

RELIANT ENERGY INC
Form PRE 14A
March 12, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- x Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

RELIANT ENERGY, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

**Proxy Statement
and
Notice of 2007 Annual Meeting of Stockholders**

April __, 2007

NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholder:

You are invited to attend the 2007 Annual Meeting of Stockholders of Reliant Energy, Inc. on Wednesday, May 16, 2007, beginning at 9:00 a.m., Central Time, at the Doubletree Hotel Allen Center, 400 Dallas Street, Second Floor, Houston, Texas in Granger Ballroom A.

At the meeting, stockholders will be asked to:

1. Approve an amendment to our Certificate of Incorporation to remove unnecessary and outdated provisions;
2. Approve an amendment to our Certificate of Incorporation to eliminate the classified structure of our Board;
3. If stockholders approve Item 2, elect nine directors to our Board of Directors to serve until the next annual meeting of stockholders;
4. If stockholders do not approve Item 2, elect three Class II directors to our Board of Directors to hold office until the 2010 annual meeting of stockholders;
5. Ratify the Audit Committee's selection of KPMG LLP as our independent auditors for fiscal year 2007; and
6. Transact such other business that may properly come before the meeting.

Stockholders of record at the close of business on April 2, 2007 are entitled to vote. Each share entitles the holder to one vote. You may vote by (a) casting a ballot at the meeting, (b) completing and returning the enclosed proxy card or (c) telephone or over the Internet by following the instructions on the enclosed proxy card. For specific voting information, see General Information beginning on page 1 of the enclosed proxy statement.

Even if you plan to attend the meeting, please sign, date and return the enclosed proxy card or use telephone or Internet voting.

Attendance is limited to stockholders of Reliant Energy, Inc., their proxy holders and our guests. Check-in will begin at 8:15 a.m. Stockholders holding stock in brokerage accounts need to bring a brokerage statement or other evidence of share ownership as of April 2, 2007 in order to be admitted to the meeting. If you need special assistance at the meeting because of a disability, please contact our Assistant Corporate Secretary, Wendi Bickett, at (713) 497-5636.

Sincerely,

Michael L. Jines
Senior Vice President,
General Counsel and Corporate Secretary

TABLE OF CONTENTS

<u>GENERAL INFORMATION</u>	1
<u>What is the purpose of the Meeting?</u>	1
<u>Who is entitled to vote at the Meeting?</u>	1
<u>How many votes do I have?</u>	1
<u>How do I vote?</u>	2
<u>Can I change my vote?</u>	2
<u>What are the Board's recommendations?</u>	2
<u>How many votes must be present to hold the Meeting?</u>	2
<u>What vote is required to approve each item?</u>	3
<u>How are my votes counted?</u>	3
<u>What if I do not mark a voting choice for some of the matters listed on my proxy card?</u>	3
<u>Can the shares that I hold in the Reliant Benefit Plans be voted if I do not return my instructions to the plan trustee timely?</u>	3
<u>Could other matters be decided at the Meeting?</u>	3
<u>What happens if the Meeting is postponed or adjourned?</u>	3
<u>CORPORATE GOVERNANCE</u>	4
<u>Our Governance Practices</u>	4
<u>Corporate Governance Guidelines</u>	4
<u>Code of Business Conduct</u>	4
<u>Corporate Compliance Program</u>	5
<u>Stock Ownership Guidelines and Mandatory Holding Period</u>	5
<u>The Board of Directors</u>	6
<u>Board Size: Meetings of the Board</u>	6
<u>Meetings of Non-Management Directors and Role of the Lead Director</u>	6
<u>Director Independence</u>	6
<u>Director Attendance at Annual Meetings</u>	7
<u>Director Orientation and Continuing Education</u>	7
<u>Limitation on Number of Public Company Board Memberships</u>	7
<u>Change in Professional or Personal Circumstances</u>	7
<u>Board and Individual Director Evaluation Process</u>	7
<u>Succession Planning for the Chief Executive Officer</u>	7
<u>Director Elections</u>	8
<u>Committees of the Board of Directors</u>	9
<u>Committee Composition and Meetings</u>	9
<u>Summary of Committee Responsibilities</u>	9
<u>Compensation Committee Interlocks and Insider Participation</u>	11
<u>Director Nominations</u>	11
<u>Director Qualifications and Nomination Process</u>	11
<u>Submission of Stockholder Nominations to the Board</u>	12
<u>Stockholder Communications to the Board</u>	12
<u>ITEMS TO BE VOTED ON BY STOCKHOLDERS</u>	13
<u>Item 1: Amendment to Certificate of Incorporation to Remove Unnecessary and Outdated References to Our Former Parent Company</u>	13
<u>Item 2: Amendment to Certificate of Incorporation to Eliminate Classified Structure of the Board</u>	13
<u>Item 3: Election of Directors</u>	14
<u>Item 4: Election of Directors (in the Alternative to Item 3)</u>	16
<u>Item 5: Ratification of Appointment of Independent Auditors</u>	17
<u>STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	18

<u>Directors and Executive Officers</u>	18
<u>Principal Stockholders</u>	19
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	19
<u>CERTAIN RELATIONSHIPS AND TRANSACTIONS WITH RELATED PERSONS</u>	19
<u>EXECUTIVE COMPENSATION</u>	20
<u>Compensation Discussion and Analysis</u>	20
<u>What are the objectives of Reliant's compensation program?</u>	20
<u>What is Reliant's compensation program designed to reward?</u>	20
<u>What are the elements of Reliant's compensation program?</u>	20
<u>Why does Reliant choose to pay each element of compensation?</u>	23
<u>How does Reliant determine the amount for each element of compensation paid?</u>	24
<u>How does each compensation element, and Reliant's decision regarding that element, fit into Reliant's overall compensation objectives and affect decisions regarding other elements?</u>	25
<u>What is the basis for selecting particular events as triggering payment in connection with termination or change-in-control?</u>	25
<u>Does the accounting and tax treatment of a particular form of compensation impact the form and design of awards?</u>	26
<u>What are Reliant's equity or other security ownership requirements or guidelines? Does Reliant have any policies regarding hedging the economic risk of such ownership?</u>	26
<u>What is the role of Reliant's executive officers in the compensation process?</u>	26
<u>Does Reliant have any program, plan or practice to time option grants to its executives in coordination with the release of material non-public information?</u>	26
<u>Compensation Committee Report</u>	27
<u>Summary Compensation Table</u>	28
<u>Grants of Plan Based Awards</u>	29
<u>Outstanding Equity Awards at Fiscal Year-End</u>	30
<u>Option Exercises and Stock Vested</u>	31
<u>Equity Compensation Plan Information</u>	31
<u>Nonqualified Deferred Compensation</u>	32
<u>Potential Payments upon Termination or Change-in-Control</u>	34
<u>Change in Control Agreements</u>	34
<u>Executive Severance Plan</u>	35
<u>DIRECTOR COMPENSATION</u>	36
<u>AUDIT MATTERS</u>	37
<u>Report of the Audit Committee</u>	37
<u>Change in Independent Auditors</u>	38
<u>Principal Accounting Firm Fees</u>	38
<u>Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors</u>	39
<u>Policy on the Rotation of Independent Auditors</u>	39
<u>OTHER MATTERS</u>	39
<u>SUBMISSION DATES FOR 2008 ANNUAL MEETING</u>	40
<u>SOLICITATION OF PROXIES</u>	40
<u>ANNUAL REPORT TO STOCKHOLDERS</u>	40
<u>ADDITIONAL INFORMATION ABOUT US</u>	40
<u>APPENDIX A TEXT OF PROPOSED AMENDMENTS TO CERTIFICATE OF INCORPORATION TO REMOVE UNNECESSARY AND OUTDATED REFERENCES TO OUR FORMER PARENT COMPANY</u>	A 1
<u>APPENDIX B TEXT OF PROPOSED AMENDMENTS TO CERTIFICATE OF INCORPORATION TO ELIMINATE CLASSIFIED STRUCTURE OF THE BOARD</u>	B 1

RELIANT ENERGY, INC.
1000 Main Street
Houston, Texas 77002
(713) 497-3000

PROXY STATEMENT

GENERAL INFORMATION

We are providing these proxy materials to you in connection with the solicitation of proxies by the Board of Directors of Reliant Energy, Inc. for the 2007 Annual Meeting of Stockholders (the Meeting) and for any adjournment or postponement of the Meeting. In this proxy statement, we refer to Reliant Energy, Inc. as we, our or us.

We intend to mail this proxy statement, the notice of the Meeting, the proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 to stockholders starting on or about April __, 2007.

What is the purpose of the Meeting?

At the Meeting, stockholders will be asked to act upon the matters outlined in the notice of meeting on the cover page of this proxy statement, including approval of amendments to our Certificate of Incorporation to remove unnecessary references to our former parent company and to eliminate the classified structure of our Board, election of directors and ratification of our independent auditors.

Who is entitled to vote at the Meeting?

Only stockholders of record at the close of business on April 2, 2007, the record date for the Meeting, are entitled to receive notice of and participate in the Meeting. If you were a stockholder of record on that date, you are entitled to vote all of the shares that you held on that date at the Meeting, or any postponements or adjournments of the Meeting.

If your shares are registered directly in your name, you are the holder of record of these shares and we are sending these proxy materials directly to you. As the holder of record, you have the right to mail your proxy directly to us, to give your voting instructions on the Internet or by telephone or to vote in person at the Meeting.

If you hold your shares in a brokerage account or through a bank or other holder of record, you hold the shares in street name, and your broker, bank or other holder of record is sending these proxy materials to you. As a holder in street name, you have the right to direct your broker, bank or other holder of record how to vote by following the instructions that accompany your proxy materials. If you desire to vote in person at the Meeting, you must provide a legal proxy from your bank, broker or other holder of record.

If you hold your shares indirectly in the Reliant Energy, Inc. Savings Plan or the Reliant Energy, Inc. Union Savings Plan (collectively, the Reliant Benefit Plans), you have the right to direct the trustee of the Reliant Benefit Plans how to vote your shares as described in the voting materials sent to you by the plan trustee.

How many votes do I have?

You have one vote for each share of our common stock you owned as of the record date for the Meeting.

How do I vote?

You can vote either in person at the Meeting or by proxy whether or not you attend the Meeting. To vote by proxy, you must either:

- Sign and date the enclosed proxy card, and return it in the enclosed postage-paid envelope;
- Vote by telephone by following the instructions on the enclosed proxy card; or
- Vote over the Internet by following the instructions on the enclosed proxy card.

Can I change my vote?

Yes, you may change your vote at any time prior to the vote tabulation at the Meeting by (a) sending in a proxy card with a later date, (b) casting a vote by telephone or over the Internet at a later date or (c) sending a written notice of revocation to our Assistant Corporate Secretary by mail to Reliant Energy, Inc., P.O. Box 1384, Houston, Texas 77251-1384 or by facsimile at (713) 497-0140. If you want to vote in person at the Meeting, such vote will revoke any previously submitted proxy.

What are the Board's recommendations?

The Board's recommendations are set forth together with the description of each item in this proxy statement. In summary, the Board and, with respect to the ratification of the independent auditors, the Audit Committee, recommends a vote:

- *FOR* approval of an amendment to our Certificate of Incorporation to remove unnecessary and outdated references to our former parent company (see Item 1);
- *FOR* approval of an amendment to our Certificate of Incorporation to eliminate the classified structure of the Board (see Item 2);
- If stockholders approve Item 2, *FOR* election of nine directors to our Board of Directors to serve until the next annual meeting of stockholders (see Item 3);
- If stockholders do not approve Item 2, *FOR* election of three Class II directors to our Board of Directors to hold office until the 2010 annual meeting of stockholders (see Item 4); and
- *FOR* ratification of the appointment of KPMG LLP as our independent auditors for fiscal year 2007 (see Item 5).

If any other matter properly comes before the meeting, Wendi S. Bickett and Michael L. Jines (the Proxy Holders) will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

How many votes must be present to hold the Meeting?

We will have a quorum, and will be able to conduct the business of the Meeting, if the holders of a majority of shares of common stock outstanding and entitled to vote are represented in person or by proxy at the Meeting. As of the record date, [] shares of common stock, representing the same number of votes, were outstanding. The presence of the holders of at least [] shares of common stock will be required to establish a quorum. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the votes considered to be present at the meeting. For more information regarding broker non-votes, see How are my votes counted?

What vote is required to approve each item?

Directors are elected if the votes cast for that nominee's election exceed the votes cast against that nominee's election. Approval of each of the charter amendments to remove the unnecessary and outdated references to our former parent company and to eliminate the classified structure of our board requires the approval of 66 2/3% of the shares of common stock outstanding and entitled to vote. Ratification of KPMG LLP's appointment requires the affirmative vote of a majority of the shares of common stock represented at the Meeting and entitled to vote.

How are my votes counted?

In the election of directors and in all other proposals, you may vote *FOR*, *AGAINST* or *ABSTAIN*. If you *ABSTAIN* on any of the nominees or proposals, your votes will be counted for purposes of establishing a quorum and, with the exception of the election of directors, the abstention will be counted as a vote *AGAINST* that proposal. Broker non-votes, if any, will be counted for purposes of establishing a quorum, but will not be counted as having been entitled to vote or as a vote cast. In an election of directors, an abstention will not be counted as a vote cast.

A broker non-vote occurs when the broker is unable to vote on a proposal because the proposal is not routine and the owner has not provided any instructions on that matter. New York Stock Exchange rules determine whether proposals are routine or not routine. If a proposal is routine, a broker holding shares for an owner in street name may vote for the proposal without voting instructions. If a proposal is not routine, the broker may vote on the proposal only if the owner has provided voting instructions. The amendment to our Certificate of Incorporation to remove the unnecessary and outdated references to our former parent company, the amendment to our Certificate of Incorporation to eliminate the classified structure of the board, the election of directors and the ratification of the KPMG LLP's appointment are routine items.

What if I do not mark a voting choice for some of the matters listed on my proxy card?

If you return a signed proxy card without indicating your vote, your shares will be voted *FOR* the proposal to remove the unnecessary and outdated references to our former parent company from our Certificate of Incorporation, *FOR* the proposal to amend our Certificate of Incorporation to eliminate the classified structure of our Board, *FOR* the director nominees listed on the proxy card and *FOR* the proposal to ratify the selection of our independent auditors.

Can the shares that I hold in the Reliant Benefit Plans be voted if I do not return my instructions to the plan trustee timely?

If you do not provide voting instructions to the plan trustee for the shares you hold indirectly in the Reliant Benefit Plans by 5:00 p.m., Eastern Time, on May 13, 2007, then the plan trustee will vote your shares in the same proportion as the shares for which timely instructions were received, unless to do so would be inconsistent with the Employee Retirement Income Security Act of 1974, as amended.

Could other matters be decided at the Meeting?

We do not know of any other matters that will be considered at the Meeting. If there are any other matters that arise at the meeting, the proxies will be voted at the discretion of the Proxy Holders.

What happens if the Meeting is postponed or adjourned?

If the Meeting is postponed or adjourned, your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

CORPORATE GOVERNANCE

The following sections summarize information about our corporate governance policies, our Board of Directors and its committees and the director nomination process.

Our Governance Practices

Corporate Governance Guidelines

We are committed to sound corporate governance principles. To evidence this commitment, the Board has adopted Corporate Governance Guidelines, which, along with the charters of the Board committees, our Business Ethics Policy and our corporate compliance program, provide the framework for our corporate governance. A complete copy of the current version of each of these documents is available on our website at <http://www.reliant.com/corporate> or in print to any stockholder who requests it from our Investor Relations department at 713-497-7000. The Board regularly reviews corporate governance developments and modifies these charters, guidelines, policies and programs as appropriate.

Code of Business Conduct

We have adopted a written Business Ethics Policy that constitutes a code of conduct and ethics for our directors, officers and employees and satisfies the U.S. Securities and Exchange Commission's (SEC) definition of a code of ethics. Our Business Ethics Policy prohibits our officers, employees and directors from having relationships or engaging in activities which might conflict with, or give the appearance of conflicting with, our interests or which might affect the person's independence or judgment. This policy is based upon our value of acting with absolute integrity and relies upon our officers, employees and directors' execution of this value.

All of our directors, officers and employees are required to annually certify their compliance with the Business Ethics Policy. The policy requires that any exception to or waiver of the policy for an executive officer or director be made only by the Board or an independent Board committee and disclosed on our website. To date, we have neither received any requests for, nor granted, waivers of the policy for any of our executive officers or directors.

Among other things, the policy addresses:

- Conflicts of interest;
- Corporate opportunities;
- Confidentiality;
- Fair dealing;
- Protection and use of our assets;
- Compliance with laws, rules and regulations (including insider trading laws);
- Reporting of any illegal or unethical behavior;
- Gifts and entertainment;
- Proper conduct in interacting with government agencies and officials; and
- Limitations on certain corporate political contributions.

The policy prohibits any executive officer or director from (a) seeking or accepting credit or an extension of credit in the form of a personal loan from us, (b) trading our securities acquired in connection with their service or employment (including long-term incentive awards, annual director awards, etc.)

during any pension fund black-out period and (c) in the case of executive officers, receiving any tax services from our independent auditors.

Under the terms of the policy, each of our independent directors is required to ensure that he or she does not have any relationships or engage in any activities that would result in the director not being independent. Prior to engaging in any material relationship or activity that could reasonably be expected to affect his or her independence, the director must consult with our General Counsel or, in certain cases, the Board.

The policy also sets forth procedures for employees and directors to report possible violations of laws, regulations or the policy. Reports may be made to an employee's immediate supervisor, our Executive Vice President Public and Regulatory Affairs and Corporate Compliance Officer (Corporate Compliance Officer), any member of the Corporate Compliance Office or the Office of Ethics and Compliance or any other senior company official. Reports may also be made anonymously to the Corporate Compliance Officer through a toll-free compliance hotline administered by an independent third party. All reported violations are investigated promptly and, to the extent possible, treated confidentially. It is our policy that there shall be no acts of retaliation, intimidation, threat, coercion or discrimination against any individual for truthfully reporting, furnishing information or assisting or participating in any manner in an investigation, compliance review or other activity related to the administration of the policy.

Corporate Compliance Program

We have a corporate compliance program that ensures compliance by our employees and directors with the terms of our Business Ethics Policy. Under the program, our employees and directors annually participate in a series of ethics and compliance training courses that define problematic relationships and activities and promote understanding of conflicts of interests and our values, including open, honest and frequent communications. Our Office of Ethics and Compliance monitors compliance with the Business Ethics Policy and confirms that our current policies and controls adequately ensure that our business practices are consistent with the Business Ethics Policy. The Office of Ethics and Compliance is composed of our Corporate Compliance Officer, Chairman and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Senior Vice President Chief Risk Control Officer and Senior Vice President and General Counsel. The Audit Committee provides oversight of the program.

Stock Ownership Guidelines and Mandatory Holding Period

In an effort to better align our directors and executive officers with the interests of our stockholders, the Nominating & Governance Committee recommended, and the Board adopted, stock ownership guidelines for our directors and executive officers. All non-management directors must own 30,000 shares of our common stock. In addition, the guidelines recommend that our Chairman and Chief Executive Officer own 120,000 shares, all executive vice presidents that are executive officers own 60,000 shares, and all senior vice presidents that are executive officers own 30,000 shares. The minimum stock ownership levels are expected to be achieved within five years of the adoption of the guidelines (March 7, 2011) or within five years of first appointment to the Board or election as an executive officer, whichever is later. Each executive officer is expected to retain at least 50% of the after-tax earned restricted or performance shares until twelve months after the vesting date. The Nominating & Governance Committee may review, on a case-by-case basis, requests for exclusions to the retention expectation, for purposes of estate planning, gifts to charity, education and the purchase of a primary residence.

The Board of Directors

Board Size; Meetings of the Board

Based on the recommendation of the Nominating & Governance Committee, the Board added two additional independent directors to the Board during 2006. The election of one of the directors fulfills a commitment we made to name a substantial institutional stockholder representative to our Board. Our Board is currently composed of nine members. During 2006, the Board met fifteen times with all directors attending at least 90% of the meetings.

Meetings of Non-Management Directors and Role of the Lead Director

To facilitate candid discussion by our non-management directors, the agenda for each Board and committee meeting provides for a meeting of non-management directors in executive session. E. William Barnett is currently designated the Lead Director empowered under our Corporate Governance Guidelines to preside over meetings of non-management directors and assist in the preparation of the agenda for each meeting.

Director Independence

At least once a year, the Nominating & Governance Committee reviews all relationships each director has to us, including charitable contributions we make to organizations where our directors serve as board members. In addition, the Nominating & Governance Committee considers that in the ordinary course of our business we provide electricity to some directors and entities with which they are affiliated on the same rates, terms and conditions as provided to our other customers. The Nominating & Governance Committee reports the results of its review to the Board, which then determines which directors satisfy the applicable independence standards. Rather than adopting categorical standards, the Board assesses independence on a case-by-case basis, in each case consistent with legal requirements and the listing standards of the New York Stock Exchange.

The Board considered Pastor Caldwell's consulting relationship with a contractor that provides some of our call center services. In determining that the relationship did not constitute a material relationship, the Board noted that Pastor Caldwell does not have any interest in the transactions between us and the contractor, he does not serve as an executive officer, partner or employee of the contractor and he has no ownership interest in the contractor.

The Board also reviewed the terms of our office space sublease to a subsidiary of Endeavour International Corporation, a corporation of which Mr. Transier serves as the chairman, chief executive officer and president. In determining that the sublease did not constitute a material relationship, the Board noted the relatively insignificant amount of all periodic lease payments (approximately \$250,000 during the year ended December 31, 2006) and the relatively small amount of the office space (approximately 16,000 square feet). The Board observed that we previously received the advice of an independent real estate consultant that the terms of the sublease were fair and reasonable, consistent with subleases in comparable transactions and on terms no more favorable than those that could have been obtained from unrelated parties.

The Board determined that Mesdames Perez and Barpoulis and Messrs. Barnett, Breeding, Caldwell, Miller, Transier and Silverstein are independent directors. Mr. Staff, the Chairman of the Board and our Chief Executive Officer, is not considered by the Board to be an independent director because of his employment with the Company. Each member of our Audit, Nominating & Governance and Compensation Committees is independent under the SEC's rules and regulations, the listing standards of the New York Stock Exchange and our Corporate Governance Guidelines.

Director Attendance at Annual Meetings

Although we do not have a formal policy regarding director attendance at annual meetings, all of our directors attended the 2006 annual meeting and we expect all will attend the 2007 Meeting.

Director Orientation and Continuing Education

At least annually, in connection with a regularly scheduled Board meeting, the Board offers a seminar to its members on topics relevant to their responsibilities as directors. In addition, we maintain and distribute a current listing of external director education seminar opportunities on behalf of the Nominating & Governance Committee. Each director is encouraged to attend one external seminar per year. New directors participate in a special orientation program. The Nominating & Governance Committee reviews and evaluates the director education and orientation program on an annual basis. With the exception of Ms. Barpoulis, who joined our board in December 2006, all of our directors participated in director education programs in 2006. Ms. Barpoulis and Mr. Silverstein each participated in a special orientation program upon joining our Board. A copy of our Guidelines for Director Orientation and Continuing Education is available on our website at <http://www.reliant.com/corporate>.

Limitation on Number of Public Company Board Memberships

To ensure that each director is able to devote sufficient time to performing his or her duties, our Corporate Governance Guidelines prohibit our directors from serving on the boards of more than three other public companies. In addition, as part of the annual director evaluation process, the Board and the Nominating & Governance Committee take into account service on other boards as a factor in evaluating director performance and committee assignments. The Audit Committee's Charter prohibits committee members from serving on the audit committee of more than two other public companies.

Change in Professional or Personal Circumstances

The Nominating & Governance Committee evaluates material changes in the personal or professional status of a director that could be expected to diminish the director's ability to effectively function as a member of the Board. In addition, as part of the annual director evaluation process, the Board considers changes in professional status and health, family, business or personal issues that may bear on effectiveness of board service. The Board maintains a policy requiring the mandatory submission of a resignation letter by directors for a substantial change in job, which the Board will decide whether to accept.

Board and Individual Director Evaluation Process

The Board conducts an annual self-evaluation to determine whether it, its committees and its members are functioning effectively. Input from each director is proactively solicited. The evaluation focuses on the Board's (and each Board committee's and member's) contribution as a whole to us and on areas that the Board, any Board committee, any individual director and/or management believe can be improved. Additionally, each year, the Chairman of the Board and the Lead Director meet privately with each director for an individual director evaluation. The Lead Director confirms to the Board, at its next regularly scheduled meeting, the completion of the individual director evaluation process and, subject to confidentiality of the process, presents to the Board any appropriate conclusions or recommendations for action.

Succession Planning for the Chief Executive Officer

The Compensation Committee annually reports to the Board of Directors on succession planning and works with the Board to evaluate potential successors to our Chief Executive Officer. As part of this process, the Compensation Committee solicits views from the non-management members of the Board.

We have also adopted policies regarding succession in the event of an emergency involving or the unexpected resignation, retirement or incapacity of our Chief Executive Officer.

In February 2007, Mr. Joel Staff, our Chairman and Chief Executive Officer, announced his intention to retire as our Chief Executive Officer effective as of the Meeting. Mr. Staff will remain on our Board of Directors as non-executive Chairman. Upon the effective date of Mr. Staff's retirement, Mr. Mark Jacobs, currently our Executive Vice President and Chief Financial Officer, will become our President and Chief Executive Officer and will be appointed to our board, and Mr. Brian Landrum, currently our Executive Vice President, Operations, will become our Executive Vice President and Chief Operating Officer.

Director Elections

In March 2007, our Board approved an amendment to our bylaws to change the vote standard for the election of directors from a plurality to a majority of votes cast in uncontested elections. The amended bylaws apply to the election of directors at this year's Meeting. To be elected, each nominee must receive more votes cast for that nominee's election than votes cast against that nominee's election. In contested elections where the number of nominees exceeds the number of directors to be elected, the vote standard will continue to be a plurality of votes cast. The bylaw amendment cannot be changed without stockholder approval.

In connection with the Board's adoption of a majority vote standard for the election of directors in uncontested elections, in March 2007 the Board amended the Corporate Governance Guidelines to include a director resignation policy. The resignation policy is summarized as follows:

- Nominees must have submitted irrevocable, conditional resignations that become effective if that nominee is not elected by a majority of the votes cast in his or her election at the next annual meeting;
- The Nominating & Governance Committee makes a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken;
- The Board takes action with respect to the resignation within 90 days following the stockholders' meeting and publicly discloses its decision and the rationale behind it; and
- If a majority of the members of the Board are not elected by the required vote, then an ad hoc Board committee comprised of the independent directors who were elected will perform the duties described above.

Committees of the Board of Directors

Committee Composition and Meetings

The following table lists our three Board committees, the directors who currently serve on them and the number of committee meetings held in 2006. All of our directors attended at least 90% of the total meetings held by all Board committees on which they served in 2006.

Committee	Members	Number of Meetings in 2006
Audit Committee	Laree E. Perez (Chairman) Donald J. Breeding William L. Transier	12
Compensation Committee	William L. Transier (Chairman) E. William Barnett Steven L. Miller	7
Nominating & Governance Committee	E. William Barnett (Chairman) Donald J. Breeding Kirbyjon H. Caldwell Steven L. Miller Laree E. Perez	5

Summary of Committee Responsibilities

Audit Committee

The purpose of the Audit Committee, as reflected in its charter, is to oversee:

- The quality and integrity of our financial statements;
- Our compliance with legal and regulatory requirements;
- Our independent auditors' qualifications, independence and performance;
- Our corporate compliance program and the activities managed by the Corporate Compliance and Chief Risk Officers; and
- The performance of our internal audit function.

In addition, the Audit Committee annually reviews our environmental policies and initiatives and our disclosures regarding deficiencies, if any, in the design or operation of internal controls.

A copy of the Audit Committee's charter is available at <http://www.reliant.com/corporate>.

The Board has determined that Ms. Perez and Mr. Transier are qualified as audit committee financial experts under the SEC's rules and regulations. In addition, the Board has determined that each member of the Audit Committee has the requisite accounting and related financial management expertise under the listing standards of the New York Stock Exchange.

Nominating & Governance Committee

The purposes of the Nominating & Governance Committee, as reflected in its charter, are to:

- Assist the Board by identifying individuals qualified to become Board members and recommend to the Board director nominees for election at the annual meetings of stockholders or for appointments to fill vacancies;

- Recommend to the Board director nominees for each Board committee and advise the Board on the appropriate composition of the Board and its committees;
- Advise the Board about and recommend to the Board appropriate corporate governance practices and assist the Board in implementing those practices; and
- Implement the annual performance review process for the Board and its committees.

In addition, the Nominating & Governance Committee reviews relationships between each director and us and reports the results of its review to the Board with appropriate recommendations, if any, for final action.

A copy of the Nominating & Governance Committee's charter is available at <http://www.reliant.com/corporate>.

Compensation Committee

The purposes of the Compensation Committee, as reflected in its charter, are to:

- Review, evaluate and approve our agreements, plans, policies and programs to compensate our officers and directors;
- Oversee our plans, policies and programs to compensate our employees;
- Review and discuss with management the Compensation Discussion and Analysis and, based on that review and discussion, determine whether to recommend to the Board that the Compensation Discussion and Analysis be included in our annual report or proxy statement for the Meeting;
- Produce a report for inclusion in our proxy statement for the Meeting;
- Evaluate the performance of our Chief Executive Officer and executive management;
- Determine the compensation for our Chief Executive Officer and such other members of our executive management as the Compensation Committee deems appropriate and otherwise discharge the Board's responsibilities relating to compensation of our officers and directors;
- Make an annual report to the Board on succession planning;
- Perform such other functions as the Board may assign from time to time; and
- Encourage stock ownership by executive management, including through the use of equity compensation programs.

In setting non-management director compensation, the Compensation Committee recommends the form and amount of compensation to the Board and the Board makes the final determination. With respect to our executive officers, the final determination on compensation is made by the Compensation Committee. In advance of making its decision regarding the Chief Executive Officer's compensation, the Compensation Committee consults with each of the non-management directors and solicits their views of the Chief Executive Officer's performance and compensation. The Compensation Committee then presents a report to the Board so that all directors have an opportunity to be heard in advance of the Compensation Committee's final action regarding the Chief Executive Officer's compensation. For a discussion of management's role in the compensation process, see Executive Compensation Compensation Discussion and Analysis What is the role of Reliant's executive officers in the compensation process?

Edgar Filing: RELIANT ENERGY INC - Form PRE 14A

In considering and determining the compensation of our Chief Executive Officer, other executive officers and directors, the Compensation Committee considers such factors as it deems appropriate,

10

including historical compensation information, individual performance, current and potential impact on Company performance, reputation, skills, experience, internal equity and market data. For additional information on the Compensation Committee's process in considering and determining executive compensation, see Executive Compensation Compensation Discussion and Analysis How does Reliant determine the amount for each element of compensation paid?

The Compensation Committee has retained Towers, Perrin, Forster & Crosby, Inc. (Towers Perrin), a nationally recognized independent compensation consultant. Towers Perrin provides information on compensation levels, market practices and trends to the Compensation Committee on a periodic basis. On an annual basis, Towers Perrin provides competitive benchmark data and analysis regarding executive compensation matters, including base salary, target bonus percentage, total cash compensation (base salary plus bonus at target), long-term incentive target percentage and total direct compensation (total cash compensation plus long-term incentive at target). Towers Perrin also provides market information on non-management director compensation, including annual board and committee retainers, board and committee meeting fees, committee chairperson fees and stock based compensation. Towers Perrin compares and analyzes the current compensation of our executives and non-management directors with market data and presents the findings to the Compensation Committee.

The Compensation Committee has discretion to form and delegate some or all of its authority to subcommittees. During 2006, the Compensation Committee did not form or utilize a subcommittee and it has no current plans to do so. A current copy of the Compensation Committee's charter is available at <http://www.reliant.com/corporate>.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee during 2006 consisted of E. William Barnett, Steven L. Miller and William L. Transier. During 2006, all members of the Compensation Committee were independent directors and no member is or was our employee. During 2006, none of our executive officers served on the compensation committee (or equivalent), or the board of directors, of another entity, one of whose executive officer(s) served on the Compensation Committee or Board.

Director Nominations

Director Qualifications and Nomination Process

The Nominating & Governance Committee considers prospective nominees for Board membership suggested by Board members, management or stockholders. The Committee may also retain a third-party executive search firm to assist it in identifying prospective nominees.

Once the Nominating & Governance Committee has identified a prospective nominee, it makes an initial determination as to whether to conduct a full evaluation of the candidate. The initial determination is based on information provided to the Committee with the recommendation of the candidate, the Committee's knowledge of the candidate and possible inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional board members to fill vacancies or expand the size of the Board and the likelihood that the candidate can satisfy the evaluation factors described below. The Committee also considers the diversity of, and the optimal enhancement of the current mix of talent and experience on, the Board and other factors as it deems relevant, including the current composition of the Board, the balance of management and independent directors and the need for expertise in particular areas.

The Committee then evaluates the candidate against the standards and qualifications set out in its charter and our Corporate Governance Guidelines, including the candidate's experience, independence, knowledge, commitment to our core values, skills, expertise, independence of mind, integrity, service on the boards of other public companies, openness, ability to work as part of a team, willingness to commit the

required time and familiarity with our business. Following an evaluation and interviews, the Committee makes a recommendation to the Board regarding the candidate. After considering the recommendation, the Board determines whether or not to extend an offer to the candidate for Board membership.

Submission of Stockholder Nominations to the Board

A stockholder who wishes to recommend a prospective nominee for the Board should notify us at Reliant Energy, Inc., P.O. Box 1384, Houston, Texas 77251-1384. The notice should be addressed to the attention of the Corporate Secretary or the Chairman of the Nominating & Governance Committee in care of the Corporate Secretary. The notice should include whatever supporting material the stockholder considers appropriate. The Nominating & Governance Committee will also consider whether to nominate any person nominated by a stockholder pursuant to the provisions of our bylaws relating to stockholder nominations as described in Dates for Submission of Stockholder Proposals for 2008 Annual Meeting below.

Stockholder Communications to the Board

Stockholders and other parties interested in communicating directly with the Chairman of the Nominating & Governance Committee, the Lead Director, the non-management directors as a group or the Board may do so by writing in care of the Corporate Secretary at P.O. Box 1384, Houston, Texas 77251-1384. Instructions on how to communicate with the Board are also available on our website at <http://www.reliant.com/corporate>.

Additionally, under the terms of our Business Ethics Policy, anyone desiring to raise a complaint or concern regarding accounting issues or other compliance matters directly with the Audit Committee has the ability to do so by contacting EthicsPoint, Inc. at the following address, toll free number or secure facsimile:

Reliant Energy Ethics & Compliance Helpline
c/o EthicsPoint, Inc.
P.O. Box 230369
Portland, OR 97281-0369
Attention: Audit Committee
Toll Free Number: (866) 693-8442
Facsimile: 971) 249-0344

Such complaints and concerns will be forwarded directly to the Chairman of the Audit Committee.

The Nominating & Governance Committee has approved a process for handling letters or other communications received by us and addressed to non-management members of the Board. Under this process, our Corporate Secretary reviews all correspondence that, in his opinion, deals with the functions of the Board or otherwise requires their attention. The Corporate Secretary has the discretion not to forward unsolicited marketing materials, mass mailings, unsolicited publications, surveys and questionnaires, resumes and other forms of job inquiries and requests for business contacts or referrals. In addition, the Corporate Secretary may, in his discretion, handle any director communication that is an ordinary course of business matter, including routine questions, complaints, comments and related communications that can appropriately be handled by management. However, directors may at any time request copies of all correspondence that is addressed to members of the Board. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of our internal audit department or Corporate Compliance Officer and handled in accordance with procedures established by the Audit Committee.

ITEMS TO BE VOTED ON BY STOCKHOLDERS

Item 1: Amendment to Certificate of Incorporation to Remove Unnecessary and Outdated References to Our Former Parent Company

Our Board of Directors has approved, and is proposing to the stockholders, an amendment to our Certificate of Incorporation to remove unnecessary and outdated references. If the stockholders approve this proposal, no substantive change will occur to the rights and privileges afforded to us or our stockholders by the Certificate of Incorporation because the references are no longer relevant. The full text of the proposed amendment to the Certificate of Incorporation is set forth in.

Prior to our initial public offering of common stock in April 2001 (the "IPO"), we were a wholly-owned subsidiary of Reliant Energy, Incorporated (the "Former Parent Company"). The Former Parent Company remained our largest stockholder immediately after the IPO. Our Certificate of Incorporation includes many provisions that regulated and defined aspects of our relationship with the Former Parent Company.

The Former Parent Company remained a significant stockholder through September 2002, when the Former Parent Company distributed all of the shares of our common stock it owned to its common stockholders of record. Because the Former Parent Company is no longer a stockholder of us, the Certificate of Incorporation provisions specifically relating to the Former Parent Company are now extraneous.

Our Board of Directors believes it is beneficial to amend the Certificate of Incorporation to delete the lengthy and non-operative provisions relating to the Former Parent Company and its affiliates because doing so will simplify the Certificate of Incorporation and make it more understandable.

To reflect Item 1, the Certificate of Incorporation would be amended to delete the following:

- Article EIGHTH in its entirety, which provides for acknowledgements, agreements and duties related to the Former Parent Company as a stockholder and replacing the same with the following: [Reserved]. These provisions in Article EIGHTH are now extraneous because the Former Parent Company is no longer a stockholder;
- All references to Trigger Date in the Certificate of Incorporation. The Trigger Date was the date that the Former Parent Company ceased to own a majority of our shares of common stock.

Approval of the amendments to the Certificate of Incorporation to remove unnecessary and outdated references to the Former Parent Company requires the affirmative vote of at least 66 % of the shares of common stock issued and outstanding as of the record date, or approximately [] million shares.

If the stockholders vote to approve this proposal, it will become effective upon the filing of an amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware. We intend to file the amendment immediately after the requisite vote is obtained.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
AMENDMENT OF OUR CERTIFICATE OF INCORPORATION
TO REMOVE UNNECESSARY AND OUTDATED REFERENCES.**

Item 2: Amendment to Certificate of Incorporation to Eliminate Classified Structure of the Board

Our Board of Directors is currently divided into three classes. Each year, the stockholders are requested to elect the directors comprising one of the classes for a three-year term. The term of the Class II directors is set to expire in 2007 at the Meeting. The term of the Class III directors is set to expire

in 2008 and the term of the Class I directors is set to expire in 2009. Because of the classified board structure, stockholders have the opportunity to vote on only roughly one-third of the directors each year.

Our Board of Directors has approved, and is proposing to the stockholders, an amendment to our Certificate of Incorporation to eliminate the classified board structure. If the stockholders approve this proposal, the terms of all directors will expire at the annual meeting of stockholders each year, beginning at the 2007 Meeting, and their successors will be elected for one-year terms that will expire at the next annual meeting. The full text of the proposed amendment to the Certificate of Incorporation is set forth in Appendix B.

At the 2006 annual meeting, a stockholder proposal requesting our Board of Directors take action to declassify the Board was passed. In recognition of the passage of this proposal, the Board of Directors has concluded that stockholders should have the opportunity to vote on all directors each year. The Board of Directors has considered that removing the classified Board of Directors will shorten the time required for a majority stockholder or group of stockholders to replace a majority of the Board of Directors to a single year. Under a classified Board of Directors, a majority of the Board of Directors may be replaced only after two years. In addition, under Delaware law, directors of a classified board of directors may be removed only for cause. This limitation on removal of directors by cause would no longer apply if this proposal is approved.

Approval of the amendments to the Certificate of Incorporation to eliminate the classified Board of Directors requires the affirmative vote of at least 66 % of the shares of common stock issued and outstanding as of the record date, or approximately [] million shares.

If the stockholders vote to approve this proposal, it will become effective upon the filing of an amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware. We intend to file the amendment immediately after the requisite vote is obtained. The stockholders will then be asked to vote on Item 3 and a vote on Item 4 will not be taken.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
AMENDMENT OF OUR CERTIFICATE OF INCORPORATION
TO ELIMINATE OUR CLASSIFIED BOARD OF DIRECTORS.**

Item 3: Election of Directors

The third proposal to be voted on at the Meeting is the election of the following nine directors, each of whom is recommended by our Board of Directors. The principal occupations and other information about each of these nominees are included below.

If the stockholders approve Item 2, at the Meeting, each of these nominees will be elected to serve a one-year term and will be subject to reelection at next year's annual meeting. If Item 2 is not approved, stockholders will not be asked to vote for this proposal, and instead will vote on Item 4.

Based on recommendations from the Nominating & Governance Committee, the Board has nominated its current directors for election to the Board with their term of office expiring at our 2008 annual meeting. We have no reason to believe that any of the current directors will be unavailable for election; however, if any nominee becomes unavailable for election, the Board can name a substitute nominee and proxies will be voted for the substitute nominee pursuant to discretionary authority, unless withheld. Ms. Barpoulis and Mr. Silverstein are standing for election by the stockholders for the first time. Ms. Barpoulis was appointed as a director in December 2006 and was identified through an executive search firm. Mr. Silverstein, who was appointed as a director in August 2006, was recommended by one of our institutional stockholders.

E. William Barnett, Age 74

Director since October 2002

Mr. Barnett is a member of the Board of Directors of Enterprise Products GP, LLC, the general partner of Enterprise Products Partners L.P., and is Chairman of its Audit, Conflicts and Governance Committee. Mr. Barnett also serves on the Board of Directors of Westlake Chemical Corporation and is a member of its Audit Committee.

Sarah M. Barpoulis, Age 41

Director since December 2006

Ms. Barpoulis has served as an independent energy consultant with Interim Energy Solutions, LLC, a consulting firm providing energy management and trading consulting services to a variety of energy sector clients, since May 2003. From July 2000 to February 2003, Ms. Barpoulis served as Senior Vice President, Commercial Operations of PG&E National Energy Group, Inc. (now known as National Energy & Gas Transmission, Inc.), a company that developed, built, owned and operated electric generating and natural gas pipeline facilities and provided energy trading, marketing and risk management services.

Donald J. Breeding, Age 72

Director since October 2002

Mr. Breeding has been President and Chief Executive Officer of Airline Management, LLC, an aviation and airline consulting company, since 1997. Mr. Breeding also serves on the Board of Directors of Pinnacle Airlines Corp. and is Chairman of its Nominating and Corporate Governance Committee and a member of its Compensation Committee.

Kirbyjon H. Caldwell, Age 53

Director since August 2003

Pastor Caldwell has served as Senior Pastor of Windsor Village United Methodist Church since June 1982. He also serves on the Board of Directors of Continental Airlines and is a member of its Human Resources Committee and its Corporate Governance Committee.

Steven L. Miller, Age 61

Director since August 2003

Mr. Miller has served as Chairman and President of SLM Discovery Ventures, Inc., a company pursuing commercial ventures in support of volunteerism, social outreach and higher education academic achievement, since September 2002. From January 2003 to September 2004, Mr. Miller served as Chairman of CEO Initiative-Diversity Best Practices, and from February 2003 to December 2004, he served as Chairman of Momentum Bio Ventures, Inc., a venture capital/management services company focusing on biotechnology and life sciences. From July 1999 to September 2002, Mr. Miller served as Chairman, President and Chief Executive Officer of Shell Oil Company, a Houston-based affiliate of the Royal Dutch/Shell Group of Companies, an international petroleum company. From December 1999 to June 2005, Mr. Miller served as a director of Applied Materials, a leading company in the semiconductor industry.

Laree E. Perez, Age 53

Director since April 2002

Ms. Perez has served as an independent financial consultant with The Medallion Company, LLC, an investment advisory/consultation and professional money management company, since September 2002. From February 1996 to September 2002, she served as Vice President of Loomis, Sayles & Company, L.P., an investment advisory/consultation and professional money management firm. Ms. Perez also serves on

the Board of Directors of Martin Marietta Materials, Inc. and is a member of its Audit Committee and its Ethics, Environment, Safety and Health Committee.

Evan J. Silverstein, Age 52

Director since August 2006

Mr. Silverstein served as General Partner and Portfolio Manager of SILCAP LLC, a market-neutral hedge fund that principally invests in utilities and energy companies, from January 1993 to December 2005.

Joel V. Staff, Age 63

Director since October 2002

Mr. Staff has announced his intent to retire, effective at the Meeting, as our Chief Executive Officer, a position he has held since April 2003. Following his retirement, he will continue to serve on our Board of Directors as non-executive Chairman. Mr. Staff was Executive Chairman of National-Oilwell, Inc. (now National Oilwell Varco, Inc.), an international oil and gas services and equipment company, from May 2001 to May 2002. He also serves on the Board of Directors of ENSCO International Incorporated and is a member of its Nominating, Governance and Compensation Committee.

William L. Transier, Age 52

Director since December 2002

Mr. Transier has served as Chairman, Chief Executive Officer, and President of Endeavour International Corporation, an international oil and gas exploration and production company focused on the North Sea, since September 2006. From February 2004 to September 2006, he served as Co-Chief Executive Officer of Endeavor International Corporation. From March 1999 to April 2003, he served as Executive Vice President and Chief Financial Officer of Ocean Energy, Inc., an independent oil and gas exploration and production company that merged with Devon Energy Corporation. Mr. Transier serves on the Board of Directors of Endeavour International Corporation. He serves on the Board of Directors of Helix Energy Solutions Group, Inc. and is the Chairman of its Compensation Committee and a member of its Audit Committee. He also serves on the Board of Directors of Cal Dive International, Inc. and is a member of its Audit and Governance Committees and the Chairman of its Compensation Committee.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
EACH OF THE NOMINEES LISTED ABOVE.**

Item 4: Election of Directors (in the Alternative to Item 3)

Stockholders will be asked to vote on this Item 4 only if the stockholders do not approve the amendment to our Certificate of Incorporation to eliminate our classified Board of Directors as described in Item 2. If the stockholders approve Item 2, then we will amend our Certificate of Incorporation to eliminate our classified Board of Directors, and the stockholders will proceed to vote on Item 3 and not this Item 4.

If the stockholders do not approve Item 2, Sarah M. Barpoulis, Laree E. Perez and William L. Transier, our Class II directors, are nominated for election to serve a three-year term and will be subject to re-election at the 2010 annual meeting. Ms. Barpoulis is standing for election by the stockholders for the first time. Ms. Barpoulis was appointed as a director in December 2006 and was identified through an executive search firm. If the stockholders do not approve Item 2, Kirbyjon H. Caldwell, Steven L. Miller and Joel V. Staff will continue as our Class I directors until the 2009 annual meeting and E. William Barnett, Donald J. Breeding and Evan J. Silverstein will continue as our Class III directors until the 2008 annual meeting.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
SARAH M. BARPOULIS, LAREE E. PEREZ AND WILLIAM L. TRANSIER.**

Item 5: Ratification of Appointment of Independent Auditors

The Audit Committee annually reviews the qualifications, performance and independence of our independent auditors in accordance with regulatory requirements and guidelines and evaluates whether to change our independent auditors. Based on this review, the Audit Committee decided to appoint KPMG LLP as our independent auditors to conduct our audit for 2007. KPMG LLP also served as our independent auditors for fiscal year 2006 following a decision by our Audit Committee in March 2006 to dismiss our previous auditors, Deloitte & Touche LLP. For further information, see *Change in Independent Auditors* below.

Although stockholder approval is not required for the appointment of KPMG LLP, the Board and the Audit Committee have determined that it is desirable as a good corporate governance practice. Ratification requires the affirmative vote of a majority of the shares entitled to vote on the matter and represented in person or by proxy at the Meeting. If our stockholders do not ratify the appointment, the Audit Committee may reconsider the appointment. However, even if the appointment is ratified, the Audit Committee, in its discretion, may select different independent auditors if it subsequently determines that such a change would be in the best interest of us and our stockholders.

**THE BOARD RECOMMENDS A VOTE *FOR* THE RATIFICATION
OF THE APPOINTMENT OF KPMG LLP AS INDEPENDENT AUDITORS.**

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**Directors and Executive Officers**

The following table shows the number of shares of our common stock beneficially owned as of February 2, 2007 by each director nominee, each incumbent director, the executive officers named in the Summary Compensation Table and all directors and executive officers as a group. None of such shares are pledged as security.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		
	(1)	(2)	(3) *
E. William Barnett			73,425
Sarah M. Barpoulis			5,000
Donald J. Breeding			48,452
Kirbyjon H. Caldwell			20,999
Mark M. Jacobs			1,573,232
Michael L. Jines			396,895
Brian Landrum			704,256
Jerry J. Langdon			386,113
Steven L. Miller			50,844
Laree E. Perez			25,864
Evan J. Silverstein			5,732
Joel V. Staff			3,084,931
William L. Transier			73,953
All directors and current executive officers as a group (16 individuals)			7,284,026 (4)

* Unless otherwise indicated, the number of shares beneficially owned represents less than 1% of our outstanding common stock as of February 2, 2007.

(1) Includes the number of shares that the directors or executive officers had a right to acquire as of or within 60 days after February 2, 2007 upon the passage of time or upon separation from service as follows: Mr. Barnett 50,633; Ms. Barpoulis 0; Mr. Breeding 29,513; Pastor Caldwell 14,999; Mr. Jacobs 1,020,267; Mr. Jines 363,409; Mr. Landrum 526,887; Mr. Langdon 304,300; Mr. Miller 17,076; Ms. Perez 17,499; Mr. Silverstein 0; Mr. Staff 2,066,340; Mr. Transier 47,153; and all directors and current executive officers as a group 5,147,674.

(2) Includes shares allocated to executive officers under the Reliant Energy, Inc. Savings Plan (Savings Plan) and the Reliant Energy, Inc. Employee Stock Purchase Plan (ESPP) as follows: Mr. Jacobs 15,651; Mr. Jines 2,291; Mr. Landrum 16,604; Mr. Langdon 1,663; Mr. Staff 11,613; and all current executive officers as a group 79,271.

(3) Includes shares of restricted stock over which the following directors have voting power but no investment power until the restrictions lapse: Mr. Barnett 7,380; Ms. Barpoulis 5,000; Mr. Breeding 7,511; Pastor Caldwell 6,000; Mr. Miller 7,603; Ms. Perez 6,000; Mr. Silverstein 5,147; and Mr. Transier 10,161.

(4) The number of shares beneficially owned by all directors and current executive officers as a group represents approximately 2.15% of our outstanding common stock as of February 2, 2007.

Principal Stockholders

The following table sets forth information about persons whom we know to be the beneficial owners of more than 5% of our issued and outstanding common stock based solely on our review of the Schedule 13G or Schedule 13D Statement of Beneficial Ownership filed by such person with the SEC as of the date of such filing:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Horizon Asset Management, Inc. 470 Park Avenue South, 4th floor south New York, New York 10016	30,623,608	9.9 %
Kinetics Asset Management, Inc. 470 Park Avenue South, 4th floor south New York, New York 10016	21,685,951	7.0 %
Orbis Investment Management Limited Orbis Asset Management Limited 34 Bermudiana Road Hamilton HM 11 Bermuda	24,820,100	8.1 %
Schneider Capital Management Corporation 460 E. Swedesford Rd., Suite 2000 Wayne, PA 19087	15,868,815	5.1 %
Trafelet Capital Management, L.P. Trafelet & Company, LLC Remy W. Trafelet 900 Third Avenue, 5th Floor New York, NY 10022	15,902,300	5.2 %

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires our directors, officers and persons who own more than 10% of our outstanding common stock to file initial reports of ownership and reports of changes in ownership of our common stock with the SEC. Based on our review of the reports submitted to us and representations from certain reporting persons that they have complied with the applicable filing requirements, we believe that during 2006, all of our directors, officers and greater than 10% stockholders complied with the reporting requirements of Section 16(a) of the Exchange Act.

CERTAIN RELATIONSHIPS AND TRANSACTIONS WITH RELATED PERSONS

During 2006, there were no transactions in which we were a participant and the amount involved exceeded \$120,000 and in which any related person, including our executive officers and directors, had or will have a direct or indirect material interest. See Corporate Governance Our Governance Practices for a discussion of our policies and procedures related to conflicts of interest.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

What are the objectives of Reliant's compensation program?

The Compensation Committee (the Committee) has designed our compensation program for named executive officers in order to meet the following objectives:

- be competitive with other companies with whom we compete for talent;
- provide a strong incentive to our named executive officers to achieve their potential and our business short- and long-term goals;
- make prudent use of our resources; and
- align the interests of our named executive officers with the interests of our stockholders.

In addition, the Committee believes that a portion of executive compensation should be composed of variable, at-risk elements, with the majority of these elements being based on our long-term success.

What is Reliant's compensation program designed to reward?

Our compensation program is designed to recognize and reward effective leadership, individual performance and business performance that contribute to the achievement of our short- and long-term goals in a manner consistent with our vision and values. Our vision is to be the best positioned, most trusted choice for electricity in competitive markets. Our values are to:

- act with absolute integrity;
- collaborate with, support and respect our employees;
- communicate openly, honestly and frequently;
- create value for every customer;
- ensure a safe, healthy and enjoyable workplace;
- care for our environment and communities;
- develop a highly motivated, valued and diverse workforce;
- optimize our financial and physical resources; and
- continuously simplify and improve our processes.

What are the elements of Reliant's compensation program?

Our compensation program consists of base salary, annual incentive awards and long-term incentive awards. Perquisites are not a material element of our compensation program.

Base Salary. Base salary is paid in cash commensurate with the responsibilities of each individual's position. The Committee considers the individual's experience and performance as well as the position's market value. The

Committee annually reviews the base salaries and approves adjustments based on these factors and others, including:

- sustained job performance and demonstration of our values;
- relevant individual knowledge and skill;
- general and expected market movement and trends; and
- position relative to the market.

20

Annual Incentive Awards. Annual incentive awards are paid in cash and are tied to annual achievement of our goals and individual qualitative and quantitative goals, all as determined by the Committee. Annual incentive awards are calculated as a specified target percentage of base salary ranging from 55% to 100% based on competitive market data as determined by the Committee. The possible ranges of achievement are threshold (20% of target), target (100% of target) and maximum (200% of target). Achievement between these ranges is pro-rated. Performance below threshold results in no payment. The following chart describes the percentages of base salary that are potentially payable to the named executive officers:

Officer	Percent of Base Salary		
	Threshold	Target	Maximum
Chairman and Chief Executive Officer	20 %	100 %	200 %
Executive Vice President and Chief Financial Officer	18	90	180
Executive Vice President, Operations	14	70	140
Senior Vice President, General Counsel and Corporate Secretary	12	60	120
Executive Vice President, Public and Regulatory Affairs and Corporate Compliance Officer	11	55	110

The Committee determines annually the performance metrics, levels and relevant weighting of each metric. The metrics reflect our annual strategy and priorities. Except as noted below for operational results, the Committee determined that each named executive officer would have the same metrics and weighting for 2006. The 2006 metrics, weighting and achievement levels, based on the outcomes for each metric and without the Committee exercising discretion, were as follows:

Metric	Threshold (\$ in millions)	Target	Maximum	Achievement of Target	Weight
Corporate Metrics					
Open EBITDA(1)	\$ 600	\$ 1,091	\$ 1,350	58.8 %	18.75 %
Reduction in commercial collateral usage	700	1,000	1,600	200.0	18.75
Adjusted wholesale open contribution margin(2)	310	515	710	81.0	18.75
Retail adjusted contribution margin(3)	200	285	400	200.0	18.75
Operational Results(4)					
Employee Survey Results(6)	47 %	55 %	59 %	116.7	10.00
Total					100.00 %

(1) Represents EBITDA adjusted for unrealized gains/losses on energy derivatives, western states settlements, changes in California-related receivables and reserves, settlement of stockholder class action lawsuits, debt conversion expense, historical wholesale hedges, and gains/losses on sales of emission allowances and assets.

(2) Represents contribution margin (revenues less purchased power, fuel and cost of gas sold, operation and maintenance, selling and marketing and bad debt expense) adjusted to exclude the impact of unrealized gains/losses on energy derivatives, changes in California-related receivables and reserves and historical wholesale hedges and adjusted for changes in gas prices based on the following formula: (\$100 million) x (average 2006 daily gas settlement price at Henry Hub \$10.70).

(3) Represents contribution margin adjusted to exclude the impact of unrealized gains/losses on energy derivatives.

(4) Operational results were tied to numerous business outcomes of our operational units and functional areas. These business outcomes are shared by the employees reporting to the named executive officer and are designed to give employees line of sight business objectives in addition to corporate metrics. These outcomes align each of the named executive officers with the employees they manage. These metrics were allocated as follows:

- Chairman and Chief Executive Officer: 3.75% to each of the four corporate metrics above.
- Executive Vice President and Chief Financial Officer: 3% to each of Accounting/Tax, Audit, Corporate Finance, Information Technology and Management and Performance Reporting.

Edgar Filing: RELIANT ENERGY INC - Form PRE 14A

- Executive Vice President, Operations: 5% to each of Plant Operations, Commercial Operations and Retail.
- Senior Vice President, General Counsel and Corporate Secretary: 2.5% to each of Legal Services, Wholesale, Regulatory, Retail, Corporate Finance and Human Resources.
- Executive Vice President, Public and Regulatory Affairs and Corporate Compliance Officer: Government & Regulatory Affairs (10%) and Compliance & Ethics (5%).

(5) Achievement of target operational results were as follows:

- Chairman and Chief Executive Officer: 135.0%
- Executive Vice President and Chief Financial Officer: 170.6%
- Executive Vice President, Operations: 136.5%
- Senior Vice President, General Counsel and Corporate Secretary: 103.9%
- Executive Vice President, Public and Regulatory Affairs and Corporate Compliance Officer: 187.6%

(6) This metric is tied to improvement in results to an annual employee survey related to achievement of strategic initiatives related to our vision and values. The threshold levels were based upon the results from the prior year's survey, the target levels were based on a mid-range between the threshold and maximum levels, and the maximum levels were based on data provided by an outside performance management consultant as necessary to achieve our strategic initiatives. Each survey question was assigned a threshold, target and maximum achievement level and the amounts in the table reflect the average levels for all questions. Achievement of target amount represents the average achievement percentage of all survey results.

Long-Term Incentive Awards. Long-term incentive awards are equity and equity-based awards payable under our long-term incentive plan (the Reliant Energy, Inc. 2002 Long Term Incentive Plan, which we refer to as the 2002 LTIP). In 2004, a Key Employee Award Program was established under the 2002 LTIP. This program's performance spanned a three-year period that ended on December 31, 2006 and the Key Employee Award Program award units vested as of that date. During the performance period, participants in the program were not eligible to receive any additional long-term incentive grants. Each Key Employee Award Program award unit consisted of a targeted award of:

- 68,000 stock options (exercise price per share equal to the per share fair market value of our common stock on the grant date),
- 16,000 stock-settled restricted performance units (convertible into an equal number of shares of common stock on the vesting date) and
- 16,000 cash performance units (each convertible into a cash amount equal to the fair market value of one share of our common stock on the vesting date).

The following table sets forth the number of target award units granted to each named executive officer:

Officer	Number of Target Units
Joel V. Staff	16
Mark M. Jacobs	9
Brian Landrum	7 (1)
Michael L. Jines	4
Jerry J. Langdon	5

(1) Two of these units were granted to Mr. Landrum in 2005 in recognition of the significant increase in his responsibilities after we reorganized our executive management team in early 2005.

The Key Employee Award Program provided for a payout ranging from 0% to 140% of the target award level based on specified qualitative and quantitative performance goals. If the Committee determined that we had not achieved at least threshold levels, the payout would have been 0%. The goals included reducing our adjusted net debt to adjusted EBITDA ratio to at least 3.5, delivering superior

22

customer value and building a great company for which to work. In determining the achievement of the quantitative goal relating to the reduction of debt by attaining a specified adjusted net debt to adjusted EBITDA ratio, the Committee was to consider the market conditions in which we operated and our financial flexibility as measured by changes in our credit and analyst ratings and results of operations (such as improved earnings per share, operating costs and cash flows). In determining whether we met the qualitative goals, the Committee was to consider customer growth, retention and satisfaction rates, plant, environmental and safety performance, employee survey results or any other data it deemed relevant. The program did not require the Committee to assign a particular weighting to the various performance goals. Instead, the program conferred upon the Committee discretion to determine the level of achievement (threshold, target and maximum) under the program relative to the performance achieved. After considering the performance metrics, the Committee also had the discretion to increase or decrease the payout percentages if it determined that it was in our best interest to do so. The Committee did not exercise such discretion.

The Committee determined that the payout percentage for all named executive officers was 80% of the target awards. In determining to award less than target level (100%), the Committee concluded that while substantial progress had been made over the performance period on a number of the performance goals specified in the Key Employee Award Program, certain performance goals, such as attaining the target adjusted net to adjusted EBITDA ratio, had not been met.

In reaching the determination that we achieved at least threshold performance levels, the Committee considered, among other factors, the substantial reduction in debt, reduction in operating costs and reduction in adjusted net debt to adjusted EBITDA ratio and the impact of market conditions on this ratio. The Committee also considered customer growth rates and satisfaction levels relative to our principal competitors, improvement in plant commercial capacity factors, and a significant improvement in the results of our employee survey results. In addition to the quantitative and qualitative performance goals specified in the Key Employee Award Program, the Committee considered that our total stockholder return was higher than the median for our peer group during the performance period and that our share price closed on the determination date within 1% of its 52-week high. The Committee's independent compensation consultant assisted the Committee in its deliberations.

Executive Perquisites. We do not provide substantial personal benefits or perquisites. For example, we do not provide personal use of an airplane, automobiles or lodging. We do allow up to \$5,000 per year for each named executive officer in reimbursement for specified financial planning services and a one-time allowance of \$5,000 for estate planning services.

Why does Reliant choose to pay each element of compensation?

We believe the combination of elements that comprise our compensation program provides a competitive and reasonable pay package that attracts the talent that we need, motivates that talent to achieve our short- and long-term goals, reinforces expectations of leadership, personal vision and values and aligns executives' interests with our stockholders' interests.

We believe our base salaries attract and retain executives with the qualifications we need for leading and growing our business. The purpose of our annual incentive awards is to encourage superior performance from our executives by establishing demanding goals for our executives that are consistent with the achievement of our short-term goals. Our long-term incentive awards are designed to retain executives who demonstrate the qualifications we need and to provide continued motivation and incentive to achieve our long-term goals. We believe that awarding long-term incentive compensation aligns our executives' interests with those of our stockholders. We encourage stock ownership by executive management through the use of equity awards and stock ownership guidelines and mandatory holding

periods. See discussion of performance metrics under [What are the elements of Reliant's compensation program?](#)

How does Reliant determine the amount for each element of compensation paid?

In considering and determining compensation, the Committee considers various factors, including market data, historical compensation information, individual performance, current and potential impact on corporate performance, reputation, skills, experience, internal equity and timing. We do not utilize a formula to determine the amount of each element of compensation paid. We also do not have any formal policies for allocating between long-term and annual compensation or between cash and equity compensation (or among different forms of equity compensation).

External Compensation Information. The Committee's goal in determining the appropriate level of compensation is to offer a competitive pay package in consideration of the relevant market pay for the position. Each year the Committee's independent compensation consultant provides competitive benchmark data, including base salary, target bonus percentage, target total cash compensation (base salary plus bonus at target), long-term incentive target percentage and target total direct compensation (target total cash compensation plus long-term incentive at target). In 2006, the Committee reviewed and considered this market data for the following composite groups as prepared by the Committee's independent consultant:

- 18 other leading utility and power generation companies (The AES Corporation, American Electric Power Company, Inc., Calpine Corporation, Constellation Energy Group, Inc., Dominion Resources, Inc., Duke Energy Corporation, Dynegy Inc., Edison International, Entergy Corporation, Exelon Corporation, FPL Group, Inc., Mirant Corporation, NRG Energy, Inc., PG&E Corporation, PPL Corporation, Sempra Energy, TXU Corp. and The Williams Companies, Inc.);
- 94 major energy organizations in the broader energy industry of a size comparable to us; and
- 830 organizations in the broader general industry of a size comparable to us.

The independent consultant compares and analyzes our named executive officers' current compensation with market data relevant to their positions and presents the findings to the Committee.

Compensation History. In making compensation determinations, the Committee considers base salary and annual incentive target and payout history of each named executive officer for the last four years. The Committee also considers each named executive officer's equity holdings, including the date of any grants, the types of awards (restricted stock, stock options or cash), the vesting provisions, the expiration dates, the exercise prices, if applicable, and the number of units or shares granted.

Corporate Performance. Specific items of corporate performance and operational results are taken into account in determining the amount of compensation paid. As described above, significant portions of our annual incentive awards and long-term incentive awards are tied to corporate and operational results, which must be measured to determine the level of payout.

Individual Performance. The Committee also considers individual performance, current and potential impact on corporate performance, demonstration of behaviors consistent with our values, reputation, skills and experience as important factors. These factors impact the level of base salary and the level of long-term incentive to the extent the Committee, in its discretion, considers past performance and individual contribution in assessing probable impact on future performance and contribution. The Committee has the discretion to reduce base pay, but circumstances did not warrant this in 2006. With respect to annual incentive compensation, the Committee has discretion to approve payouts for

performance above or below the performance metrics. For 2006, the Committee did not exercise this discretion.

Internal Equity and Timing. The procedures and methodologies we use to determine compensation are uniform among our named executive officers. Despite this uniformity, the potential for differences in compensation among our named executive officers exists because of differences in the roles and responsibilities and market-competitive pay that varies based on position. The Committee has discretion to increase or decrease compensation to account for unanticipated situations, such as a change in an executive's role or responsibility or a significant variance between an executive's current compensation and the market-competitive level of compensation, coupled with individual performance. However, we are generally opposed to any change in the terms of equity grants, such as re-pricing outstanding stock options, during their term except in connection with a recapitalization, merger, stock split or other corporate structure change or in circumstances where such changes are determined to be in the best interest of our stockholders.

The Key Employee Award Program's performance period included 2004-2006 and the awards units vested as of December 31, 2006. The Committee has established, effective with 2007 grants, an annual grant program relative to long-term incentive compensation so that the Committee may grant awards to reflect business, industry and market events, if necessary. Under this new program, the Committee will determine annually the award vehicles, the weighting by type of vehicle, the vesting period for each vehicle, and, where applicable, the performance metrics. The Committee made this decision in consultation with the Committee's independent compensation consultant and in consideration of relevant market data.

How does each compensation element, and Reliant's decision regarding that element, fit into Reliant's overall compensation objectives and affect decisions regarding other elements?

Our decisions regarding the setting of base salaries affect individual and company performance and our ability to remain competitive in our market. The decisions we make regarding annual and long-term incentive compensation encourage the achievement of our short-term and long-term goals, respectively. In addition, long-term incentive compensation furthers our goal of aligning the interests of our executive officers with the interests of our stockholders.

Because our long-term incentive compensation is multi-purpose, we utilize various forms of awards. The weighting among each form of award is considered by the Committee in light of our long-term goals and business strategies. The Committee strives for a balanced and effective mix. Performance-based stock or cash units are primarily a stockholder alignment tool, as they are earned or vested upon the achievement of stated performance metrics within a specified timeframe. Our awards of time-based restricted stock are a retention vehicle because they retain some value regardless of our stock price. Time-based restricted stock also creates alignment with stockholder interests because its value increases as our stock price increases. Stock options can be retentive if their value increases, and they create stockholder alignment because their value increases as our stock price increases.

Our compensation decisions reflect our belief that a portion of the named executive officers' compensation should be variable and at risk. A large portion of our named executive officers' compensation is equity or equity-based, which ties their compensation to our long-term performance and aligns their interests with those of our stockholders. See Summary Compensation Table and Outstanding Equity Awards at Fiscal Year-End.

What is the basis for selecting particular events as triggering payment in connection with termination or change-in-control?

We provide for payments and benefits if a named executive officer is terminated without cause or resigns for good reason in connection with a change-in-control as described below under Potential

Payments upon Termination or Change-in-Control Change in Control Agreements. In addition, under our executive severance plan, we provide for payments and other benefits if a named executive officer's employment is involuntary terminated as a result of something other than death, disability, cause or a change-in-control. See Potential Payments upon Termination or Change-in-Control Executive Severance Plan.

Does the accounting and tax treatment of a particular form of compensation impact the form and design of awards?

The Committee considers tax and accounting treatment of various compensation alternatives, including the potential tax deductibility of proposed compensation arrangements. However, these are not typically driving factors. The Committee may determine to approve non-deductible compensation arrangements if it believes that such arrangements are in the best interests of the Company and its stockholders. As part of its analysis, the Committee may take into account a variety of factors, including our ability to utilize the deduction based on projected taxable income. Some or all of the components of the units awarded under the Key Employee Award Program are not deductible to the extent they exceed the limit imposed by Section 162(m) of the Internal Revenue Code.

What are Reliant's equity or other security ownership requirements or guidelines? Does Reliant have any policies regarding hedging the economic risk of such ownership?

In March 2006, the Board adopted stock ownership guidelines for our directors and executive officers. We have also established retention requirements for equity grants to executive officers. See Corporate Governance Stock Ownership Guidelines and Mandatory Holding Period. Each named executive officer meets or exceeds the applicable guidelines.

Because short-range speculation in our securities based on fluctuations in the market may cause conflicts of interests with our stockholders, our Insider Trading Policy prohibits trading in options, warrants, put and calls related to our securities and it also prohibits selling our securities short or holding our securities in margin accounts.

What is the role of Reliant's executive officers in the compensation process?

Our Chief Executive Officer has access to the internal and external compensation information described above. Using that information, our Chief Executive Officer makes recommendations to the Committee regarding the compensation of our other named executive officers. Taking these recommendations into account, the Committee independently reviews the data and makes its own determinations. Our management team also may make recommendations to the Committee regarding annual incentive compensation and long-term incentive compensation, such as the forms, weighting and vesting of awards and performance metrics, where applicable. In each case, the Committee considers management's proposals, consults with its independent compensation consultant as needed, and makes its own determinations. Our executive officers do not have any role in establishing the timing of grants or vesting of stock options.

Does Reliant have any program, plan or practice to time option grants to its executives in coordination with the release of material non-public information?

We do not have any program, plan or practice to time grants of stock options to our executives in coordination with the release of material non-public information and we do not set grant dates of stock options to new executives in coordination with the release of such information. We have not timed, and do not intend to time, our release of material non-public information for the purpose of affecting the value of executive compensation.

Compensation Committee Report

The Compensation Committee oversees the compensation plans, policies and programs of Reliant Energy, Inc. on behalf of the Board of Directors. In performing its oversight function, the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis prior to its inclusion in this proxy statement. Based on these reviews and discussions, the Compensation Committee recommended to the Board, and the Board approved, that the Compensation Discussion and Analysis be included in this proxy statement.

The undersigned members of the Compensation Committee have submitted this Report to the Board of Directors.

Compensation Committee,

E. William Barnett
Steven L. Miller
William L. Transier (Chairman)

27

Summary Compensation Table

The following table sets forth the compensation of our principal executive officer, our principal financial officer and each of our three most highly compensated other executive officers who were serving as executive officers as of December 31, 2006. These persons are referred to collectively as the named executive officers.

Name	Year	Salary	Stock Bonus Awards(1)	Option Awards(1)	Non-Equity Incentive Plan Compensation(2)	Change in Nonqualified Deferred Compensation Earnings	All Other Compensation(3)	Total
Joel V. Staff Chairman and Chief Executive Officer	2006	\$ 1,037,500	\$ 2,056,081	\$ 2,358,204	\$ 1,381,645		\$ 15,082	\$ 6,848,512
Mark M. Jacobs Executive Vice President and Chief Financial Officer	2006	623,000	1,041,068	1,092,979	776,870		75,439	3,609,356
Brian Landrum Executive Vice President, Operations	2006	545,303	1,069,605	983,209	509,577		48,948	3,156,642
Michael L. Jines Senior Vice President, General Counsel and Corporate Secretary	2006	380,750	443,760	471,924	293,466	8,839 (4)	41,237	1,639,976
Jerry J. Langdon Executive Vice President, Public and Regulatory Affairs and Corporate Compliance Officer	2006	335,800	567,108	609,641	260,956		4,027	1,777,532

(1) Calculated in accordance with Statement of Financial Accounting Standards (SFAS 123R). Represents compensation expense recognized in 2006 for financial statement reporting purposes related to awards granted in prior years. The awards for which compensation expense was recognized consist of: (i) performance-based shares and performance-based cash-settled shares granted under the Key Employee Award Program in 2004 and 2005 (\$4,821,542); (ii) restricted stock units granted in 2003 (\$176,054); (iii) restricted stock units granted in 2004 (\$180,026); (iv) performance-based stock options granted under the Key Employee Award Program in 2004 and 2005 (\$4,961,510); and (v) option awards granted in 2003 (\$554,447). A portion of the grant date fair value is recognized as expense over the vesting period applicable to the grant. The Key Employee Award Program is discussed under Compensation Discussion and Analysis. There were no stock awards or option awards made to our named executive officers in 2006.

The fair value for options that were awarded to the named executive officers was estimated at the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions:

	2005	2004	2003
Risk-free interest rates	4.69 %	4.69 %	3.13 %
Dividend Yield			
Expected Volatility	36.63 %	36.63 %	109.80 %
Expected Term	3 years	3 years	5 years

Edgar Filing: RELIANT ENERGY INC - Form PRE 14A

(2) Represents (i) cash annual incentive awards earned by each named executive officer under the Reliant Energy, Inc. 2002 Annual Incentive Compensation Plan (AICP) based on the actual level of performance achieved in comparison with the annual performance goals and (ii) amounts received under our Power of One Program. These awards are described in further detail under Grants of Plan-Based Awards.

(3) Represents matching and discretionary contributions to the Reliant Energy, Inc. Savings Plan (Savings Plan) of: \$1,700; \$14,900; \$14,900; \$14,900; \$1,700; and matching and discretionary contributions to the savings restoration component of the Reliant Energy, Inc. Deferral Plan (Deferral Plan) of: \$13,382; \$60,539; \$32,646; \$26,337; \$2,327 for Messrs. Staff; Jacobs; Landrum; Jines and Langdon, respectively. The amount reported for Mr. Landrum also includes imputed income of \$904 for the economic benefit of executive life insurance coverage and a reimbursement of \$498 for the taxes on this income. No executive officer received perquisites in excess of \$10,000 in 2006.

(4) Represents above-market interest (more than 120% of the applicable federal rate) earned on Mr. Jines' deferred compensation balance in the Reliant Energy, Inc. Successor Deferral Plan (Successor Deferral Plan).