



South Texas Project Electric Generating Station P.O. Box 289 Wadsworth, Texas 77483

August 13, 2001  
NOC-AE-01001156  
10CFR50.80  
10CFR2.790

U. S. Nuclear Regulatory Commission  
Attention: Samuel J. Collins  
Director, Office of Nuclear Reactor Regulation  
Washington, DC 20555-0001

South Texas Project  
Units 1 and 2  
Docket Nos. STN 50-498 and STN 50-499  
Supplemental Information Regarding Application for Order and  
Conforming Administrative Amendments for Transfers of Licenses

- References:
1. Letter, J. J. Sheppard to S. J. Collins, "Application for Order and Conforming Administrative Amendments for Transfers of Licenses," May 31, 2001 (NOC-AE-01001112)
  2. Letter, W. T. Cottle to S. J. Collins, "Supplemental Information Regarding Application for Order and Conforming Administrative Amendments for Transfers of Licenses," June 14, 2001 (NOC-AE-01001125)

On behalf of Reliant Energy, Inc. (formerly known as Houston Lighting & Power Company and referred to herein as Reliant Energy), STP Nuclear Operating Company submits the following supplemental information regarding its Application for Order and Conforming Administrative Amendments for Transfers of Licenses (Application) submitted in Reference 1. The pending license transfer application requests that the Nuclear Regulatory Commission (NRC) consent to the direct and indirect transfers of control of Reliant Energy's ownership interest in the South Texas Project Electric Generating Station, Units 1 and 2 (STPEGS).

Based upon discussions with federal regulators, including officials from the Internal Revenue Service and the Securities and Exchange Commission, Reliant Energy has revised its plans relating to the planned transfers of Reliant Energy's licensed ownership interest in STPEGS, as described in greater detail below. The revision eliminates the need for one of the requested approvals, and therefore, should simplify NRC review of the Application. Reliant Energy has also included additional financial information to facilitate NRC review of the Application.

NRC approval of the following transfers was sought in Reference 1:

- (1) An indirect transfer of control of Reliant Energy's interest in STPEGS in connection with the formation of a new parent holding company of Reliant Energy, currently referred to as "Regco."

APOI

- (2) A direct transfer of control of Reliant Energy's interest in STPEGS to a Texas partnership, currently known as "Texas Genco LP," which will be indirectly wholly owned by Regco.
- (3) A direct transfer of control of Texas Genco LP's interest in STPEGS to a Texas corporation, currently known as "Texas Genco, Inc.," which will be indirectly owned and controlled by Regco.

The third requested approval ("step 3") is hereby withdrawn. Reliant Energy now plans to form Texas Genco, Inc. as an upstream indirect parent company of Texas Genco LP prior to the transfer of control of Reliant Energy's interest in STPEGS to Texas Genco LP in step 2 above. Step 2 will involve a series of simultaneous transactions, which will result in the transfer of the STPEGS interest to Texas Genco LP. A simplified organizational chart of the post-transfer parent companies of Texas Genco LP is provided as Attachment 1 and reflects the planned ownership arrangements following step 2 above. Thereafter, Texas Genco LP will remain the licensee and there will be no subsequent transfer of control of Reliant Energy's interest in STPEGS to Texas Genco, Inc. as previously contemplated in step 3 above. Therefore, the request for NRC approval of the transfer previously described as step 3 is hereby withdrawn, including the request for approval of conforming license amendments. Attachments 6-10 of Reference 1, which relate to the previously contemplated step 3 transfer of the STPEGS interest to Texas Genco, Inc., are also hereby withdrawn. Any subsequent transfer of control of Texas Genco LP's interest in STPEGS would be the subject of a future license transfer application.

The above changes in Reliant Energy's plans do not otherwise affect the pending Application, nor do they affect any of the underlying information provided in References 1 and 2, except as stated herein. The financial information previously submitted continues to apply to Texas Genco LP, and the general corporate information regarding Texas Genco, Inc. remains the same, except that Texas Genco, Inc. will be a corporate parent of Texas Genco LP prior to step 2 above. It is expected that approximately 20% of the stock of Texas Genco, Inc. will be the subject of an Initial Public Offering (IPO) sometime in 2002. If the IPO is not conducted, Reliant Energy contemplates that approximately 20% of the common stock of Texas Genco, Inc. would be distributed to Regco's shareholders. Neither transaction would involve any transfer of control of the 30.8% undivided ownership interests in STPEGS, because approximately 80% of the shares of Texas Genco, Inc. would continue to be directly or indirectly owned by Regco, and Texas Genco, Inc. would continue to be directly or indirectly controlled by Regco.

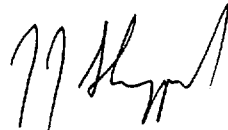
In order to facilitate NRC review of the previously submitted financial information, Reliant Energy has also included a five-year *pro forma* projected income statement for its nuclear generation (Reliant STP) in Attachment 2. This Reliant STP projected income statement includes revised expense projections, and therefore, the third page of Attachment 11A to Reference 1 is superceded by this updated projection.

Reliant Energy's only nuclear generation is from its 30.8% interest in STPEGS. The capacity factor assumed in Reliant Energy's projection is both conservative and fully supported by the 3-year average STPEGS capacity factor of 90.3% (95.1% for 1998, 88.7% for 1999, and

87.2% for 2000). Reliant Energy has also prepared a market price sensitivity analysis, which shows the impact on the projected income statement if the market prices for electricity sold from Reliant STP were ten percent lower than projected.

The five-year projected income statement for Reliant STP containing confidential commercial and financial information including the market price sensitivity analysis, is provided in a separately bound addendum (Attachment 2A). Reliant Energy requests that Attachment 2A be withheld from public disclosure pursuant to 10 CFR 9.17(a)(4) and the policy reflected in 10 CFR 2.790, as described in the Affidavit of David G. Tees, provided in Attachment 3. A non-proprietary version of this document suitable for public disclosure is provided as Attachment 2.

If NRC requires additional information concerning this license transfer request, please contact Mr. Scott Head, Manager, Licensing at (361) 972-7136.



J. J. Sheppard  
Vice President,  
Engineering & Technical Services

jtc

Attachment 1	Simplified Organizational Chart: Post-Transfer Parent Companies of Texas Genco, LP
Attachment 2	Projected Income Statement for Reliant STP (Non-Proprietary Version)
Attachment 3	10 CFR 2.790 Affidavit of David G. Tees
Addendum:	Attachment 2A      Projected Income Statement for Reliant STP (Proprietary Version)

cc: without proprietary addendum unless otherwise noted

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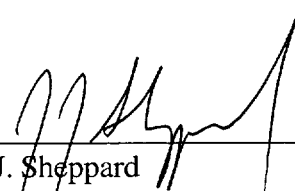
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(with proprietary addendum)

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
STP Nuclear Operating Company	)	Docket Nos. 50-498
	)	50-499
South Texas Project Units 1 and 2	)	
	)	

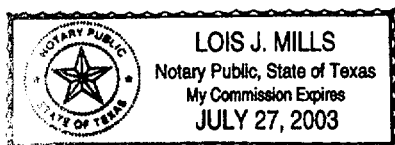
AFFIRMATION

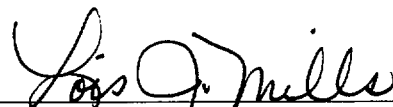
I, J. J. Sheppard, being duly sworn, hereby depose and state that I am Vice President, Engineering & Technical Services of STP Nuclear Operating Company; that I am duly authorized to sign and file with the Nuclear Regulatory Commission the supplemental information being provided herewith; that I am familiar with the content thereof; and that the matters set forth therein with regard to STP Nuclear Operating Company are true and correct to the best of my knowledge and belief.

  
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J. J. Sheppard  
Vice President,  
Engineering & Technical Services

STATE OF TEXAS                    )  
  )  
COUNTY OF MATAGORDA        )

Subscribed and sworn to before me, a Notary Public in and for the State of Texas, this 13<sup>th</sup> day of August, 2001.



  
\_\_\_\_\_  
Notary Public in and for the  
State of Texas

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of )


STP Nuclear Operating Company )

Docket Nos. 50-498  
50-499

South Texas Project )  
Units 1 and 2 )

AFFIRMATION

I, David G. Tees, being duly sworn, hereby depose and state that I am Senior Vice President for Generation Operations of Houston Lighting & Power Company; that I am familiar with the content of the supplemental information being provided herewith; and that the matters set forth therein with regard to Reliant Energy, Inc. are true and correct to the best of my knowledge and belief.


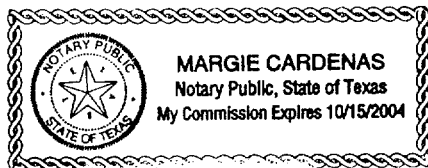


David G. Tees  
Senior Vice President  
Generation Operations

STATE OF TEXAS )

COUNTY OF HARRIS )

Subscribed and sworn to before me, a Notary Public in and for the State of Texas, this 9th day of August, 2001.

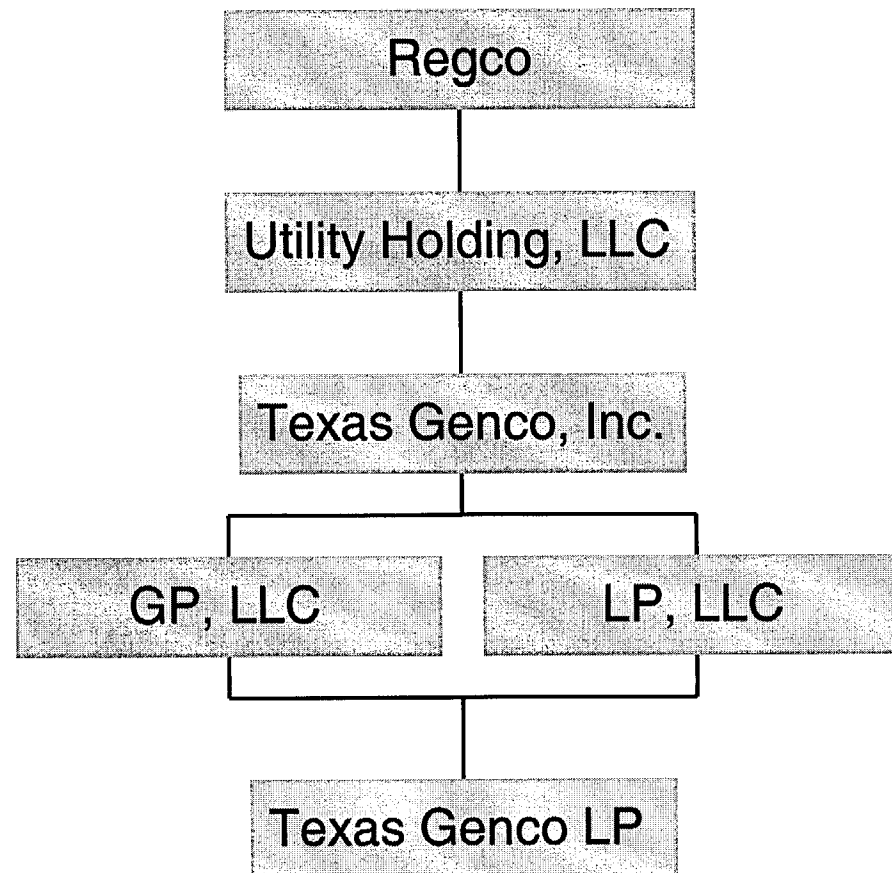


Notary Public in and for the  
State of Texas

**ATTACHMENT 1**

**SIMPLIFIED ORGANIZATIONAL CHART:  
POST-TRANSFER PARENT COMPANIES  
OF TEXAS GENCO LP**

# Post-Transfer Parent Companies of Texas Genco LP





**ATTACHMENT 2**

**PROJECTED INCOME STATEMENT  
FOR RELIANT STP  
(NON-PROPRIETARY VERSION)**

**South Texas Project Electric Generating Station, Units 1 & 2**  
**(Reliant STP -- 30.8%)**  
**PROJECTED INCOME STATEMENT**

	Year	2002	2003	2004	2005	2006
Days						
Hours						
Capacity Factor						
Reliant Share (30.8% of 2500 MW)						
Generation (MWh)						
Price/MWh						
Total Revenue						
Operation & Maintenance						
Fuel Amortization						
Decommissioning						
Depreciation						
Taxes (Other than Income)						
Corp Allocations						
Total Operating Expenses						
Operating Profit (Loss)						
Income Taxes (35%)						
Net Income (Loss)						

**South Texas Project Electric Generating Station, Units 1 & 2**  
**(Reliant STP -- 30.8%)**  
**MARKET PRICE SENSITIVITY ANALYSIS**  
**(10% Lower Market Price)**

	Year:	2002	2003	2004	2005	2006
Days						
Hours						
Capacity Factor						
Reliant Share (30.8% of 2500 MW)						
Generation (MWh)						
Price/MWh						
Total Revenue						
Operation & Maintenance						
Fuel Amortization						
Decommissioning						
Depreciation						
Taxes (Other than Income)						
Corp Allocations						
Total Operating Expenses						
Operating Profit (Loss)						
Income Taxes (35%)						
Net Income (Loss)						

**ATTACHMENT 3**

**10 CFR 2.790 AFFIDAVIT OF DAVID G. TEES**

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

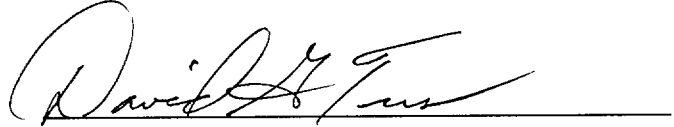
In the Matter of	)	
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AFFIDAVIT

I, David G. Tees, Senior Vice President, Generation Operations, of Houston Lighting & Power Company and Reliant Energy, Inc. (Reliant Energy), do hereby affirm and state:

1. I am authorized to execute this affidavit on behalf of Reliant Energy.
2. Reliant Energy is providing supplemental information in support of its Application for Order and Conforming Administrative Amendments for Transfers of Licenses. The documents being provided in Attachment 2A contain financial projections related to the ownership and operation of Reliant Energy's interests in the South Texas Project Electric Generating Station. These documents constitute proprietary commercial and financial information that should be held in confidence by the NRC pursuant to the policy reflected in 10 CFR §§ 2.790(a)(4) and 9.17(a)(4), because:
  - i. This information is and has been held in confidence by Reliant Energy.
  - ii. This information is of a type that is customarily held in confidence by Reliant Energy, and there is a rational basis for doing so because the information contains sensitive financial information concerning projected revenues and operating expenses of Reliant Energy and its successors and affiliates.
  - iii. This information is being transmitted to the NRC in confidence.
  - iv. This information is not available in public sources and could not be gathered readily from other publicly available information.
  - v. Public disclosure of this information would create substantial harm to the competitive position of Reliant Energy and its successors and affiliates by disclosing their internal financial projections.

3. Accordingly, Reliant Energy requests that the designated documents be withheld from public disclosure pursuant to the policy reflected in 10 CFR §§ 2.790(a)(4) and 9.17(a)(4).



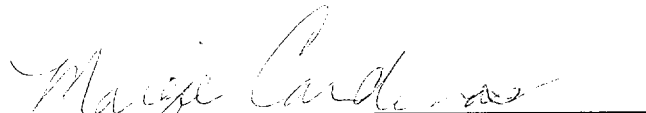
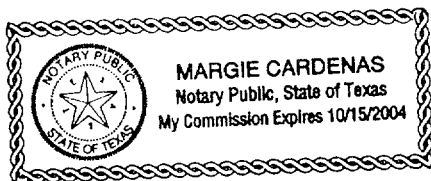
David G. Tees  
Senior Vice President,  
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STATE OF TEXAS

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