



LETTER OF COMMENT NO. 23

March 2, 2007

Mr. Kevin Stoklosa
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*

Dear Mr. Stoklosa:

Reliant Energy, Inc. is appreciative of the FASB's efforts in working toward appropriate accounting and disclosure guidance for derivative contracts. We have reviewed the proposed guidance and welcome the opportunity to provide our input on that tentative guidance.

Cost of implementing the Proposed Statement's Disclosure Requirements

As currently drafted, the implementation of this proposed standard would require significant changes to processes, procedures, and IT systems in order to capture the data in the suggested tabular format. These modifications would be required to be made concurrent with our current implementation of SFAS No. 157, Fair Value Measurements. Six months would not be an adequate amount of time to implement the significant changes that would be required.

Contingent Features

Many derivative and non-derivative commodity contracts contain contingent features such as material adverse change clauses or payment acceleration clauses. We do not agree with the proposed requirement to disclose the aggregate fair value amount of derivatives containing such features and the aggregate fair value amount of assets that would be required to be posted as collateral or transferred in accordance with the provisions associated with the triggering of the contingent features. Many times collateral requirements associated with these commodity contracts do not differentiate between current month payables or receivables and fair value associated with forward periods. Whether or not a contract is deemed to be a derivative under SFAS No. 133, the

implications to our business of triggering contingent features is part of our overall risk management framework. We currently convey this risk to our investors as part of the credit risk and liquidity disclosures. We do not believe the cost of re-assessing all derivative contracts that are currently in effect and modifying our IT systems in order to track the fair value associated with derivative contracts with contingent features versus derivative contracts without contingent features and report these independently on an ongoing basis will fully meet the objectives set forth by the board.

We believe the changes being proposed will cause significant operational disruptions due to the time and effort involved in re-assessing derivative contracts to identify the contingent features, modification of our IT systems to track and report this subset of derivative contracts.

Disclosure of Notional Amounts

We do not agree with the proposed requirement to disclose notional amounts. While the notional amount might be meaningful in analysis of the effectiveness of some derivative instruments, we do not believe it would be representative or meaningful when analyzing commodity derivative contracts. Positions in derivative commodity contracts are commonly closed by entering into an offsetting position, i.e. buying a contract to close a short position. The absolute value of the notional of these two contracts would overstate the exposure to commodity prices. Additionally, we believe the requirement to disclose the absolute value of the notional amounts on an aggregate basis creates an inconsistency in the authoritative literature. Realized gains or losses from derivative contracts are subject to the netting requirements of EITF Issue No. 02-3, Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities and EITF Issue No. 03-11, Reporting Realized Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133 and Not "Held for Trading Purposes" As Defined in EITF Issue No. 02-3. If the ultimate settlement of offsetting derivative contracts requires them to be shown net in the statement of operations, it is unclear why disclosure of the absolute value of the notional amount would be meaningful or useful to the users of the financial statements as the amounts would be difficult to correlate to the actual reported results.

The requirement to separately disclose gains and losses on all derivative instruments that existed during the reporting period regardless of whether those derivatives exist at the end of the reporting period significantly increases the amount of analysis, tracking and disclosure we will be required to perform. Since the adoption of FASB Statement No 133 in January 2001, we have not subjected contracts that originate and settle in the same month to the requirements SFAS 133 as there will be no fair value at period end and the results will be reflected in

our statement of operations. Due to the extensive efforts involved in complying with SFAS 133, we believe others have taken a similar approach on these short-term contracts. We have a significant amount of cash month activities related to the dynamics of operating in the wholesale and retail electric markets. Many of the contracts associated with cash month activities would meet the definition of a derivative and therefore be subject to these proposed disclosure requirements. We do not understand the value that the users of our financial statements will gain by seeing our results of operations allocated between derivatives and non-derivatives in the tabular format as proposed and further segregate based on transactions entered into and settled prior to the end of the period. We believe there to be more effective means of communicating the impact of gains and losses from derivatives such as parenthetical disclosure of unrealized gains and losses from derivative instruments on the face of the statement of operations for each line item impacted.

Disclosure of Overall Risk Profile

The requirement to present individual tables for derivatives which hedge individual risks and also individual tables for derivatives which hedge multiple risks will require us to revamp our IT systems that are used to track and report our derivative instruments in our financial statements. This view of risk is not the view that is being used in managing our overall risks. This would yield data being generated solely to meet the requirements of this proposed guidance and would not tie back to the fair values recorded in our balance sheet and statement of operations thus potentially causing more confusion than clarity.

Effective Date

We do not believe the effective date is reasonable given the significant changes that will be required to our IT systems to capture and report the data in the prescribed formats. We believe a more reasonable implementation date would allow for twelve months for adoption of all disclosures to be fully implemented and also allowing companies to incrementally implement some of the less burdensome requirements prior to the full adoption requirement.

Once again, thank you for the opportunity to offer our input on these very important issues to our industry. I would be pleased to respond to any questions you may have.

Sincerely,



Donna A. Henderson
Assistant Controller, Commercial Operations