

NRG ENERGY, INC.  
Form 425  
May 27, 2009

Filed by NRG Energy, Inc. pursuant to  
Rule 425 of the Securities Act of 1933 and  
deemed filed pursuant to Rule 14a-12 of the  
Securities Exchange Act of 1934  
Subject Company: NRG Energy, Inc.  
Commission File No.: 001-15891

*On May 27, 2009, David Crane, President and Chief Executive Officer of NRG Energy, Inc. presented at the 2009 Deutsche Bank Energy, Utilities & Power Conference. The slides used during the presentation and a transcript of the presentation are provided below.*

---







































































## **CORPORATE PARTICIPANTS**

### **David Crane**

*NRG Energy, Inc. President and CEO*

### **PRESENTATION**

#### **Unidentified Participant**

Good morning. I m (inaudible) from the Deutsche Bank utilities and power equity research team. We wanted to welcome everybody to 2009 Deutsche Bank Energy Utilities and Power Conference. We are very pleased to have David Crane, President and Chief Executive Officer of NRG Energy along with Nahla Azmy, Vice President, Investor Relations, with us this morning.

As most of you know, NRG Energy is one of the largest independent power producers in the United States with a diverse portfolio of over 24,000 MW of generating capacity. NRG currently has one of the few active generation development programs in our sector and is highlighted by the company s 2700 MW nuclear expansion project at its STP nuclear facility.

With that, I ll turn it over to David.

#### **David Crane - NRG Energy, Inc. President and CEO**

Thank you. Thank you Deutsche Bank for inviting us this morning, for having us here. And good morning to all of you.

I particularly appreciate your introduction because it talked about all the things that we are doing as a company, which is the main thing I like to talk about. But today I m actually going to focus on discussing the Exelon tender offer for NRG.

As you can tell from the cover sheet, the theme then and now, low value/high risk, now lower value and higher risk. Some people, when I first came up with that title said, well, when is then? Then is when you pick then to be. Then is either at the time they launched the offer, or the time of the second exchange offer at the end of February.

The point the theme of today s presentation is going to be that the value proposition in the Exelon offer is substantially more inadequate today, and Exelon has done nothing, absolutely nothing, to strengthen their offer over the past six months.

So moving on, and I was reminded right before I started by Nahla that I should at least mention the Safe Harbor statement and ask you to read it but ask you to do that on your own time, not on my time.

So anyway, moving on to the current status of the situation. What I really want to talk today is about how things have changed for both companies in terms of their positioning, their prospects, and then the threats to each company s business and the opportunities. Again, I really want to focus on the changes since the second exchange offer expired on February 25. Obviously the reason that we picked today to talk about this is because now that Exelon s third exchange offer, which expires on June 26, is in the offing.

The other reason to focus on the time since late February, the second exchange offer, is that the pace of change for both companies has accelerated since early March, in the case of NRG, the pace of change has accelerated since the announcement of our Reliant Energy retail acquisition on March 2, in the case of Exelon, since Exelon s disclosures about their focus or their forward hedge position, which they made at their analyst day on March 10.

And so starting on this page, what I want to talk about is in fact, as I mentioned in my prelude, is to what Exelon has been doing, or as we phrased it here, what they have not been doing. This is important in light of the trends that we are going to talk about.

First of all, they have not increased the original offer, or improved it in any way. They have not demonstrated committed debt financing, they have not provided any reasonable assurance as to credit agency reaction to the proposed combination, or and this is an increasing concern, the amount of equity that they might have to raise in order to support their objectives, and they have not provided any detail or even an outline of a

credible business plan as how do you hedge a 48,000 MW portfolio that produces almost 250 million MWh a year? They have provided clarification as to their hedge disclosure, and that has indicated they are not as hedged volumetrically in the medium term as the market previously had expected.

Now the one point, as I mentioned I'm sorry, I think I've got you go backwards yes. Sorry. I wanted to again contrast that, and obviously favorably in terms of what we have done over the last three months.

Like I say, I'll talk more about the Reliant transaction which was announced on March and closed on the last day of April. We contracted for the sale of MIBRAG. That deal has almost closed. That was a significant value, 259 million US dollar equivalent, pretax dollars. As such it doesn't pay for the entire Reliant transaction, but it comes close. So it's a very positive recycling of the company's capital.

We've proceeded aggressively with our initiatives in the renewable development area with the acquisition of the 500 MW eSolar development portfolio. We've successfully project financed the GenConn projects, which the groundbreaking is later this week. And we continue to progress in the front line of gas as one of the four nuclear development projects which has been selected by the Department of Energy to proceed to the final round in the nuclear loan guarantee program.

Now one issue that we want to focus your attention on, and that is this again, this has become an increasingly important issue in light of the Exelon offer. I want to emphasize here that as the NRG Board has thought about the Exelon offer starting last October, overwhelmingly the concern has been the lack of a value proposition. And that remains the principal concern of the NRG Board even today.

But increasingly there has been a second issue that has been more of concern, and that is the idea that because of Exelon's credit rating considerations and so the weakening of their general business prospects, that Exelon is going to have to issue equity in order to maintain their credit rating metrics.

What we've tried to demonstrate on this slide four is what impact that has on the offer on the table, which as you know is a fixed exchange ratio offer. So in light of Exelon's challenged circumstances, their reduced earnings prospects, the vast increase in their unfunded pension liabilities and post-employment benefit obligations, and really with no real realistic hope in this asset market of selling noncore assets for anything close to the \$1 billion that they've talked about, that they will have to issue equity.

What we show here, various amounts of equity that they might have to issue under certain natural gas price assumptions, and if you take the middle point, which would be as we posit, a \$2 billion Exelon equity issuance, that that itself has a 6.5% dilutive effect in terms of the exchange ratio offer that they've put on the table and turns what is on its face is 0.485 offer into a 0.454 offer.

So if you look at how their basic offer has changed since they launched on October 19 of last year, they have \$26 share, keeping in mind that in the middle of last year we were trading at \$45 a share and since that time we've announced record earnings and free cash flow in 2008, and we've given guidance for 2009 that's not far off that mark. But they offered \$26 a share. With their share price performance since then, it's worth \$23 a share. And then if you assume an equity issuance, it's worth \$21 a share.

So net/net, if you take all this into account, Exelon needs to increase its offer by almost 25% simply to get NRG shareholders back to the inadequate position they were in at the time of the original Exelon offer.

And then addressing one other point that was made and was an important point at the time of the second exchange offer, we recognize and we like to think at NRG that everyone who invests in NRG invests in NRG as an investment. But we are also but we also recognize that some people do so as a trade. And a point that was made by Exelon repeatedly to NRG investors back when they were on the road in February was that in effect the Exelon offer was providing a floor to the NRG stock price during those dark days of February, making the comment on the left that if we had been in our historical relationship to the other true IPP companies, that our stock would've been 16% less in the absence of the Exelon offer.

If you provide the if you bring that forward and provide the exact same methodology, you see there is another 25% here, which is now with the way that the companies have performed since the end of February, that in fact if the Exelon offer was removed and we reverted to our normal relationship, vis-a-vis the IPP index, we would actually be 25% higher today than we were then.

So to the extent as Exelon goes out to meet with all of you, the NRG investors, and if they do as they did last time and threaten to go away if they don't get a good result in the third exchange offer, I would say that based on this trading result, your response then might be, well, please do. Or is that a promise?

---

I also note on this page that their stock price has underperformed the hybrid index as well over the same period of time. And while that is principally a concern of Exelon shareholders, I think there is a good chance that maybe the takeaway line of this read should say, we believe NRG's stock price is being constrained by the Exelon's offer, and there is a good chance that the Exelon stock is being constrained as well.

Which then leads to, again, what we think is the message that we think our shareholders should send. The message that appears on this page seven is sort of a polite way of the old adage that it's time to sort of put up or shut up, if Exelon wants to continue with their offer for NRG, that they should do something more than the immaterial bump which John Rowe mentioned to me was possible when we met in January, that if they want to continue with the offer, they should make a very substantial increase, an increase that recognizes our additional value creation on top of the original value shortfall, which takes into account the increasing uncertainties and weaknesses around their business, and which clearly identifies how much equity will be required to placate the rating agencies. Again, if they are not willing to do that, they should stop wasting time and resources – and by time and resources I mean there's, ours, and all of yours.

Now one of the positive impacts of the Exelon offer is that it's led to a very extensive investor outreach actually by both companies, we've had more chance to talk with investors in the company, particularly big institutional investors over the past couple of months, and we will have more in the weeks and months to come.

And what's clear to us is that as we have talked to investors that there have really been four key investment factors that seem to be on almost everyone's mind. Again, I'd like to go through those four investment factors and talk about them in terms of the trend lines.

These are the four. Of course the overriding one, the basic value equation. Secondly, the Washington factor. Third, the two company's well, hedging programs and how much protection they provide in the current commodity price downcycle. And fourth, which company is better positioned to allocate capital in a way that obviously out-earns the company's cost of capital.

So first, focusing on value creation. For people who have been following this story of NRG and Exelon, I think they're probably getting pretty tired of this slide. But I'll my threat to you is that as long as the Exelon thing is going on, every presentation that NRG presents will talk about the free cash flow dilution to NRG shareholders that are embedded within the current Exelon offer.

This is among the many different ways of assessing value, the most important one in terms of the NRG Board's consideration of the original Exelon offer. And it paints a pretty stark picture without regard to which year you focus on in terms of how dilutive on a free cash flow basis the current Exelon offer is for NRG.

Exelon's response to that, which is basically depicted in the quote on the left, is to say that we are ignoring their growth prospects in terms of the PECO PPA rolloff in 2011 and also the benefits that Exelon expects to get from federal climate change legislation.

So what I'd like to do is focus on those growth drivers, including another growth driver that they have cited, which is not in this quote, which is that they believe that capacity markets and PJM provide them with a big upside and provide you with more up-to-date information about what's happening in that area.

So first, if we talk about capacity auctions – for people who don't follow PJM as much as we do, on slide 11 we've got the bar chart that shows the results of the recent capacity auction for 2012/2013 expressed in dollars per megawatt day. Again, for people who don't follow the geography as well, NRG's assets in PJM tend to be concentrated in DPL South. You'll see that the result there was a positive result. Admittedly we only have a few hundred megawatts that can benefit, but overall certainly the price levels, \$222 per kilowatt day playing a \$110 per day for the previous year is a very positive result for our portfolio.

For Exelon, who has an enormous number of amount of capacity in the PJM market, most of their capacity is in the RTO section. You can see that the result of the auction was a severe and quite unexpected by almost everyone downturn from \$110 per megawatt day for 2011 to 2012, to \$16 for 2012/2013. If you run that through in terms of impact on projected gross margin, you can see that that means a sort of a negative impact year on year from '11/ '12 to '12/ '13 of close to \$300 million on Exelon's results – or projected results.

Turning to the second growth driver, and again this is the PECO rolloff growth driver, what happens when the PECO megawatts or the PECO capacity comes off margin. Previously Exelon had guided – provided a lesser guidance, as it

says in the center of the page, that all the production that they are currently selling under the PECO PPA at \$60 per megawatt hour might produce \$107.50 per megawatt hour in 2011. And that is based on PPL's auction results from last fall.

---

Well, they recently another neighboring utility, FirstEnergy, announced their auction results as they transitioned to open market, and in fact what they realized was \$61.50 per megawatt hour, which obviously is a far cry from \$107.50. \$61.50 obviously is better than \$60, but it's hardly worth waiting three years for, nor is it worth foregoing NRG's own considerable growth prospects.

Moving on to the second factor, and these things are all occurring in real time. We have been aware and we have openly acknowledged that climate change legislation in Washington, which we support we support moderate climate change legislation. We have for several years. As a coal-fired generator that produces over 60 million tons of carbon per year, I think the market has been a little bit concerned that instead of moderate legislation out of Washington that we would get legislation that was punitive towards coal-fired generators.

I think there is substantially more clarity as to what climate change legislation will look like today than there was even two weeks ago, and that's because of the introduction of the Waxman-Markey Bill, but not only the introduction but the fact that it's now been marked up in the House energy committee, it's passed on to the floor. But the most significant thing about climate change legislation, first and foremost, is that you have legislation that's been introduced by two of the most avowedly liberal members of the House of Representatives, and what they have produced as a starter is a bill that's very moderate, very practical, and which we'll get into.

But what is overlooked by some people, because the climate change issue tends to be the 800 pound gorilla in the room, is there are other things going on in Washington that are also very impactful on our sector, on NRG, and on Exelon.

The first, and the one that we know that will occur with certainty because it's already been passed and enacted into law is the stimulus package. And the stimulus package, with particularly the fact that the stimulus arms the Department of Energy with almost \$60 billion of loan guarantee capacity, means that Washington, the Department of Energy is going to have a lot to say in terms of what this industry is going to look like in the future. I think that NRG is spectacularly well-positioned to take advantage of that.

So in terms of what's going on with the stimulus, but and the nuclear loan guarantee program, not technically part of the stimulus because it was in place before, put in place in the last couple of years of the Bush administration as I said before, we're in the frontline of that.

We have stimulus applications in already on solar, on plasma gasification, as and as they put in put out the regs on this, we expect to have a carbon capture and sequestration project in biomass and wind. So really across the sustainability spectrum, we expect to benefit from the stimulus package.

What also has been lost and I'm going to talk a little bit more about is the fact that climate change legislation unexpectedly, from some people's eyes, also has a Federal Renewable Energy Standard included within, and that has a big impact on the industry and with quite a few regional differences. We are going to talk about that.

But first, again, on the climate change legislation itself, as I said, introduced by card-carrying liberals but a moderate bill. Contrary to the rhetoric during the campaign that there would be 100% auction of allowances, this has 85% allocation of allowances in the initial years. There is a specific allocation to merchant coal based on net compliance costs, which is a formula that is designed to make sure that no coal-fired generator realizes any windfall, which again is a concept that we support. And then the allowance allocation steps down, but not until 2026.

And so from our perspective, the way the phraseology I like to use is that this gives us a long runway to change the way we make power, and we are convinced that we will be neutral on a portfolio basis to this legislation, from the financial impact, for approximately the next 15 years. And in the long run, because of our development path, we actually expect to change climate change into an opportunity.

From Exelon's perspective, obviously as a very low carbon generator they won't be harmed by climate change legislation. But the windfall that they have alluded to in the past will not be as large, and of course it will depend in the future on how much they are allowed to keep from the Pennsylvania and Illinois regulatory authorities.

So to the extent that Exelon has used climate change legislation in the past as a basis for having you believe that climate change will make their offer for us cash flow neutral at some point in the present, it's hard to imagine how far out in the future you would have to be imagining to think that that would have that impact. The best I can guess is that you would have to be thinking and worrying about 20 years in the future and assuming that NRG was doing nothing to that point, which certainly that would not be our record.

As I mentioned, I think the thing that has not gotten as much a review but people need to focus on in the climate change legislation is the introduction of a Federal Renewable Energy Standard. Again, we see a renewable energy standard as an opportunity for wind, solar, and and a little comment on breakthrough is that actually the formula for the Federal Renewable Energy Standard as it s going to be introduced on the

---

House floor actually includes new nuclear. It gives some positive impact to new nuclear in terms of removing megawatt hours produced by new nuclear from the denominator of the equation.

One of the things and we've got several long quotes here on the side of the page on page 15, but I think one of the things that every power company is trying to model right now is what's going to be the impact of renewables penetration on the incumbent generation in their market. Our point of view is that we have been dealing with the issue of substantial renewable penetration in Texas for a couple of years now and that the market reflects that penetration. As you can see from the quotes here on the right side of the page I apologize for quoting someone from Credit Suisse at a Deutsche Bank conference, but we'll get to a Deutsche Bank quote a little later in the presentation. We are ecumenical, when it comes to quoting.

But what really gets hit is the Midwest, where there has not been much penetration, and the prospect of the very substantial and generous wind resources from the Dakotas being brought into the Chicago area is a substantial issue. Now, how is it going to be brought to the Chicago area? You coincide that with the passage, or the beginning of the passage through the approval stage for the Green Power Express, which is many years in the offing, and people can handicap whether or not they expect these ambitious transmission projects to go forward, but there's a lot of momentum towards these projects, a lot of support in Washington in giving FERC authority.

And what it comes down to, again, as we have dealt with this issue in Texas, when we look at the potential penetration of wind into Illinois and into the industrial Midwest, I think the question that we want and we hope NRG shareholders will be asking themselves as they consider the Exelon offer is, do they really want to hitch their Texas driven wagon to a business that's driven by Illinois-based load power, and again particularly at the price that's on the table.

Now a third thing, the hedging program again, a regular slide that we always have shown with remarkable consistency quarter on quarter. I won't articulate for the thousandth time what NRG's approach to baseload hedging is. I think just the remarkable validation that's been provided as to the strength of our hedging program just last week, where Standard & Poor's acknowledging, as you can see from the quote on the right, that this is an unusual time in a sharply lower gas price environment where they would be upgrading a company that is usually perceived as being tied to the ebb and flow of natural gas prices. But thanks to the strength of our hedging program, that's in fact what Standard & Poor's last week is they—as they upgraded NRG's credit rating across the board.

Exelon, referring back to their March 10 investor meeting, I guess there was some confusion at that time about what they meant by being financially hedged. Since that time they've provided clarification in that, and it has led the market to believe that contrary to being 80% hedged in 2011, in fact they were more in the 40% range, or I think Deutsche Bank here had it at 32%, but that of course was as of March 10, while our bar chart is as of their further clarification in mid April. So I don't know exactly what the number is. But the number is much lower than was previously anticipated. And for those investors who are more inclined towards being bearish on general economic conditions, we think the very low commodity price environment that we've—that we started to experience is going to be around for a long time. This differentiation in hedge position three years out is an important new fact.

So finally, let's get to the fourth and final factor that I wanted to mention. And after we get through this, I'm going to look forward to answering your questions or addressing any comments or concerns you have.

But ultimately in this market, and doing what you all do, which I think there's a lot of similarity between portfolio managers and people in our industries, because we spend an inordinate amount of time thinking about what's the best allocation of capital for our business. Of course allocation of capital as you all know is about both what's your cost of raising capital, and even more importantly, how do you deploy it?

Exelon in a very general way has constantly hit on the theme that because they are bigger and have a better credit rating for us, they are advantaged in terms of cost of capital and deployment of capital. We don't have that point of view, and we don't have that point of view for at least three reasons.

First of all, if you have a lower cost of capital, it doesn't do you all that much good if your credit rating aspirations dictate that you only can use that capital to pay down debt, and particularly if you're paying down debt that's been raised during an expensive time frame as acquisition capital.

Second of all, while we would fully acknowledge that Exelon straight up on a corporate to corporate basis can raise capital cheaper than NRG, that ignores the fact that that's not actually how we raise capital in the normal course. The capital that we are raising as we fuel our growth





program is overwhelmingly going to be nonrecourse. It's going to be on the strength of our assets, and I would note that we completed a \$543 million nonrecourse financing of our GenConn facilities, which again, like I said, we are having the ribbon-cutting later this week or no, not the ribbon-cutting. That would mean that we were finished building it. The shovel the dirt turning to start the construction. And you can see the cost of that debt is 6.79%. But the big one that they like to focus on, of course, is who can fund a nuclear program? Again, by our estimate, we expect that the debt that we raised with the federal loan guarantee for the nuclear program will be at 4.53%, which is one of the reasons when I talk about the cost of raising debt between Exelon and NRG is, sure, on a corporate basis they can raise debt cheaper than we can, but the federal government can raise debt cheaper than Exelon can, and that's the way that we are going to be raising debt in the current environment.

Turning to the even more important issue of how capital is deployed, what we've listed on the right side of this page is our approach to the deployment of capital, which for people who have followed the company for the last five years would've seen this. A balanced approach in terms of repaying debt and buying back shares.

We have actually a share buyback program that we announced last November, which we would like to execute on. The lawyers won't let us execute on it as long as the Exelon thing is going forward. But we do believe in the steady return of capital to shareholders, particularly at these share prices.

Beyond that we're investing in growth CapEx. And I've listed some of the things we've invested in over the past years, and what I really want to focus on today to give you an update on is just the one—the most recent one, the one I've referred to previously, the Reliant Energy transaction and give you a sense of how well we've deployed capital.

So these are updated numbers where, for people who didn't follow the transaction, we paid \$288 million for the retail business of Reliant Energy. The way we calculate it—some people can differ from this—the average working capital that we—it was \$287.50 million purchase price plus working capital. The average monthly working capital that that business requires is \$82 million. So we calculated a total purchase price of \$370 million.

Previously, and somewhat reflective of the conservative financial nature of this company, we have indicated that we thought that this business could do \$150 million to \$200 million of EBITDA a year on a recurring basis. That is a very conservative estimate. As we've gone in, become more comfortable with the business over the last several weeks, we think on a recurring basis this business is good for \$250 million a year. And that's for a full 12 month basis, but it's having a very, very good year here in 2009, because it's a business that tends to be counter-recessional, countercyclical. And Bob Flexon, our CFO, will provide an update as to the 2009 contribution expected from Reliance on our second-quarter call at the end of July.

So taking a stab is something that we rarely do, but trying to actually put a value on a portion of our business, this business in our hands, where we can provide the wholesale supply—again, being very conservative, we think this business is worth a good four to six times multiple, again, being very conservative, given that paid a 1.5 X multiple. From our perspective, it's very—again, being very conservative, we think the Reliant business adds \$4 to \$5 per share of equity value to NRG.

So to sum up, to go back to the four issues, if you look at the trends since, again, Exelon launch in October, or since February, we think that the trends are strongly in our favor on all accounts and that we in particular—and I'm very proud of what NRG has done in this way—is that we've demonstrated our ability to create value at this company during these challenging economic times and notwithstanding the purpose of a bear hug strategy, which of course is to suffocate the target, that we have been able to operate the business quite successfully during that time.

So to sum up, so my message to you today as NRG shareholders, because of the NRG shareholders in the room or who might be participating in the webcast, is that my message to you is you should send a message to Exelon management when they come visit you on their next round of investor outreach. I think you should ask them to fully divulge what they expect to earn from capacity markets in the PECO rolloff in light of the recent auction results. I think you should ask them to quantify how they think climate change legislation is going to close the free cash flow dilution that's embedded in their offer, particularly when you couple it with the new Federal Renewable Energy Standard that's coming.

And I think you should ask them to explain how they are going to fund their nuclear development program outside of the federal loan guarantee program, and whether their cost of capital can match the US Treasury rate of US Treasuries plus 15 basis points that we are projecting for our project.



Some most importantly, I think you should tell them that if they want to buy an NRG, they need to increase their offer substantially, not immaterially, to a level that is fair on a cash flow accretion basis, that compensates for the weakness in their stock and prospect of future dilution from Exelon equity, and most of all, provides the \$4 to \$5 a share of value associated with the Reliant Energy transaction.

So finally, to add insult to injury, one last quote from a different sell side analyst, and I think this is important because this sell side analyst first of all is writing on May 26 but also one of the analysts that historically had most favored the Exelon offer as it stood, is this is the headline time to up the ante; Exelon needs to substantially up its merger offer for NRG to close the deal.

So with that, I appreciate your patience. I guess we have about 10 minutes for questions. I'd be happy to answer any questions anyone has.

#### **QUESTION AND ANSWER**

##### **Unidentified Audience Member**

Given that you did this really accretive transaction with Reliant and Rowe is always said or he used to say that if when they got in and did further due diligence of the company, if Exelon found something that would enhance the value to Exelon, once they did a further due diligence, that they would consider raising their offer at that point. And here you've done something publicly that seems to have added some material value to your company. So why haven't they raised their offer? Or why wouldn't you expect them to raise their offer, at least to adjust for this transaction?

##### **David Crane - NRG Energy, Inc. - President and CEO**

Well, I really can't answer that question. I don't have great insight into what John is thinking. I mean, I obviously, as you can tell from the presentation, feel strongly he should raise his offer and do it substantially.

If you're asking me my personal point of view, for what it's worth, and you actually probably have far better insights to what he is thinking than I do, is that I think at some point that they do increase their offer. And when they do increase their offer, I think that they will specifically mention the Reliant transaction as the rationale for increasing their offer. But I think they will adhere to their previous statements that their offer increase, when it comes, will be immaterial. So that's why I think it's important that investors keep in mind that a \$1 increase in effect a \$1 per share increase in an offer, when we have added a business using recycled capital from selling noncore asset that's worth easily \$4 to \$6 a share, that a \$1 increase should not give an NRG investor a warm and fuzzy feeling about the increase.

##### **Unidentified Audience Member**

I'm curious, if you didn't have the offer outstanding now, what businesses do you think you could add value to, or where are you looking to expand? What businesses do you think you could create value with? That's my first question.

##### **David Crane - NRG Energy, Inc. - President and CEO**

Well, we are really seeing opportunities across the range. And there's one category that has pretty much been precluded by the Exelon offer. That's sort of the quote/unquote transformative transaction with another big IPP company. Obviously other company stocks until recently have been beaten down more than us.

There's actually a lot of synergies to bringing two IPPs together because of the smaller size of the two. I mean, just eliminating one company's G&A is a lot more significant between two companies that have a \$3 billion to \$5 billion market cap than between one company that's \$35 billion and one company that's \$5 billion. So that kind of transaction, we haven't even followed since Exelon came along.

---

But we are seeing more potential opportunity just in terms of the bolt-on projects. As everyone who follows NRG has known, we are a little bit light in the seven heat rate combined cycle projects. That type of plant is not as compelling today in a world where demand is declining as opposed to when people thought the seven heat rate combined cycle plants were going to be absorbing any incremental demand increase. But at the right price we would like to fill up or fill out our lineup so we could follow load.

We are seeing a lot of transactions out there like the eSolar transaction, and to me one of the great opportunities out there is the irony of the fact that we have a new administration in Washington that wants to pursue renewable sustainability, yet the solar development world, the wind development world is flat on its back right now. And for very little money down you can take over development projects that people have been working on for years and which the Government I think is going to push through.

And then obviously the Reliant transaction was sort of a vertical integration play down into retail. We've said we are not really interested and we don't see the logic for us to be doing retail anywhere other than Texas right now. But vertically integrating and looking a little bit upstream, we are seeing some opportunities along our fuel supply chain as well.

And that's really what we're about when we talk about deploying scarce capital is we would like to do transactions that are very accretive on an economic basis but also derisk our overall portfolio strategically. And I'm not sure that we could do more transactions as obviously attractive on both counts as the Reliant one. But there's a lot out there that we are pursuing and will continue to pursue, and we think we can do more in the future.

**Unidentified Audience Member**

Why do you suppose no one has stepped up and topped the Exelon offer?

**David Crane - NRG Energy, Inc. - President and CEO**

Anyway, I think really there are two things that I wanted to mention about that because in a way you are referring to the fact that we once said that we were engaging in a market discovery process. And let me tell you two things about that. One is, there are other people interested in acquiring NRG. But ultimately it's a buyers' market right now. And some of the people who are interested in buying NRG, they are not interested in making you wealthy as an NRG investor, they are interested in getting a bargain themselves.

So right now one of the problems with doing a market discovery or auction process is that the baseline for any competing bid is the Exelon offer, which is so far off the mark that if someone tops that, whether it's Exelon or someone else, if someone tops that by \$0.50 a share or \$1.00 a share equivalent, I don't think that provides that's just not to me that's not an attractive value equation to the NRG shareholders. So our enthusiasm for pursuing that from this base, on the base of the existing Exelon offer, is not high.

The second thing is, there are a variety of categories of companies that would be naturally interested in NRG. The obvious one is Exelon's peer group. And my sense in terms of talking to CEOs from a lot of those companies is they are very interested in the prospect but they were very concerned about the availability of debt financing and the impact on their credit rating, concerns which we have repeatedly raised that Exelon has but hasn't addressed. Other people have raised concern about it though as a way of going forward.

John, as you know, I think there was one attempt of another traditional utility to buy an IPP very recently, and it ended up getting frustrated because of the lack of enthusiasm for the deal by Standard & Poor's. And so that's a transaction threat that's out there with Exelon, which we think they should be addressing.

**Unidentified Audience Member**

Give you a little broader question away from the obvious why they won't pay more and why you don't want to sell for less, because that's what it's come down to.

Just in general, the new administration, this cap and trade and all this without getting into what it's going to how it's going to affect your company, have you got a broad thought of whether they're really going to get a lot of this through, what it's going to look like for costs, whether you can pass them on, who's going to pay? It's just a big of a mess it looks to me it could be a mess. What's your perspective as an industry, just looking at it from an industry perspective?

**David Crane - NRG Energy, Inc. - President and CEO**

Well, my perspective, and I'm just a businessman, but one that spends a fair amount of time in Washington. My viewpoint on whether they get climate change legislation has changed almost diametrically over the last six weeks. And the indication of that is that represents Waxman and Markey, they are dealing. Again, they started with a moderate bill.

My indication is that the executive branch and let's face it, we have a pretty powerful President right now is that they want a climate change bill to lay the foundation for what they really want to focus on in the fall, which is a healthcare bill. And I have been at the White House myself, and their point of view is that while these things seem disconnected, success breeds success in terms of legislative strategy.

So the fact that the administration, which obviously the administration the majority party controls all the levers of government, I think they have a very good shot. They do need to bring some Republicans along in the Senate for obvious reasons.

And what I think is going to be very interesting is that I think the bill will improve as it gets into the Senate, and the question is how will it improve? I think what you need to be looking for is that I think there are senators that will work

Republican senators that will work with the administration if the administration takes a more robustly positive attitude towards nuclear power, and particularly if they perhaps include what's sort of just generally referred to as a nuclear title in the bill.

So does it get passed in 2009? It's still hard to say because of the deliberative nature of the Senate, but you can see a situation where it gets debated in the Senate in the fall and they come back in January or February and get it done. So I would be very bullish on that comprehensive climate change legislation with the Federal Renewable Energy Standard gets passed.

I only answered half your question, didn't I? What was the second half?

**Unidentified Audience Member**

Maybe a better way, is this going to end up getting the short end of the stick, cost-wise? End up in the consumer's pocket, the coal company? Who's going to really, as you can see it from the when you look at the changes and how it's going to affect whether it's your company's industry, somebody's going to end up paying.

**David Crane - NRG Energy, Inc. - President and CEO**

Yes, well I and we (multiple speakers)

**Unidentified Audience Member**

What do think the hardest, the sharpest fork is going to get (multiple speakers)

**David Crane - NRG Energy, Inc. - President and CEO**

Well, someone is going to end up paying, but one of the things that they've decided to do, which I actually think is logical and consistent with what it means to be a politician, is they've put off the really expensive costs until not even the next decade, but the decade after that, which some people might say, well, that's showing a lack of courage. But the fact is, climate change doesn't need to be solved in the next decade, it needs to be solved by 2050, according to the scientists, so giving people a long run runway.

So I think the economic impact on everyone is going to be relatively mild in the next decade. And it very well could end up like sulfur, where everyone complained this is going to be ruinous back in '89 and '90, but because they gave it a long runway and people had 20 years to tighten it up, that people that it really actually barely gets felt. So that's my view.

I think the allocation there are certain industries that seem to have done worse than others. The independent refiners didn't seem to do so well in terms of the original allocation. But in terms of what part of the economy, a lot of what's happened in Washington is regional differences. And

one of the things I think has brought a federal renewable energy standard alongside climate change is they actually see the climate change allocation as a way to mitigate the varying regional impact, which would hurt the industrial Midwest and the South more than other places that have a lot of renewable resources.

So maybe we can talk about it later. I think I'm just you get into this Washington stuff and it just goes on forever. So I am done.