RELIANT ENERGY INC
Form 424B5
December 03, 2004

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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Registration No. 333-107295

Subject to Completion. Dated December 2, 2004.

Prospectus Supplement to Prospectus dated December 11, 2003.

$1,100,000,000

Reliant Energy, Inc.

$ Floating Rate Senior Secured Notes due 2010

$ % Senior Secured Notes due 2014

We will pay interest on the 2010 notes on , , and of each year, commencing , 2005. We will pay interest on the 2014 notes on and of each year, commencing , 2005. The 2010 notes will mature on , 2010, and the 2014 notes will mature on , 2014. We refer to the 2010 notes and the 2014 notes collectively as the notes. The notes will be issued only in registered book-entry form, in denominations of $2,000 and integral multiples of $1,000.

We have the option to redeem all or a portion of the 2010 notes at any time on or after , 2006 and all or a portion of the 2014 notes at any time on or after , 2009, in each case, at the respective redemption prices set forth in this prospectus supplement.

We may, on one or more occasions, use the net proceeds from one or more equity offerings to redeem up to 35% of the outstanding aggregate principal amount of the 2010 notes at any time prior to , 2006 and up to 35% of the outstanding aggregate principal amount of the 2014 notes at any time prior to , 2007, in each case, at the respective redemption prices set forth in this prospectus supplement.

Our obligations under the notes will be jointly and severally guaranteed by all of our existing and future domestic subsidiaries that guarantee borrowings under our amended and restated credit facilities or any of our other debt. The notes and the guarantees will be secured by security interests in certain collateral (subject to permitted liens) as described in Description of Notes Security.

The closing of this offering is conditioned upon the concurrent closing of an amendment and restatement of our existing credit facilities.

See Risk Factors beginning on page S-16 of this prospectus supplement to read about important factors you should consider before buying the notes.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per 2010 Note	Per 2014 Note	Total
Initial offering price	%	%	$
Underwriting discount			
Proceeds, before expenses, to us			

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from , 2004 and must be paid by the purchasers if the notes are delivered after , 2004.

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company against payment in New York, New York on , 2004.

Joint Book-Running Managers

Goldman, Sachs & Co.

Banc of America Securities LLC

Barclays Capital

Deutsche Bank Securities

Merrill Lynch & Co.

Co-Managers

ABN AMRO Incorporated

JPMorgan

Scotia Capital

UBS Investment Bank

Prospectus Supplement dated , 2004.

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SPECIAL NOTE REGARDING

FORWARD-LOOKING STATEMENTS

When we make statements containing projections about our revenues, income and other financial items, our plans and objectives for the future, future economic performance or other projections or estimates about our assumptions, we are making forward-looking statements. These statements usually relate to future events and anticipated revenues, earnings, business strategies, competitive position or other aspects of our operations or operating results. 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, g and other similar words. However, the absence of these words does not mean that the statements are not forward-looking.

Although we believe that the expectations and the underlying assumptions reflected in our forward-looking statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are not guarantees of future performance or events. Such statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the forward-looking statements. Among other things, the matters described under Risk Factors beginning on page S-16 of this prospectus supplement could cause actual results to differ materially from those expressed or implied in our 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 statement, whether as a result of new information, future events or otherwise.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement or the accompanying prospectus. To understand all of the terms of this offering, and for a more complete understanding of our business, you should read carefully this entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein and the other documents to which we refer. Unless the context requires otherwise, Reliant Energy, we, us, our or similar terms in this prospectus supplement refer to Reliant Energy, Inc. and its subsidiaries on a consolidated basis. The term you refers to a prospective investor. We have included terms that are important to an understanding of our business in the section entitled Glossary of Terms.

General

We provide electricity and energy services to retail and wholesale customers in the United States. We provide energy products and services to approximately 1.9 million electricity customers in Texas ranging from residences and small businesses to large commercial, industrial and institutional customers. We also serve commercial and industrial clients in the PJM (Pennsylvania, New Jersey and Maryland) Market. As of September 30, 2004, we had approximately 19,000 MW of power generation capacity in operation or under contract.

Our business operations consist of two principal business segments: retail energy and wholesale energy.

Retail Energy

Our retail energy segment provides electricity products and related services to end-use customers, ranging from residential and small commercial customers to large commercial, industrial and institutional customers. The operations of our retail energy segment are primarily located in Texas. In 2003, we began providing retail energy products and services to commercial, industrial and institutional customers in New Jersey and Maryland. In 2004, we began marketing retail energy to this same segment of customers in other areas of the PJM Market, including the District of Columbia and Pennsylvania. We are currently evaluating entry into additional markets in the United States.

Residential and Small Commercial. In Texas, we provide standardized electricity and related products and services to residential and small commercial customers. As of September 30, 2004, we had approximately 1.6 million residential and approximately 197,000 small commercial customers with a peak demand for power of up to approximately one MW, making us the second largest retail electric provider in Texas. The majority of our customers are in the Houston area, but we also have a growing customer base in other Texas markets, including Dallas and Corpus Christi.

In the Houston area, the Texas electric restructuring law currently requires us, as a former affiliate of the transmission and distribution utility in Houston, to sell electricity to residential customers only at a specified price, or price-to-beat. Beginning January 1, 2005, we will have the ability, but not the obligation, to sell electricity to those customers at prices other than the price-to-beat. Starting January 1, 2007, we will, under the current regulatory framework, be able to sell electricity without pricing restrictions. Outside of the Houston area, we are generally permitted to sell electricity at market-determined prices to residential and small commercial customers.

We currently provide retail electric service to residential customers only in Texas. We have no current plans to provide retail electric service to residential customers outside of Texas.

Commercial, Industrial and Institutional. In Texas, we market electricity and energy services to large commercial, industrial and institutional customers (i.e., customers with a peak demand of greater than approximately one MW). As of September 30, 2004, we had approximately 40,000 large commercial, industrial and institutional customers, based on metered locations, which include refineries, chemical plants, manufacturing facilities, hospitals, universities, governmental agencies, restaurants and other facilities. In New Jersey and Maryland, we market electricity and

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energy services to commercial, industrial and institutional customers. In general, we sell electricity to these customers at market-determined prices.

As of September 30, 2004, we had contracts to provide an aggregate of 5,619 MW of electricity to approximately 850 customers in Texas and an aggregate of 987 MW of electricity to approximately 165 customers in select markets within the PJM Market. The terms of our contracts range from one to 51 months, with the average term being 21 months. We also provide customized energy solutions, including energy information services and products, to our commercial, industrial and institutional customers.

Retail Energy Supply. In Texas, we purchase substantially all of the generation capacity necessary to supply our retail energy business from third parties. As of September 30, 2004, we had entered into contracts to purchase generation capacity averaging 6,807 MW per month in 2005, 3,496 MW per month in 2006 and 1,017 MW per month in 2007. Based on current market conditions, existing retail sales commitments and current load forecasts, we estimate that these contracts will supply approximately 79% of the current capacity requirements of our retail energy business for 2005.

The largest supplier of generation capacity for our Texas retail energy business has historically been Texas Genco. We expect to continue to contract with third parties, including Texas Genco, for a substantial portion of our Texas retail energy business power requirements, including purchases pursuant to power purchase agreements and auctions of power conducted by Texas generation companies. In addition, we may seek to supplement our market-based purchases of power over time with the purchase of individual generation assets.

In states outside of Texas, we generate sufficient capacity to supply our retail needs.

Wholesale Energy

We have a portfolio of electric power generation facilities. We market electric energy, capacity and ancillary services. Because our facilities are not subject to traditional cost-based regulation, we can generally sell electricity at market-determined prices. We procure natural gas, coal, fuel oil, natural gas transportation and storage capacity and other energy-related commodities to supply and manage our physical assets.

As of September 30, 2004, we owned 43 operating electric power generation facilities with an aggregate net generating capacity of 16,232 MW in six regions of the United States and had an interest in, or leased, an additional seven operating electric power generating facilities with an aggregate net generating capacity of 2,573 MW. The generating capacity of our facilities consists of approximately 34% of base-load (6,397 MW), 35% of intermediate (6,630 MW) and 31% of peaking capacity (5,778 MW). Our operating electric power generation facilities include the 520 MW Seward facility, which was declared commercially operable in October 2004.

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The following table describes our electric power generation facilities and net generating capacity by region:

Region	Number of Generation Facilities	Total Net Generating Capacity (MW)(1)	Dispatch Type	Fuel Type
Mid-Atlantic				
Operating(2)	20	5,047	Base, Intermediate, Peak	Coal, Hydro, Gas, Oil, Dual
New York				
Operating	3	2,210	Intermediate, Peak	Gas, Dual
Mid-Continent				
Operating	9	4,473	Base, Intermediate, Peak	Coal, Gas, Oil
Southeast				
Operating(3)(4)	5	2,210	Base, Intermediate, Peak	Gas/Dual
Mothballed	1	822	Intermediate	Gas
Combined	6	3,032		
West				
Operating(5)	6	4,034	Base, Intermediate, Peak	Gas/Dual
Mothballed	1	184	Peak	Gas
Combined	7	4,218		
ERCOT				
Operating	7	831	Base	Gas/Renewable
Total				
Operating	50	18,805		
Mothballed	2	1,006		
Combined	52	19,811		

(1) Net generating capacity refers to the average of the facilities summer and winter generating capacities net of auxiliary power.

(2) Excludes Liberty Power s 568 MW combined cycle gas fired power generation facility (see Recent Developments) and includes the 520 MW Seward facility. We lease a 100%, 16.67% and 16.45% interest in three Pennsylvania facilities having 614 MW, 1,704 MW and 1,714 MW of net generating capacity, respectively, through facility lease agreements expiring in 2026, 2034 and 2034, respectively. The table includes our share of the capacity of these facilities.

(3) We own a 50% interest in one of these facilities having a net generating capacity of 108 MW. An unaffiliated party owns the other 50%. The table includes our share of the capacity of this facility.

(4) We are party to tolling agreements entitling us to 100% of the capacity of two Florida facilities having 630 MW and 474 MW of net generating capacity, respectively. These tolling agreements expire in 2012 and 2007, respectively, and are treated as operating leases for accounting purposes.

(5) We own a 50% interest in one Nevada facility having a net generating capacity of 470 MW. An unaffiliated third party owns the other 50%. The table includes our share of the capacity of this facility.

We seek to optimize our physical asset positions consisting of our power generation asset portfolio, pipeline transportation capacity positions, pipeline storage positions and fuel positions and provide risk management services for our asset positions. We perform these functions through procurement, marketing and hedging activities for power, fuels and other energy related commodities. We discontinued our proprietary trading business in March 2003.

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Objectives and Strategy

We believe that competitive electricity markets benefit customers and will continue to expand. Our objective is to be a leader in the progression to competitive markets by becoming a highly efficient, customer-focused company.

To achieve this objective we intend to:

effect significant cost savings through reductions in our overhead and operating costs and implementation of process efficiencies during 2003 and 2004, we set a total target of $340 million in annual cost savings by 2006, of which approximately $225 million has been realized to date;

achieve financial flexibility by enhancing profitability, divesting selected assets, simplifying our capital structure and accessing the capital markets we intend to reduce our adjusted net debt-to-EBITDAR ratio significantly by the end of 2006; and

focus on regions where we believe the regulatory environment supports competitive markets.

In 2004, we continued to reduce our debt and strengthen our balance sheet.

In January 2004, we made the decision to not exercise our option to purchase CenterPoint s 81% ownership interest in Texas Genco in favor of pursuing a strategy of contracting for a significant portion of our retail energy supply requirements and, over time, pursuing potential acquisitions of individual generation assets.

In September 2004, we completed the sale of our equity interests in subsidiaries of Orion Power Holdings owning hydropower plants for total proceeds of $874 million. Net proceeds were used to repay debt under the Orion New York credit facility and the Orion MidWest credit facility.

Recent Developments

Liberty Power, one of our indirect subsidiaries, owns a 568 MW combined cycle gas fired power generation facility (the Liberty generating station). In October 2004, we agreed on the principal terms and conditions for a transfer of our interest in Liberty and its immediate parent corporation, including its non-recourse debt, to Liberty s lenders. The transfer, which is subject to the execution of definitive agreements and receipt of various third party approvals, is expected to be completed in the fourth quarter of 2004.

Concurrent Transactions

In connection with the offering of the notes, we are amending and restating our existing credit facilities and will have a revolving credit facility in an aggregate principal amount of $1.7 billion and a term loan facility in a principal amount of approximately $1.1 billion. The revolving credit facility will mature in December 2009 and the term loan facility will mature in April 2010. Our material subsidiaries, except subsidiaries prohibited by the terms of their financing documents from doing so, will guarantee the amended and restated credit facilities. The revolving credit facility bears interest at LIBOR plus 3% or a base rate plus 2% and the term loan facility bears interest at LIBOR plus % or a base rate plus %. We intend to use net proceeds from this offering to repay a portion of our outstanding indebtedness under our existing credit facilities.

We also intend to convert to fixed-rate up to $400 million aggregate principal amount of floating-rate tax-exempt facilities revenue bonds. These bonds were issued by PEDFA. These bonds are currently payable solely from payments by Seward, one of our subsidiaries, under loan agreements between PEDFA and Seward and from payments made under irrevocable direct-pay letters of credit issued under our existing credit facilities. In connection with the conversion, some or all of the letters of credit will be cancelled and we will issue a guarantee to support their payment.

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Any floating-rate bonds that we do not convert may remain outstanding and will be supported by the letters of credit issued under our amended and restated credit facilities or may be redeemed. In addition, we also intend for PEDFA to issue up to $100 million of fixed-rate tax-exempt facilities revenue bonds that are also backed by a loan agreement with Seward. We will guarantee the fixed-rate tax-exempt facilities revenue bonds and the guarantors of the notes will guarantee the guarantee that we are providing. Depending on the tax-exempt bond market, the conversion from floating to fixed-rate and the additional issuance of fixed-rate bonds may not close simultaneously with each other or with the other concurrent transactions and may be staggered over a period of time.

The amount of indebtedness expected to be outstanding as a result of the transactions described above and this offering is $2.6 billion (excluding cash amounts drawn under the revolving credit facility, if any). The actual amounts of the components of the refinancing may be adjusted in light of market conditions and other factors. For purposes of this prospectus supplement and the pro formas included herein, we have assumed that $1.1 billion will be borrowed under the term loan facility, $1.1 billion of notes will be issued and $350 million of fixed-rate tax-exempt facilities revenue bonds will be issued or converted from floating-rate and resold as part of these refinancing transactions. The term the transactions refers to these transactions and the application of the proceeds therefrom.

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Corporate Structure and Components of Debt

The following simplified diagram presents our general corporate structure and the components of our banking and credit facilities, other long-term debt to third parties and select intercompany notes of us and our subsidiaries as of September 30, 2004 (in billions (rounded to the nearest tenth)), after giving effect to the transactions:

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(1) As of September 30, 2004, after giving effect to the transactions, we would have had a $1.7 billion revolving credit facility with $0.7 billion of letters of credit outstanding relating to our commercial activities and no revolver loans outstanding.

(2) Assumes issuance of $1.1 billion under the term loan facility.

(3) Includes $1.1 billion of existing senior secured notes and assumes issuance of $1.1 billion of notes offered hereby.

(4) Assumes Seward s $0.4 billion existing floating-rate tax-exempt facilities revenue bonds, are converted into $0.4 billion of fixed-rate tax-exempt facilities revenue bonds, which will be guaranteed by us on a pari-passu basis with our other senior secured debt.

(5) In September 2004, we renewed a receivable facility arrangement to sell an undivided interest in accounts receivable from residential, small commercial, industrial and institutional retail electric customers, on an on-going basis.

(6) Assumes $0.8 billion of term notes and $0.1 billion of undrawn revolving notes between us and Orion Midwest and Orion NY, which will only be pledged to secure our revolving credit facility and term loan facility.

(7) A $28 million term loan facility currently exists at REMA.

(8) Includes an aggregate of 13 generation facilities located in the states of California, Florida, Illinois, Mississippi, Nevada, and Pennsylvania (including the Seward facility).

(9) In August 2000, we entered into separate sale/ leaseback transactions with each of the three owner-lessors for our interests in three of the generating stations acquired in the acquisition of the REMA assets. For additional discussion of these lease transactions, see note 14(a) to our consolidated financial statements in our Form 8-K filed with the SEC on November 18, 2004 and incorporated by reference herein.

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Summary of Collateral and Guarantees

The table below outlines the principal differences between the collateral for the notes and our amended and restated credit facilities. In the table below, X indicates that such entity is providing the indicated collateral or guaranty. Except as described under Description of Notes Security Shared Collateral, the property securing the notes consists of substantially all of our and our guarantors operating assets, except: (a) certain assets that secure our amended and restated credit facilities but not the notes and (b) certain assets that were otherwise permitted to be excluded from the property securing our amended and restated credit facilities. The notes are guaranteed by each of our domestic restricted subsidiaries that guarantee borrowings under our amended and restated credit facilities. This summary does not contain all the information that may be important to you. For a complete understanding of the collateral securing the notes, you should read the section entitled Description of Notes and the security documents.

Lien on Assets

(Excluding Stock)

	RERH	Orion MidWest/ Orion NY	Reliant Energy Services	REPG	REMA	Other Merchant Generation Facilities
Notes	x		x	x		x
Amended and Restated Credit Facilities	x		x	x		x

Stock Pledges

(By Issuer of the Pledged Stock)

	RERH	Orion Power Holdings	Reliant Energy Services	REPG	REMA	Other Merchant Generation Facilities
Notes	x	x			x	
Amended and Restated Credit Facilities	x	x	x	x	x	x

Intercompany Notes

(By Issuer of the Note)

	RERH	Orion MidWest/ Orion NY	Reliant Energy Services	REPG	REMA	Other Merchant Generation Facilities
Notes	x				x	
Amended and Restated Credit Facilities	x	x	x	x	x	x

Guarantors

	RERH	Orion Power Holdings and its Subsidiaries	Reliant Energy Services	REPG	REMA	Other Merchant Generation Facilities
Notes	x		x	x		x
	x		x	x		x

Amended and Restated Credit
Facilities

* * *

Our principal executive offices are located at 1000 Main Street, Houston, Texas 77002 and our telephone number is (713) 497-3000.

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The Offering

The following is not intended to be a complete summary of the terms of the notes being offered. For a more detailed description of the notes, see Description of Notes.

Issuer	Reliant Energy, Inc.
Securities Offered	$ million aggregate principal amount of Floating Rate Senior Secured Notes due 2010.
	$ million aggregate principal amount of % Senior Secured Notes due 2014.
Maturity Date	*2010 notes:* , 2010.
	2014 notes: , 2014.
Interest Rate	*2010 notes:* 3-month LIBOR plus a spread of %.
	2014 notes: % per year.
Interest Payment Dates	*2010 notes:* , , and of each year, commencing on , 2005.
	2014 notes: and of each year, commencing on , 2005.
Ranking	The notes will be our senior obligations and will be pari passu in right of payment with all our existing and future senior indebtedness, including the Credit Agreement Debt (as defined under Description of Notes Certain Definitions), our outstanding 9.25% senior secured notes due 2010, our outstanding 9.50% senior secured notes due 2013 and our guarantee of the fixed-rate tax-exempt facilities revenue bonds. The notes will be senior in right of payment to all our existing and future subordinated indebtedness, including our outstanding 5.00% convertible senior subordinated notes due 2010.
Guarantees	The notes will be jointly and severally guaranteed by each of our current and future domestic restricted subsidiaries that guarantee borrowings under our Credit Agreement. Each guarantee will be pari passu in right of payment with all existing and future senior indebtedness of that guarantor, including such guarantor s guarantee of all Credit Agreement Debt, our outstanding 9.25% senior secured notes due 2010, our outstanding 9.50% senior secured notes due 2013 and our guarantee of the fixed-rate tax-exempt facilities revenue bonds. Each guarantee will be senior in right of payment to all existing and future subordinated indebtedness of such guarantor.
Security	The notes and the subsidiary guarantees will be secured together with the Credit Agreement Debt, our outstanding 9.25% senior secured notes due 2010, our outstanding 9.50% senior secured notes due 2013 and our guarantee of the fixed-rate tax-exempt facilities revenue bonds and all future Parity Secured Debt equally and ratably by security interests in the Shared Collateral (subject to Permitted Prior Liens). The Shared Collateral includes substantially all of the

assets of Reliant Energy and the guarantors that secure the Credit Agreement Debt, except for (a) capital stock or other securities (including certain intercompany notes) issued by our subsidiaries (other than Orion Power Holdings, RERH and Reliant Energy Mid-Atlantic Power Holdings, LLC), and (b) certain cash collateral deposits required under our Credit Agreement (each as defined under Description of Notes Certain Definitions). Neither the Credit Agreement Debt nor the notes will be secured with the assets of Miscellaneous Orion Subsidiaries. The collateral trustee s liens upon the Collateral may be released under certain conditions as described under Description of Notes Security Release of Security Interests. The terms Parity Secured Debt, Permitted Prior Liens, equally and ratably, Shared Collateral and Miscellaneous Orion Subsidiaries are defined in the Description of Notes section of this prospectus supplement.

Optional Redemption

2010 notes: At any time before , 2006, on one or more occasions, we can choose to redeem up to 35% of the outstanding aggregate principal amount of the 2010 notes with the net cash proceeds of any one or more equity offerings, so long as:

at least 65% of the aggregate principal amount of notes issued under the supplemental indenture governing the 2010 notes remains outstanding immediately after each such redemption; and

we redeem the notes within 75 days of such equity offering.

Additionally, at any time on or after , 2006, we can redeem some or all of the 2010 notes at the respective prices listed in Description of Notes Optional Redemption plus accrued interest.

2014 notes: At any time before , 2007, on one or more occasions, we can choose to redeem up to 35% of the outstanding aggregate principal amount of the 2014 notes with the net cash proceeds of any one or more equity offerings, so long as:

at least 65% of the aggregate principal amount of notes issued under the supplemental indenture governing the 2014 notes remains outstanding immediately after each such redemption; and

we redeem the notes within 75 days of such equity offering.

Additionally, at any time on or after , 2009, we can redeem some or all of the 2014 notes at the respective redemption prices listed in Description of Notes Optional Redemption plus accrued interest.

See Description of Notes Optional Redemption.

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Change of Control

If a Change of Control of our company occurs, we must offer to purchase each holder s notes, in whole or in part, at a purchase price of 101% of the principal amount, plus accrued and unpaid interest. The term Change of Control is defined in the Description of Notes Certain Definitions section of this prospectus supplement.

Restrictive Covenants

We will issue the notes under a base indenture, as supplemented, in the case of the 2010 notes, by a first supplemental indenture and, in the case of the 2014 notes, by a second supplemental indenture. We refer to the base indenture, as supplemented by the two supplemental indentures, as the indentures. We refer to the base indenture, as supplemented by the applicable supplemental indenture, as the applicable indenture. The indentures governing the terms of the notes will contain covenants that, among other things, limit our ability and the ability of our subsidiaries to:

- incur additional debt;
- pay dividends or distributions on, or redeem or repurchase, our capital stock;
- make investments;
- engage in transactions with affiliates;
- create liens on our assets;
- transfer or sell assets;
- guarantee debt;
- enter into sale and leaseback transactions;
- restrict dividend or other payments to us;
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries; and
- engage in unrelated businesses.

These covenants are subject to important exceptions and qualifications, which are described in the Description of Notes section of this prospectus supplement. If the notes are assigned a rating equal to or higher than either Baa3 by Moody s or BBB- by S&P and no default or event of default has occurred and is continuing, certain covenants will be suspended. If both ratings should subsequently decline to below Baa3 and BBB-, the suspended covenants will be reinstituted. For more details, see the Description of Notes Certain Covenants Changes in Covenants when Notes Rated Investment Grade section of this prospectus supplement. The security documents creating the security interests in the Collateral will include certain covenants relating to the Collateral.

Amendments and Waivers

With certain exceptions, the supplemental indenture governing the terms of each series of notes may be amended with the consent of the holders of a majority of the principal

	amount of the applicable notes then outstanding. In general, the security documents may be amended with the consent of Reliant Energy and the Credit Agreement Agent acting at the direction of the requisite number of lenders under the Credit Agreement, provided that no amendment may release all or substantially all of the Collateral without the consent of 100% of the lenders under the Credit Agreement Debt.
Use of Proceeds	We estimate that the net proceeds we will receive from this offering will be approximately $ billion. We intend to use the net proceeds to repay indebtedness under our existing credit facilities. See Use of Proceeds.
Conditions to Issuance of the Notes	The closing of this offering is conditioned upon amending and restating our existing credit facilities to enter into a revolving credit facility in an aggregate principal amount of $1.7 billion and a new term loan facility in a principal amount of up to $1.3 billion.

Risk Factors

An investment in the notes involves significant risks. You should read the section entitled Risk Factors beginning on page S-16 of this prospectus supplement so that you understand the risks associated with an investment in the notes.

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SUMMARY SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present our summary selected consolidated financial data for 2001 through 2003 and the nine months ended September 30, 2003 and 2004. The financial data for the nine months ended September 30, 2003 and 2004, are derived from our unaudited interim consolidated financial statements. These unaudited financial statements were prepared on the same basis as our audited financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair presentation of our financial position at such date and our results of operations for such periods. The results for periods of less than a full year are not necessarily indicative of the results to be expected for any interim period or for a full year. The data set forth below should be read together with the documents incorporated by reference herein. Our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein, gives effect to the treatment of the results of operations of our hydropower plants as discontinued operations in the following items in our Form 10-K: Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures about Non-trading and Trading Activities and Related Market Risks, historical consolidated financial statements and Ratio of Earnings from Continuing Operations to Fixed Charges. The historical financial information may not be indicative of our future performance.

	Year Ended December 31,			Nine Months Ended September 30,	
	2001 (1)(2)(4)	2002 (1)(3)(4)	2003 (1)(4)(6)	2003 (1)(4)(6)	2004 (1)(4)(6)
	(In millions, except per share amount)				
Income Statement Data:					
Revenues	$5,361	$10,434	$10,638	$8,863	$6,721
Trading margins	378	288	(49)	(45)	(1)
Total	5,739	10,722	10,589	8,818	6,720
Expenses:					
Fuel and cost of gas sold	1,438	1,088	1,327	1,013	1,195
Purchased power	2,498	7,349	6,823	5,925	3,906
Accrual for payment to CenterPoint		128	47	47	2
Operation and maintenance	586	920	921	680	677
Selling and marketing	58	81	98	75	61
Bad debt expense	3	82	63	52	37
Other general and administrative	285	283	273	194	152
Loss on sales of receivables		10	37	15	34
Gain on sale of counterparty claim					(30)
Wholesale energy goodwill impairment(5)			985	985	
Depreciation and amortization	170	358	408	304	374
Total	5,038	10,299	10,982	9,290	6,408
Operating income (loss)	701	423	(393)	(472)	312
Other income (expense):					
Gains (losses) from investments, net	23	(23)	2	2	
Income (loss) of equity investments, net	7	18	(2)	(1)	(9)
Other, net	2	15	9	6	5
Interest expense	(16)	(232)	(466)	(328)	(312)
Interest income	22	27	35	24	29
Interest income affiliated companies, net	12	5			
Total other income (expense)	50	(190)	(422)	(297)	(287)

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	Year Ended December 31,			Nine Months Ended September 30,	
	2001 (1)(2)(4)	2002 (1)(3)(4)	2003 (1)(4)(6)	2003 (1)(4)(6)	2004 (1)(4)(6)
	(In millions, except per share amount)				
Income (loss) from continuing operations before income taxes	751	233	(815)	(769)	25
Income tax expense	290	113	88	104	20
Income (loss) from continuing operations	461	120	(903)	(873)	5
Income (loss) from discontinued operations before income taxes	83	(344)	(317)	(423)	191
Income tax (benefit) expense	(16)	102	98	55	(32)
Income (loss) from discontinued operations	99	(446)	(415)	(478)	223
Income (loss) before cumulative effect of accounting changes	560	(326)	(1,318)	(1,351)	228
Cumulative effect of accounting changes, net of tax	3	(234)	(24)	(24)	7
Net income (loss)	$ 563	$ (560)	$(1,342)	$(1,375)	$ 235
Basic Earnings (Loss) per Share:					
Income (loss) from continuing operations	$1.66	$ 0.41	$ (3.08)	$ (2.98)	$0.02
Income (loss) from discontinued operations	0.36	(1.53)	(1.41)	(1.64)	0.75
Income (loss) before cumulative effect of accounting changes	2.02	(1.12)	(4.49)	(4.62)	0.77
Cumulative effect of accounting changes, net of tax	0.01	(0.81)	(0.08)	(0.08)	0.02
Net income (loss)	$2.03	$(1.93)	$ (4.57)	$ (4.70)	$0.79
Diluted Earnings (Loss) per Share:					
Income (loss) from continuing operations	$1.66	$ 0.41	$ (3.08)	$ (2.98)	$0.02
Income (loss) from discontinued operations	0.36	(1.53)	(1.41)	(1.64)	0.73
Income (loss) before cumulative effect of accounting changes	2.02	(1.12)	(4.49)	(4.62)	0.75
Cumulative effect of accounting changes, net of tax	0.01	(0.80)	(0.08)	(0.08)	0.02
Net income (loss)	$2.03	$(1.92)	$ (4.57)	$ (4.70)	$0.77

	Year Ended December 31,			Nine Months Ended September 30,	
	2001 (1)(2)	2002 (1)(3)	2003 (1)	2003 (1)	2004 (1)

	(In millions, except operating data)				
Statement of Cash Flow Data:					
Cash flows from operating activities	$ (152)	$ 516	$ 869	$ 537	$ 137
Cash flows from investing activities	(838)	(3,487)	1,042	(757)	733
Cash flows from financing activities	1,000	3,985	(2,889)	(772)	(922)
Operating Data:					
Capital expenditures (in millions)	$ (728)	$ (623)	$ (572)	$ (466)	$ (148)
Retail electricity sales (GWh)		62,852	63,999	48,667	51,633
Power generation data(7):					
Wholesale power sales volumes (GWh)(8)	63,298	127,811	113,299	86,834	58,342
Wholesale net power generation volumes (GWh)	25,808	40,037	42,689	32,577	32,234
Ratio of earnings from continuing operations to fixed charges(10)(11)(12)	7.50	1.62			1.01

	December 31,			
	2001 (1)(2)	2002 (1)(2)(3)(4)	2003 (1)(2)(4) (5)(9)	September 30, 2004 (1)(2)(4)
	(In millions)			
Balance Sheet Data:				
Property, plant and equipment, net	$ 2,796	$ 6,459	$ 7,991	$ 7,796
Total assets	11,726	17,219	13,311	13,083
Current portion of long-term debt and short-term borrowings	94	786	391	689
Long-term debt to third parties	295	5,193	4,914	4,840
Accounts and notes receivable affiliated companies, net	445			
Stockholders equity	5,984	5,653	4,372	4,633

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(1) Our results of operations include the results of the following acquisitions, all of which were accounted for using the purchase method of accounting, from their respective acquisition dates: a generating facility in Florida acquired in October 1999, the REMA acquisition that occurred in May 2000 and the Orion Power acquisition that occurred in February 2002. See note 5 to our consolidated financial statements in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein for further information about the Orion Power acquisition. In December 2003, we sold our European energy operations. In the first quarter of 2003, we began to report the results of our European energy operations as discontinued operations in accordance with SFAS No. 144 and accordingly, reclassified amounts from prior periods. See note 22 to our consolidated financial statements in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein. In October 2003, we sold our Desert Basin plant operations and in accordance with SFAS No. 144, effective July 2003, we began to report the results of our Desert Basin plant operations as discontinued operations and accordingly, reclassified amounts from prior periods. See note 23 to our consolidated financial statements in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein. In September 2004, we sold our hydropower plants and in accordance with SFAS No. 144, effective May 2004, we began to report the results of our hydropower plants as discontinued operations and accordingly, reclassified amounts from prior periods. See note 24 to our consolidated financial statements in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein.

(2) Effective January 1, 2001, we adopted SFAS No. 133, which established accounting and reporting standards for derivative instruments. See notes 2(d) and 7 to our consolidated financial statements in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein for further information regarding the impact of the adoption of SFAS No. 133.

(3) During the third quarter of 2002, we completed the transitional impairment test for the adoption of SFAS No. 142 on our consolidated financial statements, including the review of goodwill for impairment as of January 1, 2002. Based on this impairment test, we recorded an impairment of our European energy segment s goodwill of $234 million, net of tax, as a cumulative effect of accounting change. See note 6 to our consolidated financial statements in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein.

(4) We adopted EITF No. 02-03 effective January 1, 2003, which affected our accounting for electricity sales to large commercial, industrial and institutional customers under executed contracts and our accounting for trading and hedging activities. It also impacted these contracts executed after October 25, 2002, in 2002. See note 2(d) to our consolidated financial statements in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein.

(5) During the third quarter of 2003, we performed a goodwill impairment analysis of our wholesale energy reporting unit and recognized an impairment charge of $985 million. See note 6 to our consolidated financial statements in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein.

(6) In July 2003, the EITF issued EITF No. 03-11, which became effective October 1, 2003. At that time, we began reporting prospectively the settlement of sales and purchases of fuel and purchased power related to our non-trading commodity derivative activities that were not physically delivered on a net basis in our results of operations based on the item hedged pursuant to EITF No. 03-11. This resulted in decreased revenues and decreased fuel and cost of gas sold and purchased power of $834 million and $1,776 million for the fourth quarter of 2003 and the nine months ended September 30, 2004, respectively. We believe the application of EITF No. 03-11 will continue to result in a significant amount of our non-trading commodity derivative activities being reported on a net basis prospectively that were previously reported on a gross basis. We did not reclassify amounts for periods prior to October 1, 2003. See note 2(d) to our consolidated financial statements in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein.

(7) These amounts exclude volumes associated with our European energy operations, Desert Basin plant operations and operations of our hydropower plants, which are classified as discontinued operations.

(8) Includes physically delivered volumes, physical transactions that are settled prior to delivery and non-trading derivative activity related to our power generation portfolio.

(9) We adopted FIN No. 46 on January 1, 2003, as it relates to our variable interests in three power generation projects that were being constructed by off-balance sheet entities under construction agency agreements, which pursuant to this guidance required consolidation upon adoption. As a result, as of January 1, 2003, we increased our property, plant and equipment by $1.3 billion and increased our secured debt obligations by $1.3 billion. See note 2(c), 9(a) and 14(b) to our consolidated financial statements in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein.

(10) For purposes of calculating the ratio of earnings from continuing operations to fixed charges, earnings consist of income (loss) from continuing operations before income taxes less (a)(1) income of equity investments of unconsolidated subsidiaries and (2) capitalized interest plus (b)(1) loss of equity investments of unconsolidated subsidiaries, (2) fixed charges, (3) amortization of capitalized interest and

(4) distributed income of equity investees. Fixed charges consist of (a) interest expense, (b) interest expense affiliated companies, net, (c) capitalized interest and (d) interest within rent expense.

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(11) For the year ended December 31, 2003 and for the nine months ended September 30, 2003, our earnings were insufficient to cover our fixed charges by $887 million and $829 million, respectively, as fixed charges were $617 million and $464 million, respectively, and earnings (loss) were $(270) million and $(365) million, respectively.

(12) The pro forma ratio of earnings from continuing operations to fixed charges for the year ended December 31, 2003 and for the nine months ended September 30, 2004 for the transactions did not change from the historical ratios by more than 10%. In addition, our earnings from continuing operations would have been insufficient to cover fixed charges by $931 million for the year ended December 31, 2003 and our ratio of earnings from continuing operations to fixed charges would have been 1.03 for the nine months ended September 30, 2004, after giving effect to the transactions as if they had occurred on January 1, 2003.

RISK FACTORS

You should consider carefully the risks and the other information in this prospectus supplement, the accompanying prospectus and our filings with the SEC under the Exchange Act that are incorporated by reference herein before deciding to invest in the notes. The risks described in this section are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial could also have a material adverse effect on our business operations.

Risks Relating to Selling Electricity

The Wholesale and Retail Electricity Markets Are Highly Competitive.

The market for wholesale and retail electricity customers is very competitive. In certain markets, our principal competitors include the local regulated electric utility or its non-regulated affiliate. In other markets, we face competition from independent electric providers, independent power producers and wholesale power providers. In many cases, our competitors have the advantage of long-standing relationships with customers, longer operating histories and/or larger and better capital resources. As a result, it may not be profitable for us to enter into some markets and our ability to increase market share may be hindered.

In general, we compete on the basis of price, our commercial and marketing skills relative to other market participants, service and our financial position. Other factors affecting our competitive position include our ability to obtain fuel supplies at competitive prices to operate our generation plants, electricity for resale and related transportation/transmission services. Since many of our energy customers, suppliers and transporters require financial guarantees and other assurances regarding contract performance, our access to letters of credit, surety bonds and other forms of credit support is another factor affecting our ability to compete in the market.

For additional information relating to competitive risks affecting our retail energy segment, see Special Risks Relating to Our Retail Business Operations in the Texas Market below.

Our Business Is Subject to Market Risks, the Impact of Which We Cannot Fully Mitigate.

Unlike a traditional regulated electric utility, we are not guaranteed a rate of return on our capital investments. We sell electric energy, capacity and ancillary services and purchase fuel under short and long-term contractual obligations and through various spot markets. Our results of operations, financial condition and cash flows depend, in large part, upon prevailing market prices for electricity and fuel in our markets and, in the Texas retail energy market, the impact of regulatory decisions on prices charged to our retail customers. Market prices may fluctuate substantially over relatively short periods of time, potentially adversely affecting our business. Changes in market prices for electricity and fuel may result from the following factors among others:

- weather conditions;
- seasonality;
- demand for energy commodities;
- general economic conditions;
- forced or unscheduled plant outages for us, our competitors and third party providers;
- disruption of electricity or gas transmission or transportation, infrastructure or other constraints or inefficiencies;
- changes in generating capacity;
- availability and levels of storage and inventory for fuel stocks;

fluctuations in levels of natural gas, crude oil and refined products and coal production;

financial position of market participants;

changes in market liquidity;

natural disasters, wars, embargoes, acts of terrorism and other catastrophic events; and

governmental regulation and legislation.

We operate a significant number of power generation plants. To operate these plants, we must enter into commitments with various terms for fuel and transmission capacity or services. Although we attempt to sell forward a significant portion of our generation capacity and to procure the fuel for forward sales, we do not hedge all of our generation plant output and, thus, changes in commodity prices could negatively affect our business.

In certain cases, we have guaranteed or indemnified the performance of a portion of certain subsidiary obligations, including those involved in hedging and risk management activities. Our subsidiaries, or we, as the case may be, may not be able to satisfy all of the guarantees and indemnification obligations if they were to come due and payable at the same time.

In Marketing Our Products, We Rely on Power Transmission and Distribution Facilities That We Do Not Own or Control. If These Facilities Fail to Provide Us with Adequate Transmission Capacity, We May Not Be Able to Deliver Power to Our Customers.

We depend on power transmission and distribution facilities owned and operated by utilities and others to deliver energy products to our customers. If transmission or distribution is inadequate or disrupted, our ability to sell and deliver our products may be hindered. Any infrastructure failure that interrupts or impairs delivery of electricity could have an adverse effect on our business.

We Are Dependent on Metering Systems That We Do Not Own or Control. Failure to Receive Accurate and Timely Information Could Adversely Affect Our Business.

We are dependent on the transmission and distribution utilities for reading our customers energy meters. We also rely on the local transmission and distribution utility or, in some cases, the independent system operator, to provide us with our customers information regarding energy usage, and we may be limited in our ability to confirm the accuracy of the information. If we receive incorrect or untimely information from the transmission and distribution utilities, we could have difficulty properly billing our customers and collecting amounts owed to us. Failure to receive correct and timely information could have an adverse effect on our business. For information regarding the potential impact on our retail energy segment of data collection and other billing risks, see Special Risks Relating to Our Retail Business Operations in the Texas Market below.

Risk Relating To Ownership of Generation Assets

Operation of Power Generation Facilities Involves Significant Risks That Could Adversely Affect Our Business.

As of September 30, 2004, we owned 43 operating electric power generation facilities. Our operation of generation assets exposes us to risks relating to the breakdown of equipment or processes, fuel supply interruptions, shortages of equipment, material and labor and other operational risks. In addition, significant portions of our facilities were constructed many years ago. Older generating equipment, even if maintained in accordance with good engineering practices, may require significant capital expenditures to maintain efficiency, to comply with changing environmental requirements or to provide reliable operations. Such expenditures increase our operating costs. Further, our ability to successfully and timely complete capital improvements to existing facilities or other capital projects is contingent upon many variables and subject to many risks. Any unexpected failure to produce power, including failure caused by breakdown or forced outage, may cause a

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shortfall in power generation. We may then be required to purchase power to cover such shortfalls, the cost of which may be substantially higher than the cost of generating the power, which may have an adverse effect on our business.

Future Changes in the Wholesale Energy Market or Sales of Generation Assets Could Result in Our Recognition of Additional Impairments of Goodwill Related to Our Wholesale Energy Segment.

In 2003, we recognized impairments of goodwill of $985 million (pre-tax and after-tax) reflecting a decrease in the estimated fair value of our wholesale energy segment. Although we did not recognize any additional impairments of goodwill for this segment in the nine months ended September 30, 2004, we could be required to recognize additional impairments of goodwill in our generation assets if, among other things, our outlook on the wholesale energy market changes negatively. In addition, we are engaged in an ongoing evaluation of the business of our wholesale energy segment, which could result in future decisions to dispose of additional generation assets, which could result in additional impairment charges related to goodwill.

Certain of Our Coal Contract Suppliers Have Defaulted, or May Default, Under Their Delivery Obligations, Which Could Adversely Affect Our Business.

Approximately 25% of our capacity is produced by our coal fuel units. As of September 30, 2004, we committed to purchase approximately 100% and 89% of our expected coal-fuel requirements through 2004 and for 2005, respectively, pursuant to coal supply contracts. No individual coal supplier represents more than 23% of our estimated annual coal supply requirements. During the past 12 months, the average price of spot eastern coal has increased from $30 per ton to $65 per ton, which represents market prices higher than those for which we contracted to purchase coal. In recent months, two of our coal suppliers, representing 12% of our remaining 2004 contracted coal supplies and 6% of our 2005 expected needs, indicated that they intend to default or have defaulted under their supply contracts. When our suppliers fail to perform their obligations, we could be forced to replace the underlying commitment at then-current market prices, which could result in reduced operating results or losses or expose us to the risk of shortfalls in coal supplies.

Uninsured Judgments or a Rise in Insurance Premiums Could Adversely Affect Our Business.

We have insurance coverage, subject to various limits and deductibles, covering our generation facilities, including property damage insurance and general liability insurance in amounts that we consider appropriate. However, we cannot assure you that insurance coverage will be available in the future on commercially reasonable terms or that the insurance proceeds received for any loss of or any damage to any of our generation facilities will be sufficient to restore the loss or damage without negative impact on our results of operations and financial condition. The costs of our insurance coverage have increased significantly during recent years and may continue to increase in the future, which could adversely affect our business.

Regulatory Risks

Our Operations Are Subject to Extensive Regulations. Changes in These Regulations Could Adversely Affect the Cost, Manner or Feasibility of Conducting Our Business.

We operate in a regulatory environment that is undergoing significant changes as a result of varying restructuring initiatives at both the state and federal levels. We cannot predict the future direction of these initiatives or the ultimate effect that this changing regulatory environment will have on our business. Moreover, existing regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to our facilities or our commercial activities. Such future changes in laws and regulations may have an adverse effect on our business.

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The FERC, regional transmission organizations and independent system operators have imposed and may continue to impose price limitations, bidding rules and other mechanisms in an attempt to address price volatility and other issues in power markets. If the trend towards competitive restructuring of the power markets is reversed, discontinued or delayed, our business growth prospects and financial results could be adversely affected.

If We Fail to Obtain or Maintain Any Necessary Governmental Permit or Approval, We May Not Be Able to Operate Our Plants.

The ownership and operation of power generation facilities requires us to obtain, and maintain in full force, numerous permits, approvals and certificates from federal, state and local governmental agencies. The operation of our generation facilities must also comply with environmental protection and other legislation and regulations. Most of our generation facilities are exempt wholesale generators that sell electricity exclusively into the wholesale market. These facilities are subject to regulation by the FERC regarding rate matters. Although the FERC has authorized us to sell electricity produced from these facilities at market prices, the FERC retains the authority to modify or withdraw our market-based rate authority and to impose cost of service rates. Any reduction by the FERC of the rates we may receive for our generation activities could have an adverse effect on our business.

Our Costs of Compliance with Environmental Laws Are Significant. The Cost of Compliance with New Environmental Laws Could Adversely Affect Our Business.

We are required to comply with numerous environmental laws and regulations, including those related to air emissions, wastewater discharge, and the handling, transportation, storage, disposal, release and cleanup of, or exposure to, hazardous substances and wastes. We also must obtain numerous federal, state and local governmental permits in operating our power generation facilities. Such laws and regulations can be revised, reinterpreted or become applicable to our facilities or new laws and regulations could be adopted. We may incur significant costs to comply with these requirements (including the potential need to install expensive plant upgrades), and we may not be able to obtain or maintain all required environmental regulatory approvals. If there is a delay in obtaining any required approval or if we fail to obtain, maintain or comply with the terms of any such approvals or to comply with any such laws or regulations, we could be subject to civil or criminal penalties, including fines, and the operation of our facilities could be stopped or become subject to additional costs. Further, it may be uneconomical for us to install the necessary equipment at some of our older power generation facilities, which may cause us to shut down those facilities and suffer a loss in generating capacity. The occurrence of any of these events could have an adverse effect on our business.

In addition, we may be responsible for any on-site liabilities associated with the environmental condition of facilities that we have acquired or developed, regardless of when the liabilities arose and whether they are known or unknown and, at times, regardless of who caused such condition. In connection with certain acquisitions and sales of assets, we may obtain, or be required to provide, indemnification against certain environmental liabilities. If we are subject to such liabilities, another party fails to meet its indemnification obligations to us, or if we are required to make an indemnification payment to a third party it could have an adverse effect on our business.

As a Result of Events in California Over the Past Several Years, Our Wholesale Power Operations in the West Region Are Subject to Uncertainty, Including Potential Material Refund Obligations, Related to Ongoing Litigation and Governmental Proceedings and the Collection of a Large Receivable.

We are defendants in several class action lawsuits and other lawsuits filed against us that challenge the prices of wholesale electricity and natural gas in California during parts of 2000 and 2001.

In addition, we are a party to a refund proceeding initiated by the FERC in 2001 regarding wholesale electricity prices that we charged in California from October 2, 2000 through June 20, 2001, which we refer to as the 2000-2001 Refund Proceeding. As of September 30, 2004, our consolidated balance sheet included a $230 million net receivable (which has been adjusted for our estimated refund obligation discussed below) from the Cal ISO and the Cal PX relating to power sales into the markets run by the Cal ISO and the Cal PX subject to the 2000-2001 Refund Proceeding. Although this proceeding has not yet concluded, we currently estimate our refund obligation to be $69 million, based on the most recent refund methodology adopted by the FERC with respect to these receivables.

In September 2004, the United States Court of Appeals for the Ninth Circuit overturned a determination by the FERC that the failure of our subsidiaries to file certain transaction-specific information with the FERC in periods prior to October 2000 did not result in a refund obligation to the extent that the subsidiaries sold energy at prices above just and reasonable rates. The court has ordered the FERC to reconsider its remedial options, which the court noted could include possible refunds. We are not in a position to predict the ultimate impact of the court s decision or the FERC s reconsideration of its remedial options upon remand. As a result, our estimate of potential refund obligations in the 2000-2001 Refund Proceeding does not include the impact, if any, of the possibility of additional refunds being ordered by the FERC for periods prior to October 2000.

The issues related to the California energy crisis are complex and involve a number of court and regulatory proceedings that are ongoing. The resolution of these matters remains uncertain and could range from litigating these matters to conclusion to resolving these matters through settlement, or some combination of both litigation and settlement. Depending on how these matters are ultimately resolved, including the impact of any proceedings initiated with respect to refund obligations for periods prior to October 2000, the amount of our net receivables could be materially affected, which could have an adverse impact on our results of operations and financial position.

Special Risks Relating to Our Retail Business Operations in the Texas Market

Our Results of Operations Could be Materially Affected by Decisions of the PUCT Regarding the Price-to-Beat and Related Regulatory Matters.

The PUCT-approved price, or price-to-beat, that we are currently required to charge for residential electricity sales and make available to small commercial customers in the Houston area includes a component that reflects the market price of fuel and purchased power costs. This component, commonly known as the fuel factor, was originally established in 2001 and is fixed until such time as the PUCT grants an adjustment. Under current PUCT rules, we can apply for an adjustment not more than twice a year if we can demonstrate there have been significant changes in the market price of natural gas or purchased energy to serve retail customers.

The price of natural gas embedded in our power supply purchases, associated with our price-to-beat energy commitments, can be different than the price of natural gas reflected in the fuel factor component of our price-to-beat revenue rate due to:

- varying hedge strategies used and the timing of entering into such hedges;
- subsequent changes in the overall price of natural gas;
- daily, monthly or seasonal fluctuations in the price of natural gas relative to the 12-month forward price;
- changes in market heat rate (i.e., the relationship between power and natural gas prices);
- timing of prospective fuel factor adjustments; and
- other factors.

To the extent that our power supply costs are greater than the price-to-beat fuel factor in any given period, our business in that period could be adversely affected.

In November 2004, we filed a request with the PUCT for an adjustment in the price-to-beat in order to reflect an increase in the 20-day average 12-month forward NYMEX price of natural gas from $6.10 per MMbtu to $7.50 per MMbtu. The PUCT is expected to act on our request by mid-December 2004. In 2005, the PUCT is expected to review once again our fuel factor in a separate proceeding stemming from the PUCT s prior review of stranded costs and related issues affecting CenterPoint, our former parent company. If PUCT determines in this separate proceeding that the 20-day average 12-month forward NYMEX gas prices is lower than that used to set our then existing fuel factor, the PUCT can lower our fuel factor to reflect that difference.

We Have Experienced Declines in Our Retail Gross Margins in the Texas Market and Such Declines May Continue into the Foreseeable Future or Possibly Accelerate.

Our retail gross margins may be affected by a number of factors, including customer retention, hedging costs and the price-to-beat rates. For example, our retail margins may be adversely affected over time by increased competition. Similarly, we have benefited from our ability to enter into favorable hedging arrangements with respect to gas and purchased power. However, our retail margins may be negatively affected if the hedging arrangements that we enter into in future periods are less favorable than historical hedging arrangements. Also, in November 2004, the PUCT determined the stranded costs of CenterPoint. Following this determination, the PUCT will revise the non-bypassable charges to compensate CenterPoint for its stranded costs. On a schedule consistent with the revision to the non-bypassable charges, we will request an adjustment to price-to-beat to reflect the change in costs. As part of this request, the PUCT has the ability to review the fuel factor in our price-to-beat rates, which could trigger a near-term reduction in our retail energy segment s gross margins when the price-to-beat rates are adjusted for stranded costs in 2005. Until the price-to-beat is adjusted, any approved increase in CenterPoint s non-bypassable charges will be borne by us. We cannot predict at this time the change in the level of non-bypassable charges that CenterPoint will be granted, nor can we predict the timing or size of any adjustment to the price-to-beat .

We May Lose a Significant Number of Customers and a Significant Portion of Our Market Share in Texas.

We may lose a significant number of residential and small commercial customers in the Houston area. We are not permitted to offer electricity to these customers in the Houston area at a price other than the price-to-beat rate until January 1, 2005, while other retail electricity providers are permitted to offer electricity at any price.

In addition, we provide electricity and energy efficiency services to large commercial, industrial and institutional customers in the Houston area as well as in other parts of the ERCOT Region. We or any other electric provider can provide services to the customers at any negotiated price. The market for these customers is very competitive, and any of these customers that select us to be their provider may subsequently decide to switch to another provider at the conclusion of their contract with us.

We Are Dependent upon Third Party Providers of Capacity and Energy to Supply Our Retail Customer Obligations in Texas.

We do not own sufficient generating resources in Texas to supply all of the electricity requirements of our retail business in this market. As a result, we must purchase substantially all of the generation capacity necessary to supply our retail energy business from third parties. As of September 30, 2004, we had entered into contracts to purchase generation capacity averaging 6,807 MW per month in 2005, 3,496 MW per month in 2006 and 1,017 MW per month in 2007. Based on current market conditions, existing retail sales commitments and current load forecasts, we

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estimate that these contracts will supply approximately 79% of the current capacity requirements of our retail energy business for 2005. Consequently, our financial performance depends heavily on the performance by our suppliers under these long-term contracts.

For 2003 and the nine months ended September 30, 2004, the largest supplier of generation capacity for our Texas retail energy business was Texas Genco, which accounted for approximately 50% and 40%, respectively, of our supply requirements. We expect to continue to contract with third parties, including Texas Genco and J. Aron & Company (an affiliate of The Goldman Sachs Group, Inc., which has entered into an agreement to purchase a portion of Texas Genco s capacity through 2008), for a substantial portion of our Texas retail energy business power requirements. In addition, we may seek to supplement our market-based purchases of power over time with the purchase of individual generation assets; although, there can be no assurance as to the timing or success of such future acquisition efforts.

Changes in Estimates for Retail Energy Sales and Costs Can Have an Adverse Effect on Our Business or Results of Operations

The ERCOT ISO s responsibilities include ensuring that information relating to a customer s choice of retail electric provider, including data needed for ongoing servicing of customer accounts, is conveyed in a timely manner to the appropriate parties. Problems in the flow of information between the ERCOT ISO, the transmission and distribution utilities and the retail electric providers have resulted in delays and other problems in enrolling, switching or billing customers. When all involved parties do not successfully process customer enrollment transactions, ownership records in the various systems supporting the market are not synchronized properly and subsequent transactions for billing and settlement are adversely affected. The potential impacts could include us not being the electric provider-of-record for intended or agreed upon time periods, delays in receiving customer consumption data that is necessary for billing, the incorrect application of rates or prices and wholesale imbalances in our electricity supply and actual sales.

The ERCOT ISO is also responsible for handling scheduling and settlement for all electricity supply volumes in the ERCOT Region. The ERCOT ISO plays a vital role in the collection and dissemination of metering data from the transmission and distribution utilities to the retail electric providers. We and other retail electric providers schedule volumes based on forecasts, which are based, in part, on information supplied by the ERCOT ISO. To the extent that these amounts are not accurate or timely, we could have incorrectly estimated our scheduled volumes and supply costs.

Our retail energy segment revenues and the related energy supply costs are based on (a) our estimates of customer usage and (b) initial usage information provided by the ERCOT ISO and PJM relating to customer meter reading data provided by third parties. Upon receipt of actual or updated usage data from the ERCOT ISO and PJM, we revise our estimates and record any resulting changes in the period when better information becomes available. As of September 30, 2004 and December 31, 2003, we recorded unbilled revenues, based on our estimates, of $393 million and $290 million, respectively, for retail energy sales.

The ERCOT ISO continues to experience problems processing volume data. During 2004, we have seen negative trends from ERCOT ISO final settlement data related to unaccounted for energy and supply costs compared to our estimates that we have recorded. Based on final settlement information from the ERCOT ISO and a change in methodology for estimating and recording unaccounted for energy, we recognized a loss of $14 million during the three months ended September 30, 2004 ($12 million gain related to 2002, $16 million loss related to 2003 and $10 million loss related to the first six months of 2004). As of September 30, 2004, the ERCOT ISO s settlement calculations indicate that our customers utilized greater volumes of electricity than our records indicated by approximately 450,000 MWh for 2003. As of September 30, 2004, we have receivables recorded of $23 million related to 2003 and $11 million related to 2004 due to our estimated settlement volumes being less than that indicated by the ERCOT ISO s settlement

calculations. The ultimate resolution of these differences could result in additional changes in estimates of our energy supply costs for our retail operations.

Payment Defaults by Other Retail Electric Providers to ERCOT Could Have Adverse Affect on Our Business.

In the event of a default by a retail electric provider of its payment obligations to ERCOT, the portion of the obligation that is unrecoverable by ERCOT is assumed by the remaining market participants in proportion to each participant s load ratio share. We would pay a portion of the amount owed to ERCOT should such a default occur if ERCOT is not successful in recovering such amounts. The default of a retail electric provider in its obligations to ERCOT could have an adverse effect on our business.

General Business Risks

Our Efforts at Cost Reduction May Not Be Successful.

Management has implemented programs designed to save a total target of $340 million through headcount reduction, elimination of redundant operations and improvement of the process design. The first cost rationalizing program, which involved right-sizing with no strategic or structural changes, totals approximately $140 million and is largely complete, with approximately $125 million to be fully realized in 2004 and the remainder to be realized in 2005. A second cost reduction program that commenced in 2004 has a target of $200 million in savings by the end of 2006 to be achieved in two phases. The first phase is virtually complete and involved simplifying the corporate structure to a single operating company model. The second phase involves implementing process improvements across the organization and is ongoing. Approximately $100 million of the planned $200 million reduction should be realized in 2004. In addition, we curtailed plans to construct any new generation plants (apart from the completion of projects that we are contractually committed to complete), retired or mothballed generation units that are no longer economic to operate and sold non-core business operations and assets (e.g., our European energy operations). With the implementation of these strategies, we intend to reduce our adjusted net debt-to-EBITDAR ratio by the end of 2006. However, our ability to achieve this objective is subject to a number of assumptions, including our future economic performance.

Although we intend to continue to identify and pursue opportunities to restructure our business operations in order to reduce our costs and our liquidity and capital requirements, our ability to reduce our cost structure, while maintaining prudent operating standards, is limited. In addition, as we review and make changes in our internal cost structure, we likely will incur increased short-term costs due to severance payments and restructuring processes. It is also possible that in restructuring and simplifying our operations we may increase the risk of an impairment of certain assets, such as information technology systems, to the extent that changes in our business eliminate the need for such assets. Finally, there is a risk that, in restructuring our operations to focus on our core markets, we may be precluded from exploring business opportunities in other markets.

As part of our cost-reduction efforts, we have consolidated a number of our internal risk controls and other support functions and made significant reductions in our corporate overhead. There is a potential that control systems designed for our previous operational structure may prove inadequate for our new operational structure and have to be redesigned. In addition, new risks may be encountered for which we have no existing control system. We believe that our internal controls will continue to be effective and adequate for our restructured operations, although there could be increased risks as a result of reduced personnel and changing processes, including information technology systems.

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Our Strategic Plans May Not Be Successful.

Our wholesale and retail energy business operate in the deregulated segments of the electric power industry. The success of our long-term strategic plans are predicated upon the continuation of the trend toward greater competitive markets in this industry. If the trend towards competitive restructuring of the electric power industry is reversed, discontinued or delayed, our business could be adversely affected.

The Ultimate Outcome of Lawsuits and Regulatory Proceedings to Which We Are a Party Could Have an Adverse Affect on Our Business.

We are party to numerous lawsuits and regulatory proceedings relating to our historical trading and wholesale energy activities. In addition, various state and federal governmental agencies have commenced investigations relating to these activities, including the California Attorney General, the FERC and criminal investigations by the United States Attorneys for the Northern District of California and the State of Texas. The ultimate disposition of some of these matters could have an adverse effect on our business.

Our Ability to Access Capital and Insurance Could Be Adversely Affected by Terrorist Attacks or Related Acts of War.

The uncertainty associated with the military activity of the United States and other nations and the risk of future terrorist activity may affect our results of operations and financial condition in unpredictable ways. These actions could result in adverse changes in the insurance markets and disruptions of power and fuel markets. In addition, our generation facilities or the power transmission and distribution facilities could be targets of terrorist activity. The risk of terrorist attacks or acts of war could also adversely affect the United States economy, create instability in the financial markets and, as a result, have an adverse effect on our ability to access capital on terms and conditions acceptable to us.

Our Business Operations Expose Us to the Risk of Non-performance by Counterparties.

Our operations are exposed to the risk that counterparties who owe us money or commodities and services, such as power, natural gas or coal, will not perform their obligations. When such parties fail to perform their obligations, we might be forced to replace the underlying commitment at then-current market prices. In this event, we could incur reduced operating results or losses.

In our marketing activities, we often extend credit to our counterparties. Many of these parties have below-investment grade credit rankings. Despite using collateral agreements to mitigate against these credit risks, we are exposed to the risk that we may not be able to collect amounts owed to us. To the extent a counterparty fails to perform and any collateral we have secured is insufficient, we will incur additional losses. See Quantitative and Qualitative Disclosures about Non-Trading and Trading Activities and Related Market Risks Credit Risk in Exhibit 99.4 of our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein.

Risks Related to Our Corporate and Financial Structure

Our Leverage and Debt Service Obligations May Adversely Affect Our Business.

We have now and, after the offering, will continue to have a significant amount of debt outstanding. As of September 30, 2004, we had total consolidated debt of $5.5 billion and stockholder s equity of $4.6 billion. As of that date, after giving pro forma effect to the transactions and the use of net proceeds, our total consolidated debt would have been $5.4 billion, including (a) $1.1 billion of notes and (b) $4.3 billion of other debt, including our 9.25% senior secured notes due 2010 and 9.5% senior secured notes due 2013 (which we collectively refer to as the existing senior secured notes), the 5.00% convertible senior subordinated notes (which we refer to as the

convertible notes), the fixed-rate tax-exempt facilities revenue bonds and borrowings under the amended and restated credit facilities. Also, after giving pro forma effect to the transactions assuming they had occurred on January 1, 2003, our ratio of earnings from continuing operations to fixed charges would have been 1.03 for the nine months ended September 30, 2004, and our earnings from continuing operations would have been insufficient to cover our fixed charges by $931 million for the year ended December 31, 2003. Our level of indebtedness could:

- make it difficult for us to satisfy our obligations, including debt service requirements under our outstanding debt and the notes;
- limit our ability to obtain additional financing to operate our business;
- limit our financial flexibility in planning for and reacting to business and industry changes;
- place us at a competitive disadvantage as compared to less leveraged companies;
- impact the evaluation of our creditworthiness by counterparties to commercial agreements;
- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates and volatility in commodity prices; and
- require us to dedicate a substantial portion of our cash flows to payments on our debt, thereby reducing funds that would otherwise be available for our operations and future business opportunities.

The incurrence of additional debt could make it more likely that we will experience some or all of the above-described risks.

Despite Current Indebtedness Levels, We and Our Subsidiaries, Including the Guarantors, May Still Be Able to Incur Substantially More Debt, Which Could Further Exacerbate the Risks Associated with Our Substantial Leverage.

Although the indentures governing the terms of the notes, our existing senior secured notes and our amended and restated credit facilities, the guaranty of the fixed-rate tax-exempt facilities revenue bonds and other debt instruments contain restrictions on our incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions. As of September 30, 2004, after giving pro forma effect to the transactions and the use of net proceeds, we would have been able to borrow up to an additional $1.7 billion under our amended and restated credit facilities (subject to reductions for $0.7 billion of outstanding letters of credit). If new debt is added to our current debt levels, the risks that we now face could substantially increase.

If We Do Not Generate Sufficient Positive Cash Flows, We May Be Unable to Service Our Debt.

Our ability to pay principal and interest on our debt, including the principal and interest on the notes, depends on our future operating performance. Future operating performance is subject to market conditions and business factors that often are beyond our control. If our cash flows and capital resources are insufficient to allow us to make scheduled payments on our debt, we may have to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our debt. We cannot assure you that the terms of our debt will allow these alternative measures or that such measures would satisfy our scheduled debt service obligations.

Based on our current level of anticipated cost savings and operating improvements, we believe our cash flow from operations, available cash and available borrowings under our amended and restated credit facilities will be adequate to meet our future needs for at least the next twelve months. For further discussion of our current liquidity situation and related impacts, see Management s Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources, in our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein.

We cannot assure you that our businesses will generate sufficient cash flows from operations to enable us to pay the principal, premium, if any, and interest on our debt, including these notes, or to fund our other liquidity needs. We may not be successful in realizing the cost savings and operating improvements that we currently anticipate. If commodity prices increase substantially in the near term, our liquidity could be severely strained. We may need to refinance all or a portion of our indebtedness, including these notes on or before maturity; however, we cannot assure you that we will be able to refinance the indebtedness on commercially reasonable terms or at all. If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- our debt holders could declare all outstanding principal and interest to be due and payable;
- our senior debt lenders could terminate their commitments and commence foreclosure proceedings against our assets; and
- we could be forced into bankruptcy or liquidation.

We May Not Have Adequate Liquidity to Post Required Amounts of Additional Collateral.

If commodity prices increase substantially in the near term, our liquidity could be severely strained by requirements under our commodity agreements to post additional collateral.

In certain cases, our counterparties have elected not to require us to post collateral to which they are otherwise entitled under certain agreements. However, these counterparties retain the right to request such collateral. Factors that could trigger increased demands for collateral include additional adverse changes in our industry, negative regulatory or litigation developments and/or changes in commodity prices. Based on commodity prices, we estimate that as of October 29, 2004, we could have been contractually required to post additional collateral of up to $129 million related to our operations.

The Terms of Our Debt May Severely Limit Our Ability to Plan for or Respond to Changes in Our Businesses and the Failure to Comply with Such Terms May Adversely Affect Our Business.

Our amended and restated credit facilities, our guaranty of the fixed-rate tax-exempt facilities revenue bonds, these notes and our existing senior secured notes restrict our ability to take specific actions in planning for and responding to changes in our business without the consent of our lenders and noteholders, even if such actions may be in our best interest. Our amended and restated credit facilities also require us to maintain specified financial ratios and meet specific financial tests. Our ability to comply with these covenants, as they currently exist or as they may be amended, may be affected by many events beyond our control and our future operating results may not allow us to comply with the covenants, or in the event of a default, to remedy that default. Our failure to comply with these financial covenants or to comply with the other restrictions in the credit agreement governing our amended and restated credit facilities could result in a default, which could cause that indebtedness (and by reason of cross-acceleration provisions, the notes, the existing senior secured notes and other indebtedness) to become immediately due and payable. If we are unable to repay those amounts, the holders of the Credit Agreement Debt, as defined under Description of Notes Certain Definitions, could proceed against the collateral granted to them to secure that indebtedness. If those lenders accelerate the payment of our Credit Agreement Debt, we cannot assure you that we could pay that indebtedness immediately and continue to operate our business.

In addition, the credit agreement governing our amended and restated credit facilities, the indentures governing the terms of the notes and our existing secured notes and the guaranty of the

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fixed-rate tax-exempt facilities revenue bonds contain other covenants that restrict, among other things, our ability to:

- pay dividends or distributions on, or redeem or repurchase our capital stock;
- make investments;
- incur additional debt and issue preferred stock;
- transfer or sell unless the proceeds from those asset sales are used to repay debt;
- engage in transactions with affiliates;
- create liens on our assets;
- engage in certain business activities; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries.

An Increase in Short-term Interest Rates Could Adversely Affect Our Cash Flows.

As of September 30, 2004, after giving pro forma effect to the transactions and the use of proceeds, we would have had $1.9 billion of outstanding floating rate debt, excluding any 2010 notes that we are offering hereby. Any increase in short-term interest rates would result in higher interest costs and could have an adverse effect on our business. While we may seek to use interest rate swaps or other derivative instruments to hedge portions of our floating-rate exposure, we may not be successful in obtaining hedges on acceptable terms.

Our Non-investment Grade Credit Ratings and the Perceived Negative Credit Worthiness of Merchant Energy Companies in the Financial Markets Could Adversely Affect Our Ability to Access Capital on Acceptable Terms, Commercialize Our Assets and Engage in Hedging Activities.

Our credit ratings are below investment grade and are likely to remain below investment grade for the foreseeable future. Our non-investment grade credit ratings limit our ability to refinance our debt obligations and access the capital markets on terms that are favorable to us. In addition, to the extent that our credit ratings remain below investment grade, commercial counterparties may decline to conduct business with us or such parties may require us to pledge cash collateral, post letters of credit or provide other similar credit support. These requirements constitute a significant constraint on our liquidity and cash resources and could have an adverse effect on our business.

Our Historical Financial Results as a Subsidiary of CenterPoint May Not Be Representative of Our Results as a Separate Company.

The historical financial information relating to periods prior to our separation from CenterPoint that we have included in this prospectus supplement and incorporated by reference does not necessarily reflect what our results of operations, financial condition and cash flows would have been had we been a separate, stand-alone entity during such periods. Our costs and expenses during such periods reflect charges from CenterPoint for centralized corporate services and infrastructure costs. These allocations have been determined based on assumptions that we and CenterPoint considered to be reasonable under the circumstances. This historical financial information is not necessarily indicative of what our results of operations, financial condition and cash flows will be in the future. We may experience significant changes in our cost structure, funding and operations as a result of our separation from CenterPoint, including increased costs associated with reduced economies of scale and increased costs associated with being a publicly traded, stand-alone company.

Risks Relating to This Offering

Not All of Our Subsidiaries Will Be Guarantors Your Right to Receive Payments on These Notes Could Be Adversely Affected if Any of Our Non-guarantor Subsidiaries Declare Bankruptcy, Liquidate, or Reorganize.

Not all of our subsidiaries will guarantee the notes. The notes will be guaranteed by all of our current and future domestic subsidiaries that guarantee borrowings under our amended and restated credit facilities or any of our other debt. Liberty Electric and Liberty Power are prohibited by the terms of their debt agreements from guaranteeing the notes, and RE Retail Receivables, LLC is prohibited by the terms of its receivables purchase agreement from guaranteeing the notes. In addition, certain non-wholly-owned and other of our subsidiaries, which are not guarantors of the Credit Agreement Debt, will not guarantee the notes due to restrictions in the constituent documents or other agreements. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us.

The Notes Are Effectively Junior to the Indebtedness and Other Liabilities of Our Non-guarantor Subsidiaries.

The notes are effectively subordinated to the outstanding indebtedness and other liabilities, including trade payables, of our non-guarantor subsidiaries. Assuming we had completed this offering on September 30, 2004, these notes would have been effectively junior to $2.3 billion of indebtedness and other liabilities, including trade payables (excluding intercompany liabilities) of our non-guarantor subsidiaries and approximately $61 million would have been available to these subsidiaries for future borrowing under their credit facilities. The guarantor subsidiaries generated 89% of our consolidated revenues and $320 million of operating income, while we had an operating loss of $393 million on a consolidated basis for 2003. For the nine months ended September 30, 2004, the guarantor subsidiaries generated 88% of our consolidated revenues and 71% of our operating income. As of September 30, 2004, the guarantor subsidiaries held 45% of our consolidated property, plant and equipment, net.

The Indebtedness under Our Amended and Restated Credit Facilities Is Secured by Certain Assets That Do Not Secure the Notes.

In addition, the notes and the guarantees will be secured by security interests in substantially all of our and our subsidiaries assets that secure indebtedness under our amended and restated credit facilities, except for (a) debt and equity securities issued by our subsidiaries that secure only our amended and restated credit facilities (other than Orion Power Holdings, Reliant Energy Retail Holdings, LLC and Reliant Energy Mid-Atlantic Power Holdings, LLC) (also referred to as the excluded securities), including up to $925 million of intercompany notes issued by certain of the Excluded Orion Power Subsidiaries to us and (b) certain prepayments. See Description of Notes Security Excluded Property for additional information. Also, mortgages encumbering the Osceola and Indian River, Florida plants may not create enforceable liens to secure the notes, but those plants will remain Shared Collateral and proceeds from those mortgages would be ratably shared with holders of the notes. The notes will, however, be guaranteed by the issuers of the excluded securities and will be secured, equally and ratably with the Credit Agreement Debt and all other Secured Obligations, by all Collateral owned by each such issuer of excluded securities except: (a) in the case of issuers of capital stock that is an excluded security, Reliant Energy Services Canada, Ltd. and RE Retail Receivables, LLC will not guarantee or pledge their assets to secure the notes or the amended and restated credit facility and (b) in the case of intercompany notes that are excluded securities, RE Retail Receivables, LLC and the Excluded Orion Power Subsidiaries will not guarantee or pledge their assets to secure the notes or the amended and restated credit facility. The value of this excluded collateral could be significant, and the notes will effectively rank junior to

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indebtedness secured by liens on, and to the extent of, this excluded collateral. While the collateral agreement provides for an adjustment in the ratable sharing of the proceeds from any shared collateral to compensate for the prior or simultaneous delivery of the proceeds from excluded collateral to the holders of the Credit Agreement Debt, such adjustment will not provide any adjustment for subsequent delivery of the proceeds from the excluded collateral to the holders of the Credit Agreement Debt and, in certain instances, holders of the notes, the existing senior secured notes and the fixed-rate tax-exempt facilities revenue bonds may receive less, comparatively, than the holders of the Credit Agreement Debt.

There May Not Be Sufficient Shared Collateral (as Defined under Description of Notes Certain Definitions) to Pay All or Any of the Notes, Especially if We Incur Additional Senior Secured Indebtedness as Permitted under Our Amended and Restated Credit Facilities and These Notes, Which Will Dilute the Value of the Shared Collateral Securing the Notes.

Under the terms of the indentures governing the terms of the notes and the existing senior secured notes, the guarantee agreements governing our guarantees of the fixed-rate tax-exempt facilities revenue bonds and the credit agreement governing our amended and restated credit facilities, we also will be permitted in the future to incur additional indebtedness and other obligations that may share in the liens on the collateral securing the notes. Any additional obligations secured by a lien on the Shared Collateral (whether senior to or equal with the lien of the notes) will dilute the value of the Shared Collateral.

The proceeds from the sale of all such Shared Collateral may not be sufficient to satisfy the amounts outstanding under the notes and all other obligations secured by such liens after payment in full of the obligations secured by the other Permitted Prior Liens.

If such proceeds were not sufficient to repay amounts outstanding under the notes, then holders of the notes (to the extent not repaid from the proceeds of the sale of the Collateral, as defined in the Description of Notes Certain Definitions) would only have an unsecured claim against our remaining assets. As of September 30, 2004, after giving pro forma effect to the transactions, we would have had $5.4 billion of total consolidated debt, including $1.1 billion of outstanding indebtedness under our amended and restated credit facilities, $1.375 billion of outstanding indebtedness under our existing senior secured notes and convertible notes, $1.1 billion of outstanding indebtedness under these notes, $350 million outstanding under our guarantees of the fixed-rate tax-exempt facilities revenue bonds and $1.5 billion of other debt. Under the indentures for the notes, we could also incur additional indebtedness secured by liens securing the notes so long as such liens secure indebtedness permitted to be incurred by the covenant described under Description of Notes Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock and certain other conditions are met, including the satisfaction of the requirements of the definition Sharing Eligible Debt set forth under Description of Notes Certain Definitions. We could also incur additional indebtedness secured by liens securing our existing senior secured notes and the guarantees of the fixed-rate tax-exempt facilities revenue bonds so long as such liens secure indebtedness permitted to be incurred by the indentures governing the existing senior secured notes and the guarantee agreements governing our guarantees of the fixed-rate tax-exempt facilities revenue bonds.

It May Be Difficult to Realize the Value of the Shared Collateral Pledged to Secure the Notes, and the Proceeds from the Sale of the Shared Collateral May Be Insufficient to Repay the Notes.

No appraisals of any Shared Collateral have been prepared in connection with this offering. The value of the Shared Collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers for the Shared Collateral. By their nature some or all of the pledged assets may be illiquid and may have no readily ascertainable market value. We cannot assure you that the fair market value of the Shared Collateral as of the date of this prospectus

supplement exceeds the principal amount of the debt secured thereby. The value of the assets pledged as Shared Collateral for the notes could be impaired in the future as a result of changing economic conditions, our failure to implement our business strategy, competition and other future trends. In the event that a bankruptcy case is commenced by or against us, if the value of the Shared Collateral is less than the amount of principal and accrued and unpaid interest on the notes and all other Secured Obligations, interest may cease to accrue on the notes from and after the date the bankruptcy petition is filed.

The security interest of the collateral trustee will be subject to practical problems generally associated with the realization of security interests in collateral. For example, the collateral trustee may need to obtain the consent of a third party to obtain or enforce a security interest in a contract. We cannot assure you that the collateral trustee will be able to obtain any such consent. If the collateral trustee exercises its rights to foreclose on certain assets, transferring required government approvals to, or obtaining new approvals by, a purchaser of assets may require governmental proceedings with consequent delays.

The Shared Collateral Can Be Released in Certain Circumstances without Consent of the Holders of the Notes, Which Would Increase Risks in Bankruptcy or in Other Situations.

Under the terms of the collateral trust agreement, so long as no Actionable Default Period is continuing, the Required Lenders under the Credit Agreement have the ability to release Shared Collateral without the consent of the holders of the notes. Also, upon meeting certain financial tests under the Credit Agreement, the lien in the Shared Collateral will automatically be released. Therefore, the Shared Collateral available to secure the notes could be reduced in connection with the sales of assets or otherwise, subject to the use of proceeds requirements in the Credit Agreement and the indentures for the notes and the existing senior secured notes and the guarantee agreements governing our guarantees of the fixed-rate tax-exempt facilities revenue bonds. At the election of the Required Lenders, as defined under Description of Notes Certain Definitions, under the Credit Agreement or upon meeting certain financial tests under the Credit Agreement, both the Credit Agreement and the notes, existing senior secured notes and the guarantees of the fixed-rate tax-exempt facilities revenue bonds could become unsecured obligations, with increased risks in bankruptcy or in other situations. In addition, upon the release of the Collateral, the fixed-rate tax-exempt facilities revenue bonds would remain secured with the assets of Seward.

Your Right to Enforce Remedies under the Credit Agreement and the Security Documents Will Be Limited by the Voting Provisions of the Collateral Trust Agreement.

Under the terms of the collateral trust agreement, the collateral trustee will generally act pursuant to the direction of, when no Actionable Default Period, as defined under Description of Notes Certain Definitions, is continuing, the required holders of the Credit Agreement Debt or the Credit Agreement Agent upon the authorization of such required holders, and when an Actionable Default Period is continuing, by the Required Secured Debtholders, voting together as a single class. In addition, when an Actionable Default Period is continuing, the required holders of the Credit Agreement Debt or the Credit Agreement Agent upon the authorization of such required holders may authorize the collateral trustee to commence enforcement proceedings against the Shared Collateral. Although the Required Secured Debtholders may also direct the collateral trustee during the continuance of an Actionable Default Period, they may not countermand any direction of the holders of the Credit Agreement Debt (or the Credit Agreement Agent on their authorization) regarding foreclosure or enforcement of liens or default remedies upon any Collateral.

As of September 30, 2004, and after giving effect to the transactions, $5.4 billion in total consolidated debt, including $1.1 billion of borrowings under our amended and restated credit facilities, $1.1 billion in aggregate principal amount of indebtedness under the notes, $350 million of indebtedness under our fixed-rate tax-exempt facilities revenue bonds, and $1.375 billion of indebtedness under our existing senior secured notes and convertible notes would be outstanding.

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As of September 30, 2004, the holders of the notes would have approximately 25% of the outstanding principal amount of Secured Debt and would therefore be unable to direct the collateral trustee without the consent of the holders of the Credit Agreement Debt. In addition, as of September 30, 2004, $1.0 billion in additional borrowings under our amended and restated credit facilities would have been available to us, after giving effect to the use of proceeds from this offering and the offering of the fixed-rate tax-exempt facilities revenue bonds. Future issuances of Secured Debt would further dilute your percentage ownership of the outstanding principal amount of Secured Debt.

Treatment of Collateral in Bankruptcy The Collateral Securing the Notes Could Be Impaired in the Event We Were to File for Bankruptcy.

Upon the occurrence of an event of default, the collateral trustee will have certain rights to foreclose upon and sell the Collateral. See Description of Notes Security Collateral Trustee. This right to foreclose, however, would be subject to limitations under applicable bankruptcy law if we become subject to a bankruptcy proceeding. Under the United States Bankruptcy Code, a secured creditor, such as the collateral trustee, is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from a debtor, without bankruptcy court approval. Moreover, bankruptcy law permits the debtor to continue to retain and to use collateral, and the proceeds, products, rents or profits of the collateral, even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given adequate protection. The meaning of the term adequate protection may vary according to circumstances, but it is intended in general to protect the value of the secured creditor s interest in the collateral and may include cash payments or the granting of additional security, if and at such time as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay or repossession or disposition or any use of the collateral by the debtor during the pendency of the bankruptcy case. In view of the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments under the notes could be delayed following commencement of a bankruptcy case, whether or when the collateral trustee would repossess or dispose of the collateral, or whether or to what extent holders of the notes would be compensated for any delay in payment or loss of value of the collateral through the requirements of adequate protection. In certain circumstances, the security documents require the holders to waive this right to adequate protection. Furthermore, in the event the bankruptcy court determines that the value of the collateral is not sufficient to repay all amounts due on the notes, the holders of the notes would have undersecured claims as to the difference. Federal bankruptcy laws do not permit the payment or accrual of interest, costs, and attorneys fees for undersecured claims during the debtor s bankruptcy case.

Fraudulent Conveyance Matters Federal and State Statutes Allow Courts, under Specific Circumstances, to Void Guarantees and Liens Securing Guarantees and to Require Note Holders to Return Payments Received from Guarantors.

Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee and any liens granted to secure such guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee:

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee; and
- was insolvent or rendered insolvent by reason of such incurrence; or
- was engaged in a business or transaction for which the guarantor s remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

In addition, any payment by that guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor, or to a fund for the benefit of the creditors of the guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets; or
- if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

Fraudulent Conveyance Matters   Any Future Pledge of Collateral Might be Avoidable by a Trustee in Bankruptcy.

Any future pledge of collateral in favor of the collateral trustee, including pursuant to security documents delivered after the date of the indentures, might be avoidable by the pledgor (as debtor in possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, among others, if the pledgor is insolvent at the time of the pledge, the pledge permits the holders of the notes to receive a greater recovery than if the pledge had not been given and a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or, in certain circumstances, a longer period.

Failure to Perfect Security Interests   Rights of Holders of Notes in the Collateral May Be Adversely Affected by the Failure to Perfect Security Interests in Certain Collateral.

The security interest in the Collateral securing the notes includes certain domestic assets, both tangible and intangible, whether now owned or acquired or arising in the future. Applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the collateral trustee will monitor, or that we will inform the collateral trustee of, the future acquisition of property and rights that constitute Collateral, and that the necessary action will be taken to properly perfect the security interest in such after acquired Collateral. Such failure may result in the loss of the security interest therein or the priority of the security interest in favor of the notes against third parties.

Financing Change of Control Offer   We May Not Have the Ability to Raise the Funds Necessary to Finance the Change of Control Offer Required by the Indentures.

Upon the occurrence of certain specific kinds of change of control events, we will be required to offer to repurchase all outstanding notes, existing senior secured notes and the fixed-rate tax-exempt facilities revenue bonds at 101% of the principal amount thereof plus accrued and unpaid interest, to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes, existing senior secured notes and the fixed-rate tax-exempt facilities revenue bonds or that restrictions in the credit agreement governing our amended and restated credit facilities will not allow such repurchases. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a Change of Control under the indentures. See Description of Notes Repurchase at the Option of Holders Change of Control.

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There Is No Existing Market for the Notes, and We Cannot Assure You That an Active Trading Market Will Develop.

There is no existing market for the notes and we do not intend to apply for listing of the notes on any securities exchange or any automated quotation system. There can be no assurance as to the liquidity of any market that may develop for the notes, the ability of the holders of the notes to sell their notes or the price at which holders of the notes will be able to sell their notes. Future trading prices of the notes will depend on many factors, including prevailing interest rates, our financial condition and results of operations, the then-current ratings assigned to the notes and the market for similar securities.

If a particular offering of notes is sold to or through underwriters, the underwriters may attempt to make a market in the notes. However, the underwriters would not be obligated to do so and they could terminate any market-making activity at any time without notice. If a market for any of the notes does not develop, holders of those notes may be unable to resell them for an extended period of time and those notes may not be readily accepted as collateral for loans.

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USE OF PROCEEDS

The net proceeds of the sale of the notes offered hereby are estimated to be approximately $ billion, after deducting the discount payable to the underwriters and estimated offering expenses payable by us.

We intend to use $ billion of net proceeds to repay a portion of the $ billion term loan under our existing credit facilities and $ million of net proceeds to purchase the $ million term and revolving loans under the credit facility of Orion MidWest, one of our subsidiaries. The loans under our existing credit facilities bear interest at LIBOR plus 4.00% and mature in March 2007. The loans under the Orion MidWest credit facility bear interest at LIBOR plus 3.75% and matures in October 2005.

Bank of America, N.A., an affiliate of Banc of America Securities LLC, is administrative agent and lender under our existing credit facilities and ABN AMRO Bank N.V., an affiliate of ABN AMRO Incorporated, The Bank of Nova Scotia, an affiliate of Scotia Capital (USA) Inc., Barclays Bank PLC, an affiliate of Barclays Capital Inc., Deutsche Bank Securities Inc. or its affiliate, Goldman Sachs Credit Partners L.P., an affiliate of Goldman, Sachs & Co., JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities Inc., Merrill Lynch Capital Corporation, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, and an affiliate of UBS Securities LLC, are lenders under our existing credit facilities and will receive a substantial portion of the proceeds of this offering as a result of the repayment of debt under these facilities.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents, restricted cash and certain other assets and our consolidated historical capitalization (a) as of September 30, 2004 and (b) as adjusted as of September 30, 2004, to give effect to the transactions and the use of the proceeds therefrom. The information appearing in this table should be read in conjunction with our historical and unaudited financial information, together with the notes thereto, where applicable, incorporated by reference herein and attached hereto. For the purposes of the as adjusted column, we have assumed that $1.1 billion will be borrowed under the term loan facility, $1.1 billion of notes will be issued and $350 million of fixed-rate tax-exempt facilities revenue bonds will be re-issued as part of these refinancing transactions.

	As of September 30, 2004	
	Actual	As Adjusted
	(In millions)	
Cash and cash equivalents(1)(2)	$ 94	$ 114
Restricted cash(1)	$ 308	$ 58
Margin deposits on energy trading and hedging activities, net	$ 400	$ 400
Derivative liabilities Orion MidWest interest rate swaps(3)	$ 13	$
Current maturities of long-term debt and short-term borrowings(3)	$ 689	$ 643
Reliant Energy term loans	1,740	1,100
Reliant Energy revolver(4)	163	
Existing senior secured notes	1,100	1,100
Convertible senior subordinated notes	275	275
Total Orion Power debt, excluding current portion(3)(5)	799	451
Notes offered hereby:		
2010 and 2014 notes		1,100
Tax-exempt facilities revenue bonds	400	350
Other long-term debt(6)	363	363
Total debt	5,529	5,382
Stockholders equity:		
Preferred stock, par value $0.001 per share; 125,000,000 shares authorized; none outstanding		
Common stock, par value $0.001 per share; 2,000,000,000 shares authorized; 299,804,000 issued		
Additional paid-in capital	5,799	5,799
Treasury stock at cost, 1,223,528 shares	(21)	(21)
Retained deficit(7)	(1,104)	(1,137)
Accumulated other comprehensive loss	(41)	(41)
Total stockholders equity	4,633	4,600
Total capitalization	$ 10,162	$ 9,982

(1) Under the Orion MidWest and Orion NY credit agreements, upon the repayment of the Orion MidWest credit facility, $250 million of restricted cash is released to unrestricted cash.

(2) We intend to use $230 million of the $250 million of restricted cash released (discussed above) to repay existing indebtedness and transaction fees and other expenses, resulting in a $20 million increase in unrestricted cash.

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(3) The total amount recorded as of September 30, 2004, related to the Orion MidWest interest rate swaps is $35 million. Of this amount, $13 million is recorded in derivatives and $22 million is recorded in debt. We terminated $100 million in notional amount of these interest rates swaps in November 2004 for $12 million and plan to terminate the remaining $200 million in notional amount in connection with the refinancing for approximately $24 million.

(4) We expect to have $1.7 billion of total availability under our revolving credit facility (subject to reductions for $0.7 billion of outstanding letters of credit).

(5) These amounts include the 12% Orion Power Holdings senior notes and the Orion MidWest bank debt and the related purchase accounting adjustments. They exclude the current portion.

(6) These amounts include the REMA term loans, retail receivables facility, Channelview debt and warrants and other adjustments. They exclude the current portion.

(7) In connection with the refinancing, we expect to write-off an estimated $50 million pre-tax (or $33 million after-tax) of existing deferred financing costs to interest expense.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables present our summary selected consolidated financial data for 1999 through 2003 and the nine months ended September 30, 2003 and 2004. The financial data for 1999 and 2000 are derived from the consolidated historical financial statements of CenterPoint. The financial data for the nine months ended September 30, 2003 and 2004, are derived from our unaudited interim consolidated financial statements. These unaudited financial statements were prepared on the same basis as our audited financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair presentation of our financial position at such date and our results of operations for such periods. The results for periods of less than a full year are not necessarily indicative of the results to be expected for any interim period or for a full year. The data set forth below should be read together with the documents incorporated by reference herein. Our Form 8-K, filed with the SEC on November 18, 2004 and incorporated by reference herein, gives effect to the treatment of the results of operations of our hydropower plants as discontinued operations in the following items in our Form 10-K: Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures about Non-trading and Trading Activities and Related Market Risks, historical consolidated financial statements and Ratio of Earnings from Continuing Operations to Fixed Charges. The historical financial information may not be indicative of our future performance and the historical financial information for 1999 and 2000 does not reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented.

	Year Ended December 31,					Nine Months Ended September 30,	
	1999 (1)(4)	**2000 (1)(4)**	**2001 (1)(2)(4)**	**2002 (1)(3)(4)**	**2003 (1)(4)(6)**	**2003 (1)(4)(6)**	**2004 (1)(4)(6)**
	(In millions, except per share amount)						
Income Statement Data:							
Revenues	$601	$2,724	$5,361	$10,434	$10,638	$8,863	$6,721
Trading margins	88	198	378	288	(49)	(45)	(1)
Total	689	2,922	5,739	10,722	10,589	8,818	6,720
Expenses:							
Fuel and cost of gas sold	293	903	1,438	1,088	1,327	1,013	1,195