

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Reliant Energy, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

[Operator Instructions]. Your first question comes from Lasan Johong with RBC Capital Markets.

Lasan Johong - RBC Capital Markets

Good morning, nice year results. Congratulations. Thank you and I wanted to quickly go over couple of important questions. Now that you guys are developing a rich man's problem, lot of free cash flow, but somewhat still restricted from your covenants from doing what should be the right move for shareholders. Rick or Mark, or whoever can, can you kind of address what your plans are to remove covenants going forward?

Rick Dobson - Executive Vice President and Chief Financial Officer

Yes this is Rick, Lasan. You can see that one of the things I would touch on first is that we do have two pieces of debt that are pretty restrictive. And it used to aggregate about \$1.25 billion. They don't aggregate that anymore because we did take out about \$38 million by the end of the year. We've taken out about \$83 million to begin addressing restrictive covenants as of today. We looked at it economically and we do want a flexible balance sheet as we move forward, as we said in the previous remarks and those giving away those colors would maximize our flexibility. But right now, at the current financial markets it's very expensive proposition; somewhere over \$150 million to refinance those instruments and then trying to go back and put some refinance debt back into the marketplace at the current yields and its pretty tumultuous right now, would be even more expensive versus the current coupons of six and three quarters.

So at this point we are really looking at being patient with respect to those instruments, realizing that we have a call date for the \$750 million piece of the debt which is not debt any more it's about 670. At the end of 09, 103.38. And also realizing that we will need some... realistically some more some stable markets moving forward and then lastly this thing I would add into that are restricted payment capacity is actually growing very nicely under those instruments. So we do have a call modern-to-modern flexibility and we feel that, that will grow over time when you kind of look at our outlook.

So that's how we are thinking about those restrictive payment capacities and the ability to have what I will called more flexibility than we currently have now.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.