



Reliant Energy, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Thank you. We will now begin the question and answer session. [Operator Instructions]. The first question is from Dan Eggers from Credit Suisse. Please go ahead.

Daniel Eggers - Credit Suisse

Hi, good morning.

Mark M. Jacobs - President and Chief Executive Officer

Good morning Dan.

Daniel Eggers - Credit Suisse

Hey, Mark, I don't want to belabor this too much, but if you look at where you guys are right now, the stock is down about 30 some odd percent this year, you're going to generate over \$2 billion of free cash over the next three years on a series of commodity price outcomes your basket of payments after the big net income in the quarter is going to look over close to \$900 million. At what point in time do you get comfortable enough to say go ahead, we are going to put the money back to shareholders and start using free cash for using [ph] the outlook you guys have?

Mark M. Jacobs - President and Chief Executive Officer

Yes, Dan, it's a great question. And I'd say we certainly believe our stock is at a very attractive level, and we've... I have felt that for quite sometime. And with the latest... what we have seen in the markets, the economics of the share buying back program has improved since the beginning of the year. We are considering share repurchases along with other alternatives we have to reinvest capital. I'd tell you, when I reflect on this market environment, though, we place a very high value on a strong balance sheet and robust liquidity levels. And I think it is very important that we are prepared for the worst case scenarios. And we've done a lot of scenario planning here over the last several months and believe that we are in very good shape. And I don't think it's prudent at this point for us to pursue any action that would result in a significant reduction of that liquidity level.

And I would just note as we went through the quarter here with the commodity price volatility that we saw, we did take note that other companies in the sector had to arrange for emergency liquidity facilities. And while that credit was available, you wouldn't have to roll the clock too far forward to say what would that have looked like if that had also coincided with the financial meltdown scenario and that credit was not available. That could have been a very difficult position for those companies.

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