

RELIANT ENERGY INC  
Form DEF 14A  
April 28, 2005  
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**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

Filed by a Party other than the Registrant

Check the appropriate box:

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

**RELIANT ENERGY, INC.**

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(Name of Registrant as Specified In Its Charter)

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

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**Proxy Statement**

**and**

**Notice of 2005 Annual Meeting of Stockholders**

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April 28, 2005

**NOTICE OF 2005 ANNUAL MEETING OF STOCKHOLDERS**

Dear Stockholder:

You are invited to attend the 2005 Annual Meeting of Stockholders of Reliant Energy, Inc. on Tuesday, June 7, 2005, beginning at 9:00 a.m., Eastern Time, at the Renaissance Pittsburgh Hotel, 107 Sixth Street, Pittsburgh, Pennsylvania, in the Symphony Ballroom.

At the meeting, stockholders will be asked to:

1. Elect two directors to our Board of Directors;
2. Ratify the Audit Committee's selection of Deloitte & Touche LLP as our independent auditors for 2005;
3. Vote on a stockholder proposal requesting that the Board of Directors take action required to eliminate the classified structure of the Board; and
4. Transact such other business that may properly come before the meeting.

Stockholders of record at the close of business on April 12, 2005 are entitled to vote. Each share entitles the holder to one vote. You may vote by (a) attending the meeting, (b) completing 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. Check-in will begin at 8:15 a.m. Stockholders holding stock in brokerage accounts will need to bring a brokerage statement as proof of share ownership. If you need special assistance at the Annual Meeting because of a disability, please contact our Assistant Corporate Secretary, Wendi Zerwas, at (713) 497-5636.

Sincerely,

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

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**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 2005 Annual Meeting of Stockholders and for any adjournment or postponement of the Annual Meeting. In this proxy statement, we refer to Reliant Energy, Inc. as the Company, we, our or us.

We intend to mail this proxy statement and a proxy card to stockholders starting on or about May 6, 2005.

**What is the purpose of the Annual Meeting?**

At the Annual Meeting, stockholders will act upon the matters outlined in the notice of meeting on the cover page of this proxy statement, including the election of directors, ratification of our independent auditors and consideration of a stockholder proposal, if properly presented at the meeting.

**Who is entitled to vote at the Annual Meeting?**

Only stockholders of record at the close of business on April 12, 2005, the record date for the meeting, are entitled to receive notice of and participate in the Annual 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 give your proxy directly to us, to give your voting instructions on the Internet or by telephone or to vote in person at the Annual Meeting.

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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 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 as described on the proxy card.

### **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 Annual Meeting or by proxy whether or not you attend the meeting. To vote by proxy, you must either:

Complete the enclosed proxy card, sign it 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.

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### **Can I change my vote?**

Yes, you may change your vote by (a) sending in a new proxy card with a later date; (b) casting a new vote by telephone or over the Internet; 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 attend the Annual Meeting and want to vote in person, you can request that your previously submitted proxy not be used.

### **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 auditors, the Audit Committee, recommends a vote:

*FOR* election of the nominated slate of directors (see Item 1);

*FOR* ratification of the appointment of Deloitte & Touche LLP as our independent auditors for fiscal 2005 (see Item 2); and

*AGAINST* approval of the stockholder proposal (see Item 3).

With respect to any other matter that properly comes before the meeting, Laree E. Perez and Steven L. Miller (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 Annual Meeting?**

We will have a quorum, and will be able to conduct the business of the Annual Meeting, if the holders of a majority of the shares entitled to vote are represented in person or by proxy at the meeting. As of the record date, 300,793,957 shares of common stock, representing the same number of votes, were outstanding. Thus, the presence of the holders of at least 150,396,979 shares of common stock will be required to establish a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the votes considered to be present at the meeting.

A broker non-vote occurs when a broker lacks discretionary voting power to vote on a non-routine proposal and a beneficial owner fails to give the broker voting instructions on that matter. The rules of the New York Stock Exchange determine whether or not matters presented at the Annual Meeting are routine or non-routine in nature. The election of directors and the ratification of the appointment of Deloitte & Touche LLP as our independent auditors are considered routine items. However, stockholder proposals are non-routine and thus brokers may not exercise discretion to vote on such proposals.

### **What vote is required to approve each item?**

Directors are elected by a plurality of the votes cast. The ratification of Deloitte & Touche LLP's appointment and the approval of the stockholder proposal each require the affirmative vote of a majority of the shares of common stock represented at the Annual Meeting and entitled to vote thereon.

**How are my votes counted?**

*Election of Directors.* You may vote *FOR* or *WITHHOLD AUTHORITY* for each director nominee. If you *WITHHOLD AUTHORITY*, your votes will be counted for purposes of establishing a quorum but will have no effect on the election of directors.

*Ratification of Our Auditors and Adoption of Stockholder Proposal.* You may vote *FOR*, *AGAINST* or *ABSTAIN* on our proposal to ratify the selection of our auditors as well as the adoption

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of the stockholder proposal. If you *ABSTAIN* on either of these proposals, your votes will be counted for purposes of establishing a quorum, and the abstention will have the same effect as a vote *AGAINST* the proposal. Broker non-votes, if any, will not be counted as having been voted and will have no effect on the outcome of either of these proposals.

**What if I do not vote for some of the matters listed on my proxy card?**

If you return a signed proxy card without indicating your vote, in accordance with the Board's recommendation, your shares will be voted *FOR* the director nominees listed on the proxy card, *FOR* the proposal to ratify the selection of our auditors and *AGAINST* the stockholder proposal.

**Can the shares that I hold in a brokerage account or the Reliant Benefit Plans be voted if I do not return my proxy card, vote by telephone or over the Internet or attend the Annual Meeting?**

*Shares held in street name.* If you do not vote your shares held in street name, your broker can vote your shares on any of the matters scheduled to come before the meeting, other than the stockholder proposal. If your broker does not have discretion to vote your shares held in street name on the stockholder proposal and you do not give your broker instructions on how to vote your shares, the votes will be considered as broker non-votes.

*Shares held in the Reliant Benefit Plans.* If you do not provide voting instructions as described on the proxy card for the shares you hold indirectly in the Reliant Benefits Plans, then the plan trustee will vote such shares in the same proportion as the shares for which timely instructions were received unless the trustee determines that to do so would not be an appropriate fiduciary action. Instructions must be provided by 12:00 a.m., Central Time, on June 3, 2005.

**Could other matters be decided at the Annual Meeting?**

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

**What happens if the Annual Meeting is postponed or adjourned?**

If the Annual 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.

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**CORPORATE GOVERNANCE**

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

**Governance of the Company**

**Corporate Governance Guidelines**

We are committed to having 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 the governance of the Company. A complete copy of the current version of our Corporate Governance Guidelines, the charters of all our Board committees (Audit, Compensation and Nominating & Governance), the Business Ethics Policy and the Corporate Compliance Program are available on our Investor Relations website, which can be reached through a link at <http://www.reliant.com/corporate>. The Board of Directors regularly reviews corporate governance developments and modifies these charters, policies and programs as appropriate.

**Code of Business Conduct**

We have adopted a 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 (the SEC) definition of a code of ethics. All of our directors, officers and employees are required to annually certify their compliance with the Policy. The Policy requires that any exception to or waiver of the Policy for executive officers and directors be made only by the Board or an independent committee of the Board. We disclose any waivers or amendments to the Policy on our website. To date, we have neither received any requests for, nor granted, waivers of the Business Ethics Policy for any of our directors or executive officers.

Among other things, the Business Ethics Policy addresses:

Conflicts of interest;

Corporate opportunities;

Confidentiality;

Fair dealing;

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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; and

Proper conduct in interacting with government agencies and officials.

The Business Ethics 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 the Company, (b) trading in Company 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/or (c), in the case of executive officers, receiving any tax services provided by the Company's independent auditors.

Under the terms of the Business Ethics Policy, each independent director of the Company is required to use reasonable efforts to ensure that he or she does not have any relationships or engage in any activities that would

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result in the director not being independent, as defined by applicable laws, rules and regulations. 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 the Company's General Counsel or, in certain cases, the Board.

The Business Ethics Policy also sets forth procedures for employees and other representatives of the Company to report possible violations of laws, regulations or the Policy. Reports may be made to an employee's immediate supervisor, the 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 by telephoning a toll-free compliance hotline, which is administered by a third party. All reported violations are investigated promptly and, to the extent possible, are 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 Business Ethics Policy.

## **Corporate Compliance Program**

We have a Corporate Compliance Program that implements measures to ensure compliance with the terms of the Business Ethics Policy. The compliance program is subject to oversight by the Audit Committee. Additionally, we have a Corporate Compliance Officer responsible for implementing and reviewing measures to ensure compliance with and proper functioning of the Business Ethics Policy. Our Corporate Compliance Officer works with the Office of Ethics and Compliance, a group composed of the Company's Chief Executive Officer, Chief Financial Officer, Chief Risk Control Officer, General Counsel and Corporate Compliance Officer, to monitor compliance with the Business Ethics Policy and confirm the current policies and controls adequately ensure that our business practices are consistent with the Business Ethics Policy. The Office of Ethics and Compliance meets monthly to discuss compliance matters and to monitor the efficacy and effectiveness of the Company's Corporate Compliance Program.

## **Board of Directors**

### **Meetings of the Board**

Our employees manage our business under the direction and oversight of the Board of Directors, which is composed of seven directors. During 2004, the Board met six times with all of our directors attending at least 80% of the meetings.

### **Meetings of Non-Management Directors and Lead Director**

To facilitate candid discussion by our non-management directors, the agenda for each regularly scheduled Board and committee meeting provides for a meeting of non-management directors in executive session. The Chairman of the Nominating & Governance Committee is designated as the Lead Director empowered under our Corporate Governance Guidelines to preside over meetings of non-management directors, assist in the preparation of the agenda for each meeting and review each such agenda in advance of the meeting.



**Substantial Majority of Independent Directors**

Our Corporate Governance Guidelines require that the Board be composed of a substantial majority of directors who meet the criteria for independence established by the New York Stock Exchange.

Pursuant to our Corporate Governance Guidelines, the Nominating & Governance Committee of the Board annually reviews relationships between each director and the Company and reports the results of its review to the Board, which then determines which directors satisfy the applicable independence standards. The Board has

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determined that independence will be assessed on a case-by-case basis rather than pursuant to arbitrary or categorical standards.

As a result of this process, our Board determined that each of the following directors is independent: Ms. Perez and Messrs. Barnett, Breeding, Caldwell, Miller and Transier. 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. In confirming Mr. Transier's status as an independent director, the Board reviewed the terms of a sublease pursuant to which a subsidiary of Endeavour International Corporation, a corporation of which Mr. Transier is Co-Chief Executive Officer, a director and minority shareholder, subleased 16,013 square feet of unused office space in our corporate headquarters building effective January 2005. In determining that the sublease did not constitute a material relationship between Mr. Transier and the Company, the Board noted the relatively insignificant amount of lease payments (expected to be approximately \$192,000 in 2005), the relatively small amount of office space subject to the sublease and the short term of the sublease (3 1/2 years). In addition, the Board observed that the Company received the advice of an independent real estate consultant that the terms of the sublease were (a) fair and reasonable, (b) consistent with subleases in comparable transactions in the Houston market and (c) on terms no more favorable than those that could have been obtained from unrelated parties in a similar transaction.

## **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 2004 Annual Meeting and we expect all will be present for the 2005 Annual Meeting.

## **Director Stock Ownership**

We believe that equity ownership in a company aligns the interests of its directors more closely with the Company's stockholders. As such, we have structured our director compensation programs to encourage equity investments in the Company. For additional information regarding director compensation, see Compensation of Directors.

Under our Corporate Governance Guidelines, within a reasonable period of time after election to the Board, each director is encouraged to own stock in the Company in an amount appropriate to his or her financial circumstances. In addition, stock ownership is one of the specific factors discussed and considered in conjunction with our annual director evaluation process.

## **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 the responsibilities of directors of public companies. In addition, the Company, on behalf of the Nominating & Governance Committee, prepares a list of external seminars for use by Company directors. Each director is encouraged to attend one external director education seminar per year. New directors participate in special orientation programs. The Nominating & Governance Committee reviews and evaluates the director education and orientation program on an annual basis. In 2005, all of our directors participated in director education programs. A copy of our Guidelines for Director Orientation and Continuing Education is available on our Investor Relations website, which can be reached through a link 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 Board considers on a case-by-case basis the number of public company boards on which a director sits. Our Corporate Governance Guidelines require directors to advise the Chairman of the Board and the Chairman of the Nominating & Governance Committee prior to accepting an invitation to serve on the board of another public

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company. 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 or committee assignments. The Company's Audit Committee Charter prohibits committee members from serving on the audit committee of more than two other public companies.

No member of our Board currently serves on the boards of more than two other public companies.

## **Change in Professional or Personal Circumstances**

The Nominating & Governance Committee of the Board evaluates material changes in the personal or professional status of a director that may be expected to diminish the director's ability to effectively function as a member of the Board. In addition, our Board considers changes (or expected changes) in professional status and health, family, business or personal issues that may bear on effectiveness of board service as part of the annual director evaluation process.

## **Mandatory Director Retirement and Term Limits**

In July 2004, we amended our bylaws to eliminate a provision that required directors to retire at the age of 70 unless the Board of Directors made an affirmative determination to waive the provision. The Board eliminated the provision, in part, because its existence was inconsistent with the Board's desire to encourage diversity in its membership. Instead of relying upon a fixed mandatory retirement age, our Board addresses in its annual evaluation of individual directors the following factors: health, changes in personal or professional circumstances and continuing interest in Board service. We believe that our annual evaluation process supplants the need for a mandatory retirement policy. As of May 1, 2005, the average age of our Board members was 59 years.

The Company does not have term limits for its directors. Instead, our Board addresses the suitability for continued service as a director upon the expiration of each director's term.

## **Board and Individual Director Evaluation Process**

The Nominating & Governance Committee of the Board conducts an annual review and evaluation of the performance of the Board and its committees. The Committee solicits comments from all Board members and the results are reviewed with the Board. Because the purpose of this process is to increase Board effectiveness, the Committee also makes appropriate recommendations for Board action.

In addition, the Nominating & Governance Committee annually reviews the suitability for continued service of each director upon the expiration of his or her term and recommends to the Board whether or not the director should be re-nominated for election at the next annual meeting. As part of this process, the Nominating & Governance Committee develops, with input from other members of the Board, a discussion outline for use in connection with individual director evaluations. The Chairman of the Board meets privately with each director to review and discuss the outline and then reviews, on a confidential basis, the evaluation results with the Chairman of the Nominating & Governance Committee.

**Succession Planning for the Chief Executive Officer**

The Compensation Committee of the Board annually reports to the Board on succession planning, including policies and principles for executive officer selection, and works with the Board to evaluate potential successors to the Chief Executive Officer. As part of this process, the Compensation Committee is required to solicit views from the non-management members of the Board. The Company has also adopted policies regarding succession in the event of an emergency or the unexpected resignation, retirement or incapacity of the Chief Executive Officer.

**Table of Contents****Committees of the Board****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 2004. All of our directors attended at least 90% of the meetings of the Board committees on which they served in 2004.

<u>Committee</u>	<u>Members</u>	<u>Number of Meetings Held in 2004</u>
Audit Committee	Laree E. Perez (Chairman)	10
	Donald J. Breeding	
	William L. Transier	
Compensation Committee	William L. Transier (Chairman)	8
	E. William Barnett	
	Steven L. Miller	
Nominating & Governance Committee	E. William Barnett (Chairman)	4
	Donald J. Breeding	
	Kirbyjon H. Caldwell	
	Steven L. Miller	
	Laree E. Perez	

**Summary of Committee Responsibilities and Regulatory Compliance*****Audit Committee***

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

The quality and integrity of the financial statements;

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Our compliance with legal and regulatory requirements;

The independent auditor's qualifications and independence;

Our compliance program and the activities of the Corporate Compliance Officer and Chief Risk Officer; and

The performance of our internal audit function and independent auditors.

In addition, our Audit Committee annually conducts a review of the Company's environmental policies and initiatives, including discussions with management about the Company's policies and initiatives relating to greenhouse emissions, and reviews disclosures regarding deficiencies in the design or operation of internal controls.

The Board has determined that all of the members of the Audit Committee are independent directors within the meaning of the SEC's rules and regulations, the listing standards of the New York Stock Exchange and our Corporate Governance Guidelines. The Board has determined that Ms. Perez, the chairperson of the Audit Committee, and Mr. Transier are qualified as audit committee financial experts within the meaning of the SEC's rules and regulations. In addition, the Board has determined that each member of the Audit Committee has the accounting and related financial management expertise within the meaning of the listing standards of the New York Stock Exchange. None of the members of our Audit Committee simultaneously serves on the Audit Committee of more than two public companies.

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***Nominating & Governance Committee***

The Nominating & Governance Committee is responsible for advising the Board about and recommending to the Board appropriate corporate governance practices and assisting the Board in implementing those practices. The Nominating & Governance Committee reports to the Board regarding, and recommends to the Board for adoption, appropriate corporate governance guidelines and modifications to these guidelines. In addition, the Nominating & Governance Committee assists the Board in identifying individuals qualified to become board members, and recommends to the Board director nominees for election at the Annual Meeting of Stockholders or for appointment to fill vacancies. The Nominating & Governance Committee leads the Board in its annual review of the performance of the Board and its committees. The Nominating & Governance Committee also annually reviews relationships between each director and the Company and reports the results of its review and makes appropriate recommendations for final action to the Board. The chairman of the Nominating & Governance Committee is designated as the Lead Director who, in turn, is responsible for presiding over meetings of non-management directors and working with the Chairman of the Board to set agenda items for the Board's consideration.

The Board has determined that all of the members of the Nominating & Governance Committee are independent directors within the meaning of the listing standards of the New York Stock Exchange and our Corporate Governance Guidelines.

***Compensation Committee***

The Compensation Committee, in accordance with its charter, has direct responsibility for the following:

Review, evaluation and approval of our agreements, plans, policies and programs to compensate our officers and directors;

Oversight of our plans, policies and programs to compensate our employees;

The production of a report on executive compensation each year for inclusion in our proxy statement for the Annual Meeting;

Evaluation of the performance of the Chief Executive Officer and our executive management; and

The determination of compensation of the Chief Executive Officer and such other members of our executive management as the Compensation Committee deems appropriate.

The Board has determined that all of the members of the Compensation Committee are independent directors within the meaning of the listing standards of the New York Stock Exchange and our Corporate Governance Guidelines.



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**Director Nominations**

**Director Qualifications and Nomination Process**

The Nominating & Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and stockholders. The Committee may retain a third-party executive search firm to assist it in identifying candidates.

Once the Nominating & Governance Committee has identified a prospective nominee, the Committee makes an initial determination as to whether to conduct a full evaluation of the candidate. The initial determination is based on whatever information is provided to the Committee with the recommendation of the prospective candidate, as well as the Committee's own knowledge of the prospective candidate, which may be supplemented by 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 prospective nominee can satisfy the evaluation factors described below.

The Committee then evaluates the prospective nominee against the standards and qualifications set out in our Corporate Governance Guidelines and its charter, including:

A candidate's experience;

Independence (as defined by applicable New York Stock Exchange and SEC rules and regulations);

Knowledge;

Commitment to our core values;

Skills, expertise, independence of mind and integrity;

Relationships with the Company;

Service on the boards of directors of other companies;

Openness, ability to work as part of a team and willingness to commit the required time; and

Familiarity with the Company and its industry.

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The Nominating & Governance 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 Audit Committee expertise.

In connection with its evaluation, the Committee determines whether to interview the prospective nominee and, if warranted, one or more members of the Committee, and others, as appropriate, may interview prospective nominees in person. After completing this evaluation and interview, the Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Committee.

We did not pay a fee to any third party to assist in the process of identifying or evaluating nominees for election as Class III directors at the Annual Meeting nor did we receive any director candidates for election as Class III directors at the Annual Meeting put forward by a stockholder or group of stockholders who beneficially own more than 5% of our common stock.

### **Submission of Stockholder Nominations to the Board of Directors**

A stockholder who wishes to recommend a prospective nominee for the Board should notify the Company at Reliant Energy, Inc., P.O. Box 1384, Houston, Texas 77251-1384. The notice should be addressed to the

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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 **Additional Information** **Stockholder Proposals** below.

## **Stockholder Communications to the Board**

Stockholders and other parties interested in communicating directly with the Chairman of the Nominating & Governance Committee (who is designated as the Lead Director), the non-management directors as a group or the Board regarding the Company 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 Investor Relations website, which can be reached through a link 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 Pinkerton Compliance Services at the following address:

Reliant Energy Compliance Hotline

P.M.B. 3767

Pinkerton Compliance Services

13950 Ballantyne Corporate Place

Charlotte, North Carolina 28277

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

The Nominating & Governance Committee of the Board has approved a process for handling letters or other communications received by the Company and addressed to non-management members of the Board. Under this process, our Corporate Secretary reviews all correspondence that, in the opinion of the Corporate Secretary, deals with the functions of the Board or subcommittees thereof or that he otherwise determines requires their attention. The Corporate Secretary has the discretion to not 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 handle, in his discretion, 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. In addition, directors may at any time request copies of all correspondence received by the Company 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 with respect to such matters.

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**ITEMS TO BE VOTED ON BY STOCKHOLDERS**

**Item 1: Election of Directors**

Our Board is divided into three classes having staggered terms. Our Chairman and Chief Executive Officer, Joel V. Staff, together with Kirbyjon H. Caldwell and Steven L. Miller are designated as our Class I directors. The term of office for our Class I directors expires at our 2006 Annual Meeting. The term of office for our Class II directors, Laree E. Perez and William L. Transier, will expire at our 2007 Annual Meeting. The term of office for our Class III directors, E. William Barnett and Donald J. Breeding, expires at our 2005 Annual Meeting. Following election to the Board, each class of directors will serve for a term of three years and until their successors are elected and qualified.

Based on recommendations from our Nominating & Governance Committee, our Board has nominated its current Class III directors, Messrs. E. William Barnett and Donald J. Breeding, for reelection to our Board as Class III directors with their term of office expiring at our 2008 Annual Meeting. We have no reason to believe that either Mr. Barnett or Mr. Breeding will be unavailable for election; however, if either nominee becomes unavailable for election, our Board can name a substitute nominee and proxies will be voted for the substitute nominee pursuant to discretionary authority, unless withheld.

**OUR BOARD RECOMMENDS A VOTE FOR THE CLASS III DIRECTOR NOMINEES.**

We describe the principal occupations and other information about our nominees to our Board and its incumbent members below.

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**Class III Director Nominees Term Expiring 2008**

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*E. William Barnett, Age 72*

*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 a member of its audit and conflicts committee and chairman of its governance committee. In addition, he is a member of the Board of Directors of numerous educational, health care and community organizations, including chairman of the Board of Trustees of Rice University and Life Trustee of The University of Texas Law School Foundation. Mr. Barnett was managing partner of the law firm Baker Botts LLP from January 1984 to December 1997.

*Donald J. Breeding, Age 70*

*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, Inc. and is chairman of its nominating and corporate governance committee and a member of its compensation committee.

**Incumbent Class I Directors Term Expiring 2006**

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*Joel V. Staff, Age 61*

*Director since October 2002*

Mr. Staff has served as Chairman and Chief Executive Officer of the Company since April 2003. From May 2001 to May 2002, he was Executive Chairman of National-Oilwell, Inc. (now National Oilwell Varco, Inc.), an international oil and gas services and equipment company. From July 1993 to May 2001, Mr. Staff served as Chairman, President and Chief Executive Officer of National-Oilwell, Inc. He also serves on the Board of Directors of ENSCO International Incorporated and is a member of its nominating, governance and compensation committee.

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*Kirbyjon H. Caldwell, Age 51*

*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 59*

*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, he 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. Mr. Miller also serves on the Board of Directors of Applied Materials, Inc. and is the chairman of its human resources and compensation committee and a member of its corporate governance and nominating committee.

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**Incumbent Class II Directors Term Expiring 2007**

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*Laree E. Perez, Age 51*

*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.

*William L. Transier, Age 50*

*Director since December 2002*

Mr. Transier has served as Co-Chief Executive Officer of Endeavour International Corporation, an international oil and gas exploration and production company focused on the North Sea, since February 2004. From March 1999 to April 2003, Mr. Transier 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 also serves on the Board of Directors of Cal Dive International, Inc. and is the chairman of its compensation committee and a member of its executive committee and audit committee.

**Item 2: Ratification of Appointment of Independent Auditors**

Our 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 the Company's independent auditors.

Based on this review, our Audit Committee has appointed Deloitte & Touche LLP as independent auditors to conduct our annual audit for 2005. Deloitte & Touche LLP has served as our independent auditors since our incorporation in 2000. Although stockholder approval is not required for the appointment of Deloitte & Touche LLP, the Board and the Audit Committee have determined that it would be desirable as a good corporate governance practice to request the stockholders to ratify the selection of Deloitte & Touche LLP as our independent auditors. Ratification requires the affirmative vote of a majority of the shares entitled to vote on, and voted for or against, the matter, represented in person or by proxy at the Annual Meeting. If our stockholders do

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not ratify the appointment, our Audit Committee may reconsider the appointment. However, even if 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 the Company and its stockholders.

Representatives of Deloitte & Touche LLP will be present at the Annual Meeting and will have an opportunity to make a statement if they wish. They will be available to respond to questions from stockholders at the meeting.

**OUR BOARD RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS INDEPENDENT AUDITORS.**

**Item 3: Stockholder Proposal Elimination of Classified Board of Directors**

We have been notified that Mr. Harold J. Mathis, Jr., whose address is P.O. Box 1209, Richmond, Texas 77406-1209 and who is a holder of 2,523 shares of our common stock intends to present the following proposal for consideration at the Annual Meeting:

RESOLVED: That the stockholders of Reliant Energy, Inc., assembled in annual meeting in person or by proxy, hereby request that the Board of Directors take the needed steps to provide that at future elections of directors new directors be elected annually and not by classes, as is now provided, and that on expiration of present terms of directors their subsequent elections shall also be on an annual basis.

REASONS

It is this proponent's belief that classification of the Board of Directors is not in the best interest of Reliant Energy, Inc. and its shareholders. This proponent also believes that it makes a Board less accountable to shareholders when all directors do not stand for election each year; the piecemeal election insulating directors and senior management from the impact of poor performance.

At the 2004 annual meeting of CenterPoint Energy, Inc. a majority of the YES/NO vote, 58.31%, 120,037.851 shares were cast in favor of a similar proposal to elect all directors annually.

The Council of Institutional Investors' Council Policies state at:

*[www.cii.org/dcwascii/web.nsf/doc/policies\\_i.cm](http://www.cii.org/dcwascii/web.nsf/doc/policies_i.cm)*

The Board of Directors

All directors should be elected annually (no classified boards.)



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It is the strong belief of this proponent, Harold J. Mathis, Jr., P.O. Box 1209, Richmond, Texas 77406, who is the owner of 2523 shares, that classified boards are rapidly becoming a thing of the past as more companies demonstrate a greater commitment to the principles of corporate democracy, adhering to policies that maximize accountability to shareholders.

In fact, a large number of publicly traded companies, including ChevronTexaco, FirstEnergy, American International Group, Halliburton, TXU, ConEdison, CSX Corp., Motorola, General Motors, Nicor, Inc., ExxonMobil, ADM, J.P. Morgan, Chase & Co., Xerox, Bristol-Meyers Squibb, Advanced Micro Devices, Ford Motor Co., Bank of America, Altria Group, Freeport-McMoran Copper & Gold, American Express, Johnson & Johnson, Tyson Foods, Hewlett-Packard, Co., AT&T, Southern Co., Weingarten Realty, Schlumberger, Home Depot, Wells Fargo, Citicorp, Walt Disney Co., IBM, General Electric, Microsoft, Intel and Dell, to name just a few, elect all directors annually as cited in each company's respective proxy statement for 2004.

Why should Reliant Energy, Inc. shareholders continue the piecemeal approach of waiting three years to complete their evaluation of the entire Board?

REGISTER YOUR VIEWS ON THE TOTAL BOARD'S PERFORMANCE EACH YEAR.

Protect your investment through better corporate governance and board accountability. Vote YES to evaluate director performance each year.

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PLEASE MARK YOUR PROXY IN FAVOR OF THIS PROPOSAL.

Beware! At Reliant Energy, abstentions will have the same effect as a vote against this proposal.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL FOR THESE REASONS:**

The Board of Directors has given the proposal to declassify the Board extensive consideration. For the reasons set forth below, the Board has concluded that it would not be appropriate to take the action requested in the proposal.

The Board believes that a classified board can play an important role in ensuring that the interests of all stockholders are protected in connection with an unsolicited takeover proposal. For example, absent a classified board, a potential acquirer receiving a simple plurality of the votes cast at an annual meeting could replace a majority of the Board with its own nominees and thereby gain control of the Company at a single meeting without paying a premium to the Company's stockholders. A classified board structure thus encourages a potential acquirer to negotiate with the Board on an arm's length basis and, by reducing the threat of the imminent removal of a majority of the Board, gives the Board the time and the leverage necessary to evaluate the adequacy and fairness of a takeover proposal, negotiate the best result for all stockholders and consider alternative proposals. The existence of a classified board in and of itself does not prevent a potential acquirer from making a successful proposal to acquire the Company.

The Board disagrees with the proponent's conclusion that classified boards make directors less accountable to stockholders. The fiduciary duties of directors elected to three-year terms are identical to those of directors elected annually. In addition, the Board believes the quality, integrity and caliber of the individual directors are far more important to a well-functioning board than the term for which they are elected. The Board also notes that, since one-third of its members stand for election each year, stockholders have the opportunity annually to withhold votes from directors in order to express any dissatisfaction they may have with the Board or the Company's management.

The Board notes that a significant percentage of Fortune 500 companies have classified board structures. In support of classified board structures, many companies believe that electing directors with staggered three-year terms can help assure the continuity and stability of a company's business strategies and policies. In addition, companies often note that the experience accumulated and knowledge gained by directors over a three-year term can help make directors more effective in fulfilling their responsibilities and that three-year terms can help companies attract and retain qualified individuals who are willing to make the commitment and take on the responsibilities that service as a director entails.

Notwithstanding the Board's current determination to retain the Company's classified board structure, the Board is aware that proposals to declassify boards are receiving an increasing level of support from investor groups. As part of its annual evaluation of governance matters, the Board will continue to review the classified board structure. At present, however, the Board believes that retention of the Company's existing classified board structure is in the best interests of the Company and its stockholders.

Adoption of this proposal would not in itself effectuate the changes contemplated by the proposal. Further action by the stockholders would be required to amend the Certificate of Incorporation. Under the Certificate of Incorporation, a 66<sup>2</sup>/<sub>3</sub>% vote of the outstanding shares would be required for approval. In addition, under Delaware law, amendments to the Certificate of Incorporation require a recommendation from the Board of Directors prior to submission to the Company's stockholders. While the Board would consider such an amendment, it would do so consistent with its fiduciary duty to act in a manner it believes to be in the best interest of the Company and all of its stockholders.



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

The following table shows the amount of common stock beneficially owned (as defined by the SEC's rules and regulations) by our directors, the executive officers named in the Summary Compensation Table below and the directors and executive officers as a group. Except as otherwise indicated, all information is as of April 1, 2005:

Name of Beneficial Owner	Aggregate Number of Shares Beneficially Owned <sup>(1) (2) (3)</sup>	Acquirable Within 60 Days <sup>(4)</sup>	Percent of Class Outstanding <sup>(5)</sup>
E. William Barnett	9,895	27,839	*
Donald J. Breeding	379	11,447	*
Kirbyjon H. Caldwell			*
Mark M. Jacobs	143,016	353,778	*
Michael L. Jines	7,022	140,225	*
Steven L. Miller	9,636	1,661	*
Laree E. Perez	2,365	10,833	*
James B. Robb	9,769	26,800	*
Joel V. Staff	362,869	772,189	*
William L. Transier	8,379	40,487	*
Robert W. Harvey <sup>(6)</sup>	69,491	1,204,637	*
All directors and executive officers as a group (16 persons) <sup>(7)</sup>	647,555	1,653,466	*

\* Indicates that such director's or officer's ownership does not exceed 1% of our outstanding common stock.

(1) The number of shares shown includes shares that are individually owned or jointly owned, as well as shares over which the individual has either sole or shared investment or voting authority.

(2) For the named executive officers, the number of shares listed includes the following interest in shares held in Reliant Energy, Inc. Savings Plan (the Savings Plan) as of April 1, 2005: Mr. Jacobs 539; Mr. Jines 778; Mr. Robb 122; Mr. Staff 0; and Mr. Harvey 416.

(3) Excludes unvested time-based restricted stock award units awarded to directors and executive officers. If such award units were included, the number of shares listed as beneficially owned would be as follows: Mr. Barnett 40,634; Mr. Breeding 20,145; Mr. Caldwell 7,500; Mr. Jacobs 280,496; Mr. Jines 8,250; Mr. Miller 9,577; Ms. Perez 10,000; Mr. Robb 19,800; Mr. Staff 404,167; Mr. Transier 39,654; and Mr. Harvey 450,667.

(4) Reflects the number of shares that could be purchased by exercise of options available at April 1, 2005 or within 60 days thereafter. For the directors, the number of shares listed includes the following time-based restricted stock award units that could be acquired within 60 days upon separation of service from the Company as of April 1, 2005: Mr. Barnett 24,506; Mr. Breeding 8,114; Mr. Miller 1,661; Ms. Perez 7,500; Mr. Staff 7,500; and Mr. Transier 37,154.

(5) Based on the number of shares outstanding at April 1, 2005.

(6) Ownership is as of February 21, 2005, the date Mr. Harvey resigned as an officer of the Company. The ownership presented in this table does not give effect to vesting of restricted stock units and options as a result of Mr. Harvey's resignation. For additional information, see Employment Agreements Resignation of Mr. Harvey.

(7) Does not include common stock beneficially owned by Mr. Harvey.

**Table of Contents****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 Statement of Beneficial Ownership filed by such person with the SEC as of the date of such filing:

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Barrow, Hanley, Mewhinney & Strauss, Inc. One McKinney Plaza 3232 McKinney Avenue, 15 <sup>th</sup> Floor Dallas, Texas 75204-2429	24,353,790	8.15%
PEA Capital LLC 1345 Avenue of the Americas, 49 <sup>th</sup> Floor New York, New York 10105	20,842,000	7.00%
Vanguard Windsor Funds Vanguard Windsor II Fund 100 Vanguard Boulevard Malvern, Pennsylvania 19355	17,167,943	5.75%
Janus Capital Management LLC 151 Detroit Street Denver, Colorado 80206	16,951,805	5.70%
Donald Smith & Co., Inc. 152 West 57 <sup>th</sup> Street New York, New York 10019	16,696,900	5.59%

**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 holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. During 2004, all of our officers and directors complied with the reporting requirements of Section 16(a) of the Exchange Act.



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**STOCK PRICE PERFORMANCE GRAPH**

Our common stock trades on the New York Stock Exchange under the symbol RRI. The following line graph compares the yearly percentage change in our cumulative total stockholder return on common stock with a general market index (Standard & Poor's 500 Stock Index), a group of peers used in last year's proxy statement and a new group of peers selected by us in 2005. An explanation of the changes in our peer group is set forth below.

We operate in two competitive business segments: wholesale energy and retail energy. Our peer group consists of companies that have businesses similar to these segments and includes, in addition to ourselves: Calpine Corp., Constellation Energy Group, Dominion Resources Inc., Dynegy, Inc., Exelon Corp., Mirant Corp., NRG Energy, Inc., Sempra Energy and TXU Corp. (the New Peer Group). In 2005, we removed Duke Energy Corp., El Paso Corp. and The Williams Companies from the peer group we used in last year's proxy statement (the Old Peer Group) because these companies either have withdrawn from, or have announced plans to withdraw from or reduce their participation in, the competitive wholesale and retail power markets in which we participate. In 2005, we added Constellation Energy Group, NRG Energy, Inc. and Sempra Energy to our peer group because we believe these companies' competitive wholesale and retail energy businesses are similar to those in which we participate.

The graph assumes an investment of \$100 on May 1, 2001, the date of our initial public offering.

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**COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN <sup>(1) (2)</sup>**

**AMONG RELIANT ENERGY, INC., THE S&P 500 INDEX,**

**THE NEW PEER GROUP AND THE OLD PEER GROUP**

**FROM MAY 1, 2001 THROUGH DECEMBER 31, 2004**

- (1) Assumes that \$100 was invested on May 1, 2001 in our common stock and each index.  
 (2) Historical stock price performance is not necessarily indicative of future price performance.

<b>Year-End Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Reliant Energy, Inc.	\$ 55.03	\$ 10.67	\$ 24.53	\$ 45.50
S&P 500 Index	\$ 91.52	\$ 71.29	\$ 91.74	\$ 101.72
New Peer Group	\$ 64.56	\$ 43.22	\$ 56.53	\$ 79.66
Old Peer Group	\$ 68.05	\$ 31.63	\$ 40.76	\$ 58.13



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**COMPENSATION OF DIRECTORS**

**Annual Compensation**

Each non-employee director receives an annual retainer of \$45,000 and a fee of \$2,000 for each Board and committee meeting attended. Those directors who serve on committees, other than the Audit Committee, also receive a \$5,000 committee retainer for each committee on which he or she serves. Directors who serve on the Audit Committee receive a \$10,000 committee retainer. Directors are permitted to choose to receive their annual and committee compensation in one or a combination of the following forms:

*Cash.*

*Common Stock.* A director who chooses this form will receive his/her compensation in stock at the end of each quarter. In addition, a director electing common stock will receive a 25% premium payable in certificated restricted stock which vests following the end of the director's current term.

*Restricted Stock Units.* A director who chooses this form will receive his/her compensation plus a 25% premium in restricted stock units. The units attributable to the director's retainers and fees are vested at the earlier of the director's termination of service (voluntary or otherwise) as a Board member or the end of the current term. The premium units vest at the end of the director's current term.

**Equity Compensation Grants**

In 2004, each non-employee director received an annual grant of 2,500 shares of restricted stock, which vest at the end of his or her current term, and 5,000 stock options, which vest in one-third increments over the following three years. The exercise price of the options was determined on the date of the Company's annual meeting.

**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS****Executive Compensation Tables**

The following tables set forth for the periods indicated the cash and non-cash compensation earned by or awarded to our Chief Executive Officer and each of our four next most highly compensated executive officers who were serving as executive officers at the end of the last completed fiscal year. These persons are referred to collectively as the named executive officers.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary <sup>(1)</sup>	Bonus <sup>(1)</sup>	Other Compensation <sup>(2)</sup>	Restricted Stock Awards <sup>(3)</sup>	Securities Underlying Options <sup>(4)</sup>	LTIP Payouts <sup>(5)</sup>	All Other Compensation <sup>(6)</sup>
Joel V. Staff <sup>(7)</sup> Chairman and Chief Executive Officer	2004	\$ 1,000,000	\$ 993,800	\$	\$ 2,072,875			\$ 29,200
	2003	510,389	1,518,433	8,464	1,501,875	1,188,440	\$	9,579
Mark M. Jacobs <sup>(8)</sup> Executive Vice President and Chief Financial Officer	2004	575,000	549,998					106,700
	2003	550,000	825,000	24,270	720,800	212,000		45,700
	2002	202,865			959,629	318,667		11,870
Michael L. Jines Senior Vice President, General Counsel and Corporate Secretary	2004	342,500	218,817				44,743	53,401
	2003	301,667	270,600		29,370	16,750	4,897	42,560
	2002	261,250	89,000	1,990		50,300	49,751	38,099
James B. Robb <sup>(8)</sup> Senior Vice President, Retail Marketing	2004	326,250	195,711					38,724
	2003	315,000	261,900	42,857				92,938
	2002	45,341	75,000	5,639	67,320	40,200		14,181
Robert W. Harvey <sup>(9)</sup> Former Executive Vice President, Power Generation and Supply	2004	575,000	577,185	697			610,125	161,100
	2003	575,000	860,000	652	2,141,200	212,000	15,772	100,925
	2002	575,000		2,701		340,000	237,314	154,321

(1) The amounts reported include salary and bonus earned as well as earned but deferred compensation.

(2) In accordance with the SEC's rules and regulations, the amounts reported exclude perquisites and other personal benefits valued at less than \$50,000.

(3) The value of the restricted stock units reported in this column is based on the closing price of our common stock on the date of grant. Except as noted below, none of these restricted stock units will vest in whole or in part within three years from the date of grant.

Mr. Staff received (a) 257,500 restricted stock units on February 13, 2004, which vest in three equal annual installments starting on August 28, 2004 and (b) 337,500 restricted stock units on August 28, 2003, which vest in three equal annual installments starting on August 28, 2004.

Mr. Jacobs received 205,488 restricted stock units on July 29, 2002, which vest in three equal annual installments starting on July 29, 2003.

This column does not include long term incentive plan awards granted to our named executive officers under the Key Employee Award Program 2004-2006 (the Key Employee Award Program). These awards are reported in the table captioned Long-Term Incentive Plans Awards in the Last Fiscal Year below.



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The following table and footnotes set forth the number and market value of unvested restricted stock holdings of each named executive officer at December 31, 2004. For purposes of this table, we have assumed that all unvested restricted stock and other stock-based award units had a value at year-end of \$13.65 per unit, the closing price of our common stock on December 31, 2004.

<b>Performance-Based</b>						
<b>Key Employee Awards</b>						
<b>Stock</b>						
<b>Name</b>	<b>Settled Shares <sup>(a)</sup></b>	<b>Cash Settled Shares <sup>(a)</sup></b>	<b>Restricted Stock Units (2002-2004) <sup>(b)</sup></b>	<b>Time-Based Restricted Stock Units</b>	<b>Total Restricted Stock Units</b>	<b>Value <sup>(c) (d)</sup></b>
Joel V. Staff	256,000	256,000		396,667	908,667	\$ 12,403,305
Mark M. Jacobs	144,000	144,000	25,488	280,496	593,984	8,107,882
Michael L. Jines	64,000	64,000		8,250	136,250	1,859,813
James B. Robb	80,000	80,000		19,800	179,800	2,454,270

- (a) For purposes of this table, we have included the following stock-based award units granted under the Key Employee Award Program: Stock Settled Shares and Cash Settled Shares (each as defined in Long-Term Incentive Plans Awards in the Last Fiscal Year ). We have assumed that these units vested on December 31, 2004 at 100% payout levels. For additional information, see Long-Term Incentive Plans Awards in the Last Fiscal Year below.
- (b) The restricted stock units (2002-2004) vested in February 2005 at the 50% payout level.
- (c) All restricted stock and other stock-based units accrue dividend equivalents if dividends are paid on common stock.
- (d) On February 21, 2005, Mr. Harvey resigned from the Company. As of December 31, 2004, Mr. Harvey held 348,000 unvested performance-based restricted stock units and 450,667 unvested time-based restricted stock units with a combined value of \$10,901,805. Upon his resignation, Mr. Harvey forfeited his right to receive 144,000 Stock Settled Shares and 144,000 Cash Settled Shares under the Key Employee Award Program. For additional information, see Employment Agreements Resignation of Mr. Harvey.

- (4) The stock options reported in this column were granted to the named executive officer in the indicated year. All options were granted at fair market value at the date of grant. This column does not include long-term incentive awards under the Key Employee Award Program, which awards entitle the holder to receive stock options subject to the satisfaction of the program's vesting requirements. These awards are reported under Long-Term Incentive Plans Awards in the Last Fiscal Year below.
- (5) Amounts reported for 2004 and 2003 represent the dollar value of our common stock paid out in that year based on the achievement of performance goals for the three-year performance period ended in the prior year. Amounts reported for 2002 represent the dollar value of common stock of CenterPoint Energy, Inc., our former parent company, paid out in that year based on the achievement of performance goals for the three-year performance period ended in the prior year plus dividend equivalent accruals during the performance period.
- (6) Amounts reported for 2004 include the following:

Joel V. Staff	Matching and profit sharing contributions to the Savings Plan and the savings restoration component of the Reliant Energy, Inc. Deferral Plan (the Deferral Plan ).
Mark M. Jacobs	Matching and profit sharing contributions to the Savings Plan and the savings restoration component of the Deferral Plan.
Michael L. Jines	Matching and profit sharing contributions to the Savings Plan and the savings restoration component of the Deferral Plan (\$46,192) and the above market interest earned on account balances in the Reliant Energy, Inc. Successor Deferral Plan (\$7,209).
James B. Robb	Matching and profit sharing contributions to the Savings Plan and the savings restoration component of the Deferral Plan.
Robert W. Harvey	Matching and profit sharing contributions to the Savings Plan and the savings restoration component of the Deferral Plan (\$109,325), the economic benefit of executive life insurance coverage (\$1,265) and the loan principal and interest forgiveness in connection with Mr. Harvey's initial employment (\$50,510).

- (7) Mr. Staff has served as Chairman and Chief Executive Officer since April 2003 and has been a member of our Board since October 2002.
- (8) Messrs. Jacobs and Robb became executive officers of the Company in July 2002 and November 2002, respectively.

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- (9) On February 21, 2005, Mr. Harvey resigned from the Company. For information regarding severance benefits paid to Mr. Harvey, see Employment Agreements Resignation of Mr. Harvey.

**Table of Contents****Option/SAR Grants in Last Fiscal Year**

In 2004, we granted no options or stock appreciation rights to our named executive officers. For information regarding long-term incentive plan awards under the Key Employee Award Program (which include a stock option component), see Long-Term Incentive Plans Awards in the Last Fiscal Year.

**Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values**

During 2004, none of the named executive officers exercised Company stock options. The following table presents the number and the value of unexercised options as of December 31, 2004.

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Unexercised Options at December 31, 2004 <sup>(1)</sup>		Value of Unexercised In-the-Money Options at December 31, 2004 <sup>(1) (2)</sup>	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Joel V. Staff		\$	763,022	425,418	\$ 6,815,010	\$ 3,944,515
Mark M. Jacobs			283,111	247,556	2,609,078	2,383,625
Michael L. Jines			117,875	27,934	305,775	160,376
James B. Robb			13,400	26,800	136,412	272,824
Robert W. Harvey <sup>(3)</sup>			949,969	254,668	2,564,403	1,754,415

(1) Assuming the options under the Key Employee Award Program vest at 100% payout levels, the number of unexercised options in the table would have increased as follows: Mr. Staff 1,088,000; Mr. Jacobs 612,000; Mr. Jines 272,000; and Mr. Robb 340,000. Based on the same assumption, the reported values for unexercised options would have increased as follows: Mr. Staff \$6,038,400; Mr. Jacobs \$3,396,600; Mr. Jines \$1,509,600; and Mr. Robb \$1,887,000. Mr. Harvey forfeited his rights to the awards under the Key Employee Award Program upon his resignation from the Company. For information regarding stock options that may be issued under the Key Employee Award Program, see Long-Term Incentive Plans Awards in the Last Fiscal Year below.

(2) The value of unexercised, in-the-money options is the aggregate, calculated on a grant-by-grant basis, of the product of the number of unexercised options multiplied by the difference between \$13.685, the mean of the high and low sales prices of our common stock on December 31, 2004, and the exercise prices of all such options. The actual value, if any, realized on the options will depend on the difference between the market price of the common stock on the exercise date and the option exercise price.

(3) On February 21, 2005, Mr. Harvey resigned from the Company. All of Mr. Harvey's unexercised stock options have vested in accordance with the terms of his severance agreement. For additional information, see Employment Agreements Resignation of Mr. Harvey.

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