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AZ CORP COMMISSION
DOCUMENT CONTROL

June 14, 2002

William A. Mundell, Chairman
Jim Irvin, Commissioner
Marc Spitzer, Commissioner
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

DOCKET NUMBERS: E-00000-02-0051; ^AE-01345A-01-0822; E-0000A-01-0630;
E-011933A-98-0471; E-01933A02-0069
01933

As requested in Arizona Corporation Commission Chairman William Mundell's letter of May 14, 2002, to parties in the above referenced proceedings, Reliant Energy Services, Inc. and Reliant Energy Power Generation, Inc. (referred to together as "Reliant") provides its copy of two sets of Supplemental Responses, dated June 7 and June 11, 2002, to the FERC's Requests for Admissions:

Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices, Docket No. PA02-2-000; May 30, 2002 Responses of Reliant Energy Services, Inc., and Reliant Energy Power Generation, Inc.

Should you have any questions regarding the enclosed Responses, please do not hesitate to contact Mr. Aldie Warnock, at 713-207-7318.

Respectfully submitted on behalf of Reliant,

Patricia L. van Midde
Patricia L. vanMidde
Regulatory Consultant
22006 N. 55th Street
Phoenix, Arizona 85054

Enclosure

Hand delivered to:

Chairman William Mundell
Hercules Dellas, Aide to Chairman Mundell
Commissioner Jim Irvin
Kevin Barlay, Aide to Commissioner Irvin
Commissioner Marc Spitzer
Paul Walker, Aide to Commissioner Spitzer
Lyn Farmer, Chief Administrative Law Judge
Chris Kempley, Chief Counsel
Ernest Johnson, Utilities Division Director
Steve Oleo, Utilities Division

Arizona Corporation Commission

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DOCKET NO. PA02-2-000

**FACT FINDING INVESTIGATION OF POTENTIAL MANIPULATION OF
ELECTRIC AND NATURAL GAS PRICES**

Supplemental Responses to Requests for Admissions and Requests for Production

**FOR RELIANT ENERGY SERVICES, INC.
AND RELIANT ENERGY POWER GENERATION, INC.**

Supplemental Responses to Requests for Admissions

- A. Admit or Deny: The company engaged in activities referred to as “wash,” “round trip” or “sell/buyback” trading. This trading involves the sale of an electricity product to another company together with a simultaneous purchase of the same product at the same price.

RESPONSE: In its initial response submitted May 31, 2002 in this docket, Reliant¹ identified and provided information relating to its only “roundtrip” trade transacted in the WSCC in 2000-2001, which trade was executed in the cash market with a commercial counterparty at market price for the purpose of increasing volume. To further the Commission Staff’s investigation, Reliant is supplementing its response to provide transaction information and documentation relating to two 1999 roundtrip electricity transactions of the same type, both of which were executed within a reasonable range of market prices for the purpose of increasing volume (the “1999 Palo Verde transactions”). Reliant did not discuss these transactions in its initial response because, although they occurred at the Palo Verde point in Arizona, they fell outside of the Request period. These transactions have been discussed publicly in Reliant’s SEC filings and in press releases from Reliant and other parties, however, so Reliant is providing this supplement to inform the Commission Staff of the transaction details for Reliant’s 1999 roundtrip trades in the West. In addition, Reliant is supplementing its May 31, 2002 response by providing transaction information relative to the same-day, non-roundtrip transactions described in that response. This supplemental spreadsheet identifies the previously referenced non-roundtrip trades and contains a key describing the characteristics that distinguish the listed transactions from the roundtrip trades.

¹ This response is provided on behalf of Reliant Energy Services, Inc. and Reliant Energy Power Generation, Inc., the affiliates of Reliant Resources, Inc. and Reliant Energy, Incorporated that transact in wholesale bulk power markets within the U.S. portion of the Western Systems Coordinating Council (“WSCC”).

B. If you so admit, provide transaction by transaction details for all such transactions your company engaged in, including, but not limited to, the following:

1. Indicate the methods and rationale used to arrive at the value or compensation of such transactions.

RESPONSE: The 1999 Palo Verde transactions were entered into at market prices based on trades of the same products at the same points executed in the same time period. One transaction for a firm peak product for the month of September was traded at a price of \$38/MWh. The second transaction involved a buy and sell of a firm off-peak product for the month of November 1999 for \$20/MWh. Because prices for off-peak products are not published widely, Reliant has reviewed its internal price curves in effect at the time of the trade to confirm that like products were trading in the market in the same time period for prices of approximately \$19/MWh, a price within a reasonable range of Reliant's transaction price.

2. Indicate whether any such transactions were reported to Platt's, Bloomberg, or any organization that monitors, publishes or reports trading data (including bid-and-ask data) or publishes or reports prices or forward indices.

RESPONSE: After thorough investigation, Reliant concludes that it made no report of the 1999 Palo Verde transactions to Platts, Bloomberg, or any organization that monitors, publishes or reports trading data or publishes or reports prices or forward indices.²

* * *

4. Identify all traders that participated in such transactions, by name and position within your company, if employed by you, or by name and affiliation if they were not or are not presently employed by your company.

RESPONSE: See attached documents.

² Reliant does, of course, submit quarterly transaction reports to the Commission, which reports are made publicly available.

5. Identify how such transactions were executed (e.g., whether an electronic platform was used to initiate the sale, with the buy transaction subsequently arranged through a broker or by telephone).

RESPONSE: The Palo Verde transactions were executed directly with the counterparties without use of brokers or online trading platforms

* *

Supplemental Responses to Requests for Production of Documents

To the extent your company engaged in "wash," "round trip," or "sell/buyback" type transactions, provide the following documents:

- A. Provide copies of all communications or correspondence, including e-mail messages, instant messages, or telephone logs, between your company and any other company (including your affiliates or subsidiaries) that refer or relate to this activity.
- B. Provide all copies of all material, including, but not limited to, opinion letters, memoranda, communications (including e-mails and telephone logs), or reports, that address or discuss your company's knowledge of, awareness of, understanding of, or employment or use of any of any such transactions in the U.S. portion of the WSCC during the period 2000-2001.

RESPONSE: See attached documents.

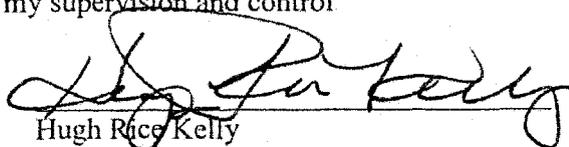
VERIFICATION

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

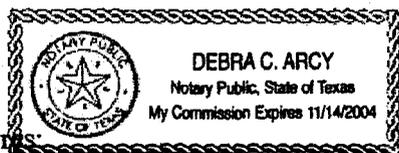
Hugh Rice Kelly, being duly sworn, deposes and says:

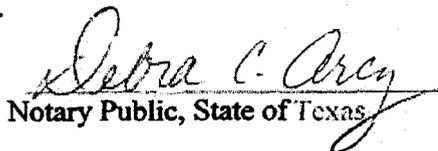
My name is Hugh Rice Kelly. I am the Executive Vice President, General Counsel and Corporate Secretary of Reliant Energy, Incorporated ("REI"), and Senior Vice President, General Counsel and Corporate Secretary of Reliant Resources, Inc. ("RRI") and am authorized to make this verification on behalf of REI, RRI and their subsidiaries, Reliant Energy Services, Inc. and Reliant Energy Power Generation, Inc. (referred to together as "Reliant").

I have examined the foregoing Supplemental Responses to May 21, Requests for Admissions and Requests for Production (the "Supplemental Responses"). Although facts stated in the Supplemental Responses are not within my personal knowledge, I certify that the information and documents provided constitute a response that is true accurate to the best of my knowledge, information, and belief formed, after a thorough investigation was diligently conducted, under my supervision and control.


Hugh Rice Kelly

SUBSCRIBED AND SWORN TO BEFORE ME, on this the 11th day of June, 2002, to certify which witness my hand and seal of office.




Notary Public, State of Texas

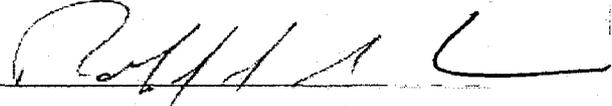
My Commission Expires

DOCKET NO. PA02-2-000

**FACT FINDING INVESTIGATION OF POTENTIAL MANIPULATION OF
ELECTRIC AND NATURAL GAS PRICES**

**Supplemental Responses of Reliant Energy Power Generation, Inc.
and Reliant Energy Services, Inc. to
May 8, 2002 Requests for Admissions, Requests for Production,
and Requests for Other Information**

Respectfully submitted,

By: 

Randolph Q. McManus
Baker Botts L.L.P.
The Warner
1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 639-7725
(202) 639-7890

**ATTORNEY FOR RELIANT ENERGY SERVICES,
INC. AND RELIANT ENERGY POWER
GENERATION, INC.**

Supplemental Responses to Requests for Production

- B. Provide copies of all material, including, but not limited to, opinion letters, memoranda, communications (including e-mails and telephone logs), or reports; that address or discuss your company's knowledge of, awareness of, understanding of, or employment or use of any of the trading strategies discussed in the Enron memoranda, or similar trading strategies, in the U.S. portion of the WSCC during the period 2000-2001. The scope of this request encompasses all material that address or discuss your company's knowledge or awareness of *other* companies' use of the trading strategies discussed in the Enron memoranda, or similar trading strategies, including, but not limited to: (i) offers by such other companies to join in transactions related to such trading strategies, regardless of whether such offers were declined or accepted; and (ii) possible responses by your companies to other companies' use of such trading strategies. To the extent that you wish to make a claim of privilege with respect to any responsive material, please provide an index of each of those materials, which includes the date of the each individual document, its title, its recipient(s) and its sender(s), a summary of the contents of the document, and the basis of the claim of privilege.

RESPONSE:

As part of its original submission of responses to this Commission on May 22, 2002, Reliant produced a 44-page slide presentation prepared by Perot Services Corporation. This document also was produced to the California Senate's Select Committee chaired by Senator Joseph Dunn, which had requested the production of much of the same material that was the subject of the Commission's May 8 Requests.

Reliant has identified no documents that would enable it to determine the exact date upon which it received a copy of the Perot Systems presentation, which is undated. The copy that Reliant produced to FERC and to Senator Dunn's Committee was located in the files of John Stout, a Reliant Senior Vice President. After an internal investigation, Reliant has not identified any other employees who recall seeing the document. Based on the contents of the document, Reliant believes that the document was received in connection with Perot Systems' sales and marketing efforts and was created in approximately the 1998 time frame.

In recent securities filings and public statements, Perot Systems indicated that this material was part of an unsuccessful sales effort by Perot Systems that began in 1997. Perot Systems also has stated that

substantially the same material was presented to California market participants other than Reliant, and that dissemination of this material had been approved by the California Power Exchange.

Perot Systems conducted a workshop for Reliant's West power traders on June 26, 1998 to provide an overview of the operation of the California energy markets. However, the employees that Reliant has identified as potentially having attended the workshop do not remember seeing or discussing the contents of the 44-page Perot Systems document prior to June 5, 2002. Accordingly, Reliant does not believe that this document was the subject of that workshop. Furthermore, consistent with public statements made by a spokesperson for the California Independent System Operator Corporation, Reliant has no reason to believe that the Perot Systems document contained anything other than publicly available market information and discussion of previously identified flaws in the design of the California wholesale market. In addition, as the document itself indicates, the identified protocol gaps and other flaws were corrected by the California Independent System Operator Corporation and the California Power Exchange Corporation.

VERIFICATION

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

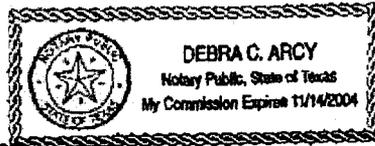
Hugh Rice Kelly, being duly sworn, deposes and says:

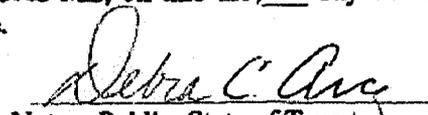
My name is Hugh Rice Kelly. I am the Executive Vice President, General Counsel and Corporate Secretary of Reliant Energy, Incorporated ("REI"), and Senior Vice President, General Counsel and Corporate Secretary of Reliant Resources, Inc. ("RRI") and am authorized to make this verification on behalf of REI, RRI and their subsidiaries, Reliant Energy Services, Inc. and Reliant Energy Power Generation, Inc. (referred to together as "Reliant").

I have examined the foregoing Supplemental Responses to Requests for Admissions, Requests for Production, and Requests for Other Information (the "Supplemental Responses"). Although facts stated in the Supplemental Responses are not within my personal knowledge, I certify that the information and documents provided constitute a response that is true and accurate to the best of my knowledge, information, and belief formed, after a thorough investigation was diligently conducted, under my supervision and control.


Hugh Rice Kelly

SUBSCRIBED AND SWORN TO BEFORE ME, on this the 7th day of June, 2002, to certify which witness my hand and seal of office.




Notary Public, State of Texas

My Commission Expires: _____