusted EBITDA reflect our improving credit profile. Using the comparable GAAP measures, total debt and income from continuing operations before income taxes, the ratio is 5.99 for twelve months ended December 31, 2007A. Because of the loss from continuing operations before income taxes, the 2004A, 2005A and 2006A ratio is not meaningful. Using the comparable GAAP measures, total debt of \$2.5 billion and income from continuing operations before income taxes, the ratio's are 3.18, 3.23 and 2.76 for the twelve months ended December 31, 2008E, 2009E and 2010E, respectively.