

# RELIANT ENERGY, INC.

## AUDIT COMMITTEE CHARTER

(as amended and restated as of May 16, 2007)

The Board of Directors of Reliant Energy, Inc. (the "Company") has established the Audit Committee of the Board and has adopted this Charter, which is dated July 7, 2003 as most recently amended effective May 16, 2007, and reflects the Company's current circumstances and current "best practices." It is the intention of the Board that this Charter be a dynamic document, to be regularly reviewed and updated to ensure that it represents evolving "best practices" on a basis consistent with the Reliant Energy, Inc. Statement of Objectives, as set forth below:

The objective of the Board of Directors (the "Board") is to govern the affairs of the Company for the benefit of our shareholders and other constituencies, including our employees, customers and the communities in which we do business. The Board strives to ensure the success and continuity of the Company's business by electing qualified management and fostering an environment in which the Company's activities are conducted in a legally-compliant, responsible and ethical manner.

Strong principles of corporate governance are critical to achieving these objectives. Accordingly, the Board has committed to:

- **High Corporate Governance Standards** -- Engaging in conduct that conforms to current corporate governance standards and monitoring evolving standards of corporate governance in an effort to substantially exceed the consensus view of the minimally-acceptable standards;
- **Responsible Decision Making** -- Acting in the best interests of the Company and its shareholders, taking into account the effect of its actions on the Company's employees, customers, the environment and the communities in which it operates;
- **Transparency in Reporting** -- Ensuring transparency in the Company's reporting of its financial condition and results of operations, business activities and other disclosure by the Company to regulatory authorities, shareholders and other constituencies; and
- **Ethical Behavior** -- Conducting the Company's business in a fashion consistent with the highest standards of ethical conduct and in such a fashion that complies with both the letter and the spirit of the applicable laws, rules and regulations.

### I. Purposes

The purposes of the Audit Committee are:

1. To oversee the quality and integrity of the financial statements;
2. To oversee the Company's compliance with legal and regulatory requirements;

3. To oversee the qualifications and independence of the registered public accounting firm engaged for the purpose of preparing or issuing an audit report for inclusion in the Company's Annual Report on Form 10-K (referred to herein as the "independent public accountants");
4. To oversee the Company's compliance program and the activities of the Corporate Compliance Officer;
5. To oversee the performance of the Company's internal audit function and independent public accountants; and
6. To perform such other duties as are directed by the Board.

The Audit Committee shall prepare annually a report meeting the requirements of any applicable regulations of the Securities and Exchange Commission (the "SEC") to be included in the Company's proxy statement relating to its annual meeting of shareholders.

## **II. Membership**

The Audit Committee shall be comprised of three or more Directors, as determined by the Board. Audit Committee members are appointed by the Board upon recommendation of the Nominating & Governance Committee, and shall serve until their successors are duly elected and qualified. Each member of the Audit Committee shall be qualified to serve on the Audit Committee pursuant to the requirements of the New York Stock Exchange (the "NYSE"), and shall also satisfy any additional requirements deemed appropriate by the Board. No member shall serve on an audit committee of more than two other public companies.

Each member shall be (or shall become within a reasonable time after appointment) financially literate, as the Board, in its business judgment, interprets the term. Additionally, at least one member of the Audit Committee must have "accounting or related financial management expertise," as the Board, in its business judgment, interprets the term. Either at least one member of the Audit Committee must be an "audit committee financial expert" (as defined by the SEC pursuant to the Sarbanes-Oxley Act of 2002 (the "Act")) or the fact that the Audit Committee has no financial expert must be disclosed in the Company's SEC filings. The Board may presume that a person who is an "audit committee financial expert" as defined by the SEC's rules has accounting or related financial management expertise. Members of the Audit Committee may enhance their familiarity with finance and accounting principals by participating in educational programs that the Company or an outside consultant conducts.

Notwithstanding the foregoing membership requirements, no action of the Audit Committee shall be invalid by reason of any such requirement not being met at the time such action is taken.

## **III. Meetings and Structure**

The Audit Committee shall meet at least four times per year to review the financial information of the Company, consistent with its duties and responsibilities, and as many additional times as the members deem necessary. Members are expected to regularly attend Audit Committee meetings,

and to spend the time needed to properly discharge their responsibilities. An Audit Committee member who is unable to attend an Audit Committee meeting is expected to notify the chairperson of the Audit Committee prior to the meeting.

The schedule for each Audit Committee meeting shall be furnished to all directors, and the agenda for each Audit Committee meeting shall be furnished to the Audit Committee members as well as to the chairperson of each other committee of the Board. Additionally, all non-management directors are invited to attend every meeting of the Audit Committee and receive copies of all materials distributed at such meetings, with the understanding that non-management directors that do not sit on the Audit Committee will have only observer status. The Audit Committee may meet in person, by telephone conference call, or in any other manner in which the Board is permitted to meet under law or the Company's bylaws.

Information and data important to the Board's understanding of the business to be conducted at an Audit Committee meeting should be distributed in writing to the attendees before the meeting (taking into account that there may be exigent circumstances in which it is not possible to do so), and directors are expected to review these materials prior to the meeting. Materials should be physically delivered at least five calendar days prior to the meeting in question, except that materials for each quarterly Audit Committee meeting to discuss earnings and the draft Form 10-Q or 10-K will be delivered as early as practicable prior to the meeting.

The Audit Committee shall meet periodically with management (including not less than annually with each of the Chief Executive Officer and the Chief Financial Officer, meeting separately), the Company's Controller, the Company's Vice President of Internal Auditing, the Company's Corporate Compliance Officer, the Company's Chief Risk Officer and the independent public accountants in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

The Board shall appoint one member of the Audit Committee as chairperson. The chairperson shall be responsible for leadership of the Audit Committee, including developing the agenda with the assistance of and in consultation with appropriate members of the Audit Committee and management, presiding over the meetings, making assignments and reporting to the Board. The agenda for each Audit Committee meeting shall provide for a meeting of the members of the Audit Committee in executive session. The chairperson will also maintain regular liaison with the Chief Executive Officer, the Chief Financial Officer, the lead audit partner of the Company's independent public accountants and the Company's Vice President of Internal Auditing.

Any vacancy on the Audit Committee shall be filled by majority vote of the Board. Audit Committee members may be removed only by a majority vote of the directors then in office who qualify as independent under NYSE listing standards.

A majority of the members of the Audit Committee shall constitute a quorum. The Audit Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Audit Committee may also act by unanimous written consent in lieu of a meeting.

#### **IV. Authority and Responsibilities**

The Audit Committee shall have the sole authority and responsibility with respect to the selection, engagement, compensation, oversight, evaluation and, where appropriate, dismissal of the Company's independent public accountants. The independent public accountants report directly to and are accountable to the Audit Committee.

The Audit Committee shall have the authority to take all actions it deems advisable to fulfill its responsibilities and duties. The Audit Committee may form, and delegate some or all of its authority to, subcommittees as it deems appropriate; provided, however, that it shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Audit Committee as a whole. The Audit Committee shall have authority to obtain advice and assistance from internal or external legal, accounting or other advisors, as it deems necessary, without consulting or obtaining advance approval of any officer of the Company and without approval of the full Board. The Audit Committee shall have the authority to approve the fees and expenses of such advisors and have the Company pay such fees and expenses, as well as any administrative expenses of the Audit Committee.

If the Audit Committee retains an independent advisor, it must notify the Board and, if the Chief Executive Officer is not a member of the Board at such time, the Chief Executive Officer. The Audit Committee may request any officer or employee of the Company or any of its subsidiaries, the Company's outside legal counsel, and the Company's external auditors to meet with the Audit Committee or any member of the Audit Committee.

The Audit Committee shall be responsible for the resolution of any disagreements between the independent public accountants and management regarding the Company's financial reporting.

The Audit Committee shall have the following duties and responsibilities:

##### Independent Public Accountants

1. Be solely responsible for annually selecting and engaging the Company's independent public accountants retained to audit the financial statements of the Company, with such selection to be submitted to the shareholders for ratification.
2. Be solely responsible for reviewing the performance of the independent public accountants, including the lead partner and reviewing partner of the independent public accountants, and approving any proposed discharge of the independent public accountants when circumstances warrant.
3. Be solely responsible for reviewing and approving in advance the plan and scope of the independent public accountants' audits, non-audit services and related fees.
4. Ensure the rotation of the audit partners as required by law.

Evaluate periodically whether to rotate the Company's independent audit firm.

Engage in a dialogue with the independent public accountants to confirm that audit partner compensation is consistent with applicable SEC rules.

5. Ensure the independent public accountants do not provide any services to the Company that are prohibited by applicable laws; carefully evaluate and continually reevaluate those permitted services provided by its accountants to ensure that they remain within the scope of services allowed by applicable laws and that they otherwise are consistent with and do not compromise the auditor's independence.
6. Establish hiring policies for employees or former employees of the Company's independent public accountants.
7. Periodically obtain and review a report from the independent public accountants regarding all relationships between the independent public accountants and the Company and discuss such report with the independent public accountants.

#### Review

8. Review and approve the appointment, termination or replacement by management of a Vice President of Internal Auditing or, at the discretion of the Board, select and contract with an outside accounting firm to perform the function of an internal audit department.

Direct the scope of the duties of the Vice President of Internal Auditing or any outside accounting firm performing the function of an internal audit department, who shall report directly to the Audit Committee.

Periodically meet and review with the Vice President of Internal Auditing the regular internal reports to management prepared by the internal auditing department and the progress of activities and any findings of major significance stemming from internal audits.

In connection with any significant judgments made in management's preparation of the financial statements, establish regular procedures of reporting to the Audit Committee as to appropriateness of such judgments by the Chief Financial Officer, the Chief Accounting Officer, the Vice President of Internal Auditing and/or any other officer of the Company that the Audit Committee deems appropriate.

9. Review with management and the independent public accountants the Company's quarterly or annual financial information prior to the filing of the Company's Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K, as the case may be, or prior to the release of earnings.

Discuss with financial management the Company's earnings releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies, if any.

Review and discuss with management and the independent public accountants the disclosures made in management's discussion and analysis of financial condition and results of operations in any of the Company's reports on Form 10-Q and Form 10-K.

Establish regular and separate procedures of reporting to the Audit Committee by each of the Chief Financial Officer and the independent public accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

10. Upon completion of any annual audit, meet separately with the independent public accountants and management and review the Company's financial statements and related notes, the results of their audit, any report or opinion rendered in connection therewith, any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information, any significant disagreements with management concerning accounting or disclosure matters and any significant adjustment proposed by the independent public accountants.

Regularly review with the Company's independent public accountants any audit problems or difficulties and management's response.

Review and consider with the independent public accountants and management the matters required to be discussed by Statement of Auditing Standards No. 61. These discussions shall include consideration of the quality of the Company's accounting principles as applied in its financial reporting, including review of estimates, reserves and accruals, review of judgmental areas, review of audit adjustments whether or not recorded and such other inquiries as may be appropriate.

Based on the foregoing review, make its recommendation to the Board as to the inclusion of the Company's audited financial statements in the Company's annual report on Form 10-K.

11. Review any disclosures provided by the Chief Executive Officer or the Chief Financial Officer to the Audit Committee regarding significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data.
12. Review and discuss any internal control report prepared by management for inclusion in the Form 10-K.
13. Review with management and the independent public accountants any significant transactions that are not a normal part of the Company's operations and changes, if any, in the Company's accounting principles or their application.
14. At least annually, obtain and review a report by the independent public accountants describing the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review by the Public Company Accounting Oversight Board, or peer review if any, of the firm, or by any inquiry or investigation by

governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

### Financial Reporting Processes

15. Periodically discuss separately with management, the independent public accountants and the internal auditors the adequacy and integrity of the Company's accounting policies and procedures and internal accounting controls, the completeness and accuracy of the Company's financial disclosure and the extent to which major recommendations made by the independent public accountants or the internal auditors have been implemented or resolved.
16. Review and discuss with management, the Company's independent public accountants and the internal auditors any reports from the independent public accountants on:
  - All critical accounting policies and practices used;
  - All material alternative accounting treatments of financial information within GAAP that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent public accountants; and
  - Other material written communications between the independent public accountants and management.
17. Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices, and financial statement presentations as suggested by the independent public accountants, management, or the internal auditing department.

Review with the independent public accountants, the internal auditing department and management the extent to which such changes have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes, as the Audit Committee decides.

### Process Improvement

18. Conduct an annual self-evaluation to determine whether the Audit Committee and its members are functioning effectively.

The evaluation shall include a review and assessment of the adequacy of the Audit Committee's charter. The Audit Committee shall develop an evaluation process and solicit evaluations from all members regarding the functioning of the Audit Committee at the end of each fiscal year. The Audit Committee shall report the results of the review to the Board and, if necessary, make recommendations to the Board to amend the Audit Committee Charter.

19. Submit to an annual review and evaluation by the Board.

20. Discuss guidelines and policies to govern the process by which risk assessment and management is undertaken, including the steps management has taken to monitor and control major financial risk exposures.
21. Review with the independent public accountants, the internal auditors and management the adequacy and effectiveness of the disclosure controls and procedures of the Company and provide any suggestions that the Audit Committee might have for the improvement of such disclosure controls and procedures.
22. Regularly apprise the Board, through minutes and special presentations as necessary, of significant developments in the course of performing these duties.

#### Ethical and Legal Compliance

23. Establish procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls, auditing matters and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

Review any disclosures provided by the Chief Executive Officer or the Chief Financial Officer to the Audit Committee regarding any fraud, including that which involves management or other employees who have a significant role in the Company's internal controls.

Investigate at its discretion any matter brought to its attention by, without limitation by enumeration, reviewing the books, records and facilities of the Company and interviewing Company officers or employees.

24. Review management's monitoring of the Company's compliance programs and evaluate whether management has review systems in place that are designed to ensure that the Company's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
25. Review with the Company's in-house or outside legal counsel any legal matter that could have a significant effect on the Company's financial statements, including the status of pending litigation, taxation matters and other legal matters as may be appropriate.

#### General

26. Perform any other activities consistent with this Charter, the Company's Certificate of Incorporation and Bylaws, the rules of the NYSE applicable to its listed companies, and governing law as the Audit Committee or the Board deems necessary or appropriate.

## **V. Limitations**

While the Audit Committee has the duties and responsibilities set forth in this Charter and management and the independent public accountants for the Company are accountable to the Audit Committee, it is not the duty of the Audit Committee to prepare or certify the financial statements, to plan or conduct audits or to determine the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of the independent public accountants and management.

In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not full-time employees of the Company, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information and (ii) the accuracy of the financial and other information provided to the Audit Committee, in either instance absent actual knowledge to the contrary.

Nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Audit Committee, except to the extent otherwise provided under applicable federal or state law.