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March 28, 2002

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, Florida 32399-0870

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Re: Docket Nos.: 011605-EI

Dear Ms. Bayo:

On behalf of Reliant Energy Power Generation, Inc., I am enclosing for filing and distribution the original and 15 copies of the following:

- Reliant Energy Power Generation, Inc.'s Request for Status Conference

Please acknowledge receipt of the above on the extra copy and return the stamped copy to me. Thank you for your assistance.

Sincerely,

Joe McGlothlin
Joseph A. McGlothlin

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MCWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, DECKER, KAUFMAN, ARNOLD & STEEN, P.A. 03573 MAR 28

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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of investor-owned
electric utilities' risk management
policies and procedures.

Docket No.: 011605-EI
Filed: March 28, 2002

**RELIANT ENERGY POWER GENERATION, INC.'S
REQUEST FOR STATUS CONFERENCE**

Reliant Energy Power Generation, Inc. ("Reliant Energy"), through its undersigned counsel, requests the Prehearing Officer to convene a status conference as expeditiously as possible. In support, Reliant Energy states as follows:

1. This docket was opened to consider, in a stand-alone policy proceeding, the subject of the risk management measures employed by investor-owned utilities ("IOUs") subject to the Commission's rate-making jurisdiction.

2. In December of 2001, the Commission Staff distributed to IOUs a questionnaire which required the utilities to address, among other topics, the subject of (a) the amount of purchased power that each currently is buying; and (b) the amount of purchased power that each utility intends to add over time. The IOUs were instructed to discuss the risks associated with such purchases and the manner in which they manage such risks. The questionnaire was silent with respect to the risks of associated with constructing, owning and operating power plants. Both sources of risks affect retail customers. Both sources of risks must be managed prudently and appropriately by retail-serving utilities in order to provide cost-effective service to their

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customers. The manner in which IOUs manage -- or fail to manage -- these risks are reflected in the overall portfolio of resources maintained by each utility.

3. On February 15, 2002, Reliant Energy filed a Petition to Intervene in the proceeding. On March 15, 2002, by Order No. PSC-02-0357-PCO-EI, the Commission authorized Reliant Energy to intervene as a party.¹

4. On March 12, 2002 Staff convened a meeting of Staff and parties to discuss a proposal to dispose of Tentative Issues 1 through 4, as those issues appear in an attachment to the Order on Procedure. During the meeting, Reliant Energy indicated to Staff its view that, while the subject is implicit in Tentative Issue No.1², neither the tentative issues nor the proposal by Staff to dispose of those issues addresses directly the fundamental subject of the use of a portfolio approach to manage overall risks. Reliant Energy submits that, to protect the interests

¹ The Prehearing Officer authorized Reliant Energy to intervene based on its standing as a retail customer, as opposed to its interest as a wholesale provider. However, with respect to the relative risks to an IOU of constructing, owning and operating a power plant, on the one hand, and purchasing power through contractual terms from a wholesale provider, on the other, Reliant's positions as a retail customer are identical to those it holds as a wholesale provider. As a retail customer, Reliant Energy advocates that the electric utility must maintain a portfolio of owned and purchased resources designed to result in the most cost-effective mix from the ratepayers' point of view. Also as a retail customer, Reliant Energy asserts that purchased power can have the effect of mitigating risks otherwise borne by ratepayers, and so does not increase the retail-serving utilities' costs of capital. Accordingly, from the perspective of a retail customer, maintaining a portfolio that includes an appropriate portion of purchased power is an important risk management measure.

² Tentative Issue No. 1 states: II. Fuel and Purchased Power Mix

- -- -- --
- E. Purchased Power
 - 1. How much wholesale power does the utility plan to purchase during the next three (3) years? List by year.

of retail customers, the Commission should require retail-serving utilities subject to its jurisdiction to achieve a portfolio of owned and purchased resources that results in the most cost-effective delivery of electricity. Again, as a retail customer, Reliant Energy submits that a well designed and well-crafted power purchase agreement can shift to the wholesale provider risks that would otherwise be borne by ratepayers.

5. However, during the meeting of March 12, 2002, Staff communicated to Reliant Energy its position that, as presently framed, this docket does not contemplate either an examination of the relative risks of purchase power arrangements on the one hand, and the risks of owning and operating power plants, on the other; or a consideration of the portfolio characteristics that would serve to manage those risks so as to deliver electrical power cost-effectively to ratepayers.³

6. The Order On Procedure identifies Issues 1 through 7 as tentative in nature, and states that parties will be allowed to add issues. However, under the present procedural schedule

³Section IV of Staff's December 10, 2001 memorandum asks:

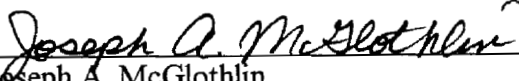
- IV. Risk Management
 - A. Risk Identification
 - 5. Purchased Power
 - (1) Identify each type of risk that the utility encounters for wholesale purchases and
 - (2) Identify the utility's goal(s) in managing the risk associated with its wholesale power purchases.
 - D. Acceptance of Risk - Describe how the utility decides an acceptable level of risk associated with its . . . purchased power transactions. It is not clear whether these questions are being pursued in the management audits presently being conducted by the Staff. If so, they are being pursued in a vacuum.

the next issue identification meeting will not be held until June 5, 2002. In the meantime, Staff is conducting management audits of the regulated investor-owned utilities.

7. Over time, the regulated investor-owned utilities have espoused -- in a variety of contexts -- the argument that purchased power is an inherently risky source of power. They have contended that purchased power must be penalized quantitatively in competitive evaluations. They have also contended that purchased power creates a need for more equity in the utilities' capital structures. Reliant Energy submits that the Commission should consider, in an appropriate policy-making setting, the factual, technical, and policy implications of the relative risks of purchased power and of owning and operating power plants. Such an examination would enable the Commission to evaluate the IOUs' contentions in a fuller context, and to focus on the appropriate structure of a portfolio designed to manage all risks effectively. Inasmuch as the purpose of the instant docket is to consider the IOUs' risk management techniques, Reliant Energy submits that the issue of the appropriate portfolio structure should be identified and squarely addressed as one of the issues in this proceeding. Further, the structuring of an appropriate portfolio should be recognized as an effective risk management tool. If that is to be done, the issue should be identified immediately, so that parties have an adequate opportunity to prepare for the hearing scheduled in this docket. On the other hand, in the event that the decision is made to exclude this issue from the docket, Reliant Energy and other parties need to be

apprised. Also in that event, the Commission should establish a separate forum where the subject can be considered thoroughly and without delay.

WHEREFORE, Reliant Energy requests the Prehearing Officer to convene a status conference as quickly as practicable.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Reliant Energy Power Generation, Inc.'s Motion for Status Conference has been furnished by (*) hand delivery or U.S. Mail to the following this 28th day of March, 2002:

(*) Wm. Cochran Keating
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

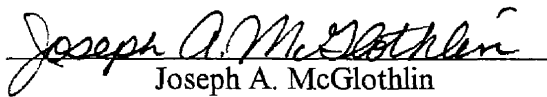
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