

RELIANT ENERGY INC
Form 10-Q/A
August 09, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q/A

Amendment No. 1

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-16455

Reliant Energy, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

76-0655566

(I.R.S. Employer Identification No.)

1000 Main Street

Houston, Texas 77002

(Address of Principal Executive Offices) (Zip Code)

(713) 497-3000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 2, 2005, the latest practicable date for determination, Reliant Energy, Inc. had 300,914,012 shares of common stock outstanding and no shares of common stock were held as treasury stock.

EXPLANATORY NOTE

As previously disclosed in our Current Report on Form 8-K filed on August 3, 2005, we concluded that certain parts of our unaudited interim financial statements in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, initially filed with the Securities and Exchange Commission on May 5, 2005 (the Original Form 10-Q), should be restated to correct offsetting classification errors. The errors related to transactions in our wholesale energy segment that should have been reported on a net basis in our consolidated statement of operations for the three months ended March 31, 2005. The transactions pertain to sales by our generation facilities to the PJM Interconnection, LLC (PJM) to meet our retail energy supply commitments in the PJM market. In January 2005, we began to use a new corporate subsidiary to make sales in the PJM market to facilitate our efforts to continue to grow certain retail market segments. The classification error occurred in connection with recording these transactions in the new entity. See note 1(c) to our interim financial statements for the detail of the restatement.

The misstatements had the effect of overstating revenues and purchased power by the same amount (\$68 million) for the three months ended March 31, 2005. There was no impact on (a) gross margin, (b) contribution margin, (c) operating income, (d) loss from continuing operations or (e) net loss. These misstatements also had no impact on our consolidated balance sheet as of March 31, 2005 or on our consolidated statement of cash flows for the three months ended March 31, 2005.

This Amendment No. 1 to our Quarterly Report on Form 10-Q/A is being filed to amend and restate Items 1, 2 and 4 of Part 1. The impact of the restatement is also reflected in (a) note 11; (b) note 12; and (c) (i) the operational data or volumes relating to our wholesale energy segment, (ii) the wholesale energy revenues table and (iii) the wholesale energy fuel and cost of gas sold and purchased power table, each in Management's Discussion and Analysis of Financial Condition and Results of Operations. In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, each of the foregoing items, notes and tables has been amended and restated, in its entirety, and no attempt has been made to modify or update any other items, notes, tables or other disclosures presented in the Original Form 10-Q except as required to reflect the effects of the restatement.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

When we make statements containing projections, estimates or assumptions about our revenues, income and other financial items, our plans for the future, future economic performance, transactions and dispositions and financings related thereto, we are making forward-looking statements. Forward-looking statements relate to future events and anticipated revenues, earnings, business strategies, competitive position or other aspects of our operations or operating results. In many cases you can identify forward-looking statements by terminology such as anticipate, estimate, believe, continue, could, intend, may, plan, position, potential, predict, should, will, expect, goal, guidance, outlook, effort, target and other similar words. However, the absence of these words does not mean that the statements are not forward-looking.

Although we believe that the expectations and the underlying assumptions reflected in our forward-looking statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are not guarantees of future performance or events. These statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the forward-looking statements. Among other things, the matters described in:

Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Factors in Item 7 and note 14 to our consolidated financial statements, in our Annual Report on Form 10-K for the year ended December 31, 2004 (Form 10-K) and

Management's Discussion and Analysis of Financial Condition and Results of Operations and note 10 to our interim financial statements in this Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2005 (this Form 10-Q/A)

could cause actual results to differ materially from those expressed or implied in our forward-looking statements.

Each forward-looking statement speaks only as of the date of the particular statement and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

PART I.
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RELIANT ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Thousands of Dollars, Except Per Share Amounts)

(Unaudited)

	Three Months Ended March 31,	
	2005	2004
	(As Restated)	
Revenues:		
Revenues (including \$(149,458) and \$(4,151) unrealized losses)	\$ 1,869,091	\$ 1,664,714
Expenses:		
Fuel and cost of gas sold (including \$126,284 and \$22,174 unrealized gains)	392,728	215,302
Purchased power (including \$152,990 and \$8,350 unrealized gains)	1,018,098	998,233
Operation and maintenance	206,468	229,710
Selling and marketing	18,985	17,666
Bad debt expense	8,610	8,744
Other general and administrative	31,664	56,042
Loss on sales of receivables		9,187
Accrual for payment to CenterPoint Energy, Inc.		1,658
Loss on sale of landfill-gas assets	4,461	
Depreciation	109,386	98,382
Amortization	5,883	8,429
Total	1,796,283	1,643,353
Operating Income	72,808	21,361
Other Income (Expense):		
Gains (losses) from investments, net	7	(169)
Loss of equity investments, net	(168)	(806)
Other, net	80	760
Interest expense	(105,345)	(91,867)
Interest income	5,212	5,103
Total other expense	(100,214)	(86,979)
Loss from Continuing Operations Before Income Taxes	(27,406)	(65,618)
Income tax benefit	(2,484)	(22,857)
Loss from Continuing Operations	(24,922)	(42,761)
Loss from discontinued operations before income taxes		(6,809)
Income tax benefit		(3,909)
Loss from discontinued operations		(2,900)
Loss Before Cumulative Effect of Accounting Change	(24,922)	(45,661)
Cumulative effect of accounting change, net of tax		7,290
Net Loss	\$ (24,922)	\$ (38,371)
Basic and Diluted Earnings (Loss) per Share:		
Loss from continuing operations	\$ (0.08)	\$ (0.14)

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Loss from discontinued operations, net of tax			(0.01)
Loss before cumulative effect of accounting change	(0.08)		(0.15)
Cumulative effect of accounting change, net of tax			0.02
Net loss	\$	(0.08)	\$ (0.13)

See Notes to our Unaudited Consolidated Interim Financial Statements

RELIANT ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Thousands of Dollars, Except Share and Per Share Amounts)

(Unaudited)

	March 31, 2005	December 31, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 115,280	\$ 106,613
Restricted cash	11,609	15,610
Accounts and notes receivable, principally customer, net of allowance of \$33,035 and \$42,589	919,977	1,089,058
Inventory	282,246	273,128
Derivative assets	190,881	312,232
Margin deposits on energy trading and hedging activities	737,399	509,726
Accumulated deferred income taxes	106,472	117,341
Prepayments and other current assets	169,494	205,569
Total current assets	2,533,358	2,629,277
Property, plant and equipment, gross	8,384,099	8,403,308
Accumulated depreciation	(1,091,968)	(1,013,178)
Property, Plant and Equipment, net	7,292,131	7,390,130
Other Assets:		
Goodwill	439,362	440,534
Other intangibles, net	621,268	611,524
Net California receivables subject to refund	201,000	200,086
Equity investments	83,632	83,819
Derivative assets	347,340	272,254
Accumulated deferred income taxes		2,000
Prepaid lease	253,310	243,463
Restricted cash		25,547
Other	264,141	248,231
Total other assets	2,210,053	2,127,458
Total Assets	\$ 12,035,542	\$ 12,146,865
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Current portion of long-term debt and short-term borrowings	\$ 310,952	\$ 618,854
Accounts payable, principally trade	552,627	572,886
Derivative liabilities	309,427	409,110
Margin deposits from customers on energy trading and hedging activities	20,307	19,040
Retail customer deposits	68,288	64,486
Accumulated deferred income taxes	2,192	6,878
Other taxes payable	67,783	90,075
Other	302,643	288,686
Total current liabilities	1,634,219	2,070,015
Other Liabilities:		
Accumulated deferred income taxes	321,225	395,491
Derivative liabilities	503,781	311,222
Benefit obligations	152,335	156,472
Other	229,476	250,454
Total other liabilities	1,206,817	1,113,639
Long-term Debt	4,910,121	4,576,857

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Commitments and Contingencies Stockholders Equity:

Preferred stock; par value \$0.001 per share (125,000,000 shares authorized; none outstanding)			
Common stock; par value \$0.001 per share (2,000,000,000 shares authorized; 300,708,456 and 299,812,305 issued)		62	61
Additional paid-in capital		5,799,810	5,790,007
Treasury stock at cost, 0 and 128,264 shares			(2,209)
Retained deficit		(1,392,870)	(1,367,948)
Accumulated other comprehensive loss		(122,617)	(33,557)
Stockholders equity		4,284,385	4,386,354
Total Liabilities and Stockholders Equity		\$ 12,035,542	\$ 12,146,865

See Notes to our Unaudited Consolidated Interim Financial Statements

RELIANT ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of Dollars)

(Unaudited)

	Three Months Ended March 31,	
	2005	2004
Cash Flows from Operating Activities:		
Net loss	\$ (24,922)	\$ (38,371)
Loss from discontinued operations		2,900
Net loss from continuing operations and cumulative effect of accounting change	(24,922)	(35,471)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Cumulative effect of accounting change		(7,290)
Depreciation and amortization	115,269	106,811
Deferred income taxes	1,987	(21,783)
Net unrealized gains on energy derivatives	(129,816)	(26,373)
Amortization of deferred financing costs	4,065	8,117
Other, net	40,848	19,067
Changes in other assets and liabilities:		
Accounts and notes receivable, net	170,037	83,549
Receivables facility proceeds, net		46,000
Inventory	(9,118)	25,522
Margin deposits on energy trading and hedging activities, net	(226,406)	(76,063)
Net non-trading derivative assets and liabilities	61,373	262
Prepaid lease obligation	(9,847)	(11,252)
Other current assets	36,075	(25,054)
Other assets	(34,317)	(37,867)
Accounts payable	(20,338)	(8,420)
Taxes payable/receivable	(1,335)	81,260
Other current liabilities	(15,410)	(48,718)
Other liabilities	975	2,155
Net cash provided by (used in) continuing operations from operating activities	(40,880)	74,452
Net cash provided by discontinued operations from operating activities		3,950
Net cash provided by (used in) operating activities	(40,880)	78,402
Cash Flows from Investing Activities:		
Capital expenditures	(14,472)	(69,025)
Restricted cash	29,548	