



FACT SHEET

NRG'S LARGE-SCALE SOLAR PROJECTS: GETTING THE FACTS STRAIGHT

For those of you who have read the *New York Times*' November 11 (online) article, "A Gold Rush of Subsidies in Clean Energy Search," below are some of the facts that the article got wrong or didn't include at all. The California Valley Solar Ranch (CVSR) is an ambitious, important project with a national purpose and NRG is proud of our efforts to help put people back to work building a more sustainable energy future.

The NYT says: "When construction is complete, NRG is eligible to receive a \$430 million check from the Treasury Department — part of a change made in 2009 that allows clean-energy projects to receive [30 percent of their cost as a cash grant](#) upfront instead of taking other tax breaks gradually over several years."

The Facts: \$380mm will go to repay the DOE loan and the American taxpayer, and only \$50 million flows to NRG as the equity investor in the project.

The NYT says: [Lawrence H. Summers warned of] "'double dipping' [of government incentives] that was starting to take place. They said investors had little 'skin in the game.'"

The Facts: The Government protected itself against this concern by ensuring that most of the money from the treasury grant received by the project has to be used to pay down the DOE loan. On the CVSR project, almost 90% of the proceeds from the cash grant will go to pay down the DOE loan.

The NYT says: "PG&E, and ultimately its electric customers, will pay NRG \$150 to \$180 a megawatt-hour, according to a person familiar with the project, who asked not to be identified because the price information was confidential."

The Facts: The exact price is confidential, but the number quoted is significantly higher than the actual power price in the CVSR agreement is overstated in the article by a significant amount.

The NYT says: "By 2015, NRG expects to be earning at least [\\$300 million](#) a year in profits from all of its solar projects combined,"

The Facts: NRG expects to make pretax profit of approximately \$49MM (as disclosed on slide 40 of our 3rd quarter earnings call presentation.) The \$300MM referenced in the article is actually EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization, not profits. The interest that we pay on the projects generates revenue for the American Government.

Fact: The economic analysis reflects a failure to understand the facts behind the deal.

- The economic analysis of equity returns confuses after-tax and pre-tax returns and levered and unlevered returns.
- The analysis should include not only the tax benefits of the project, but also the income taxes that will be paid by the project over time. The analysis provided only includes the tax benefits with none of the costs. It is the equivalent of saying someone's take-home pay is equal to their annual salary *plus* the standard IRS tax deduction, while ignoring the income tax paid by that person against which their tax deduction is credited! All of us know it doesn't work that way for individual taxpayers. And it doesn't work that way for solar projects in the California desert.
- The operations and maintenance assumption is too low by more than half. It does not take into account additional operating costs of the plant such as: replacing inverters, lease payments, operational insurance, and asset management costs-among others.

Fact: Our projects will also help to put our country back to work. The CVSR project creates 350 high-paying construction jobs and combined, NRG's large-scale solar projects will result in 3,840 direct and indirect construction jobs. Ivanpah, the largest solar thermal project in the world, enabled by the DOE loan guarantee program is an engineering and technological marvel and it is being built by more than 600 American pipefitters, laborers and construction workers—many of whom haven't worked for up to two years prior to this job. They are proud of what they are building, confident in the future that they are creating and thankful to be gainfully employed.

Fact: These projects are not possible without the DOE support. No solar PV projects of this scale, \$1 billion and above, have gone forward without DOE assistance; these projects involve more capital than the private sector will finance.

Fact: NRG is investing more than \$1 billion of our own capital as equity in these massive solar projects. It is important to remember that we are a business with a fiduciary obligation to our shareholders, and we do need to make a return on the investment. We are investing more than \$1 billion of our own capital in solar projects to advance technologies, meet customers' needs for renewable power, and create jobs. If we build and operate these projects in accordance with our own expectations of cost and performance, we expect to realize solid equity returns on our investment on a risk-adjusted basis.

Fact: These projects are good for the environment. NRG's large-scale solar projects would displace 1.7 million metric tons of greenhouse gases annually and result in dramatically improved air quality compared to fossil fuel alternatives. Big solar projects represent the future for our company and for our society. Solar power represents a sustainable, inexhaustible, zero-emitting, domestic energy resource that can be installed on every rooftop and every parking lot in every city and hamlet across our great country. The International Energy Administration announced

that, on our present course, climate change will be irreversible by the year 2017. The public and private sector need to work together to do more, not fewer, of these large renewable projects.

Fact: These projects and government support are driving down the cost of solar energy. The cost of solar power is falling dramatically, in large part because innovation, deployment at scale and competition are forcing inefficiencies out of the supply chain, and government support for solar power across the federal, state and local level and across both political parties has been instrumental in achieving those declining costs.

Fact: The government loan guarantee program is a loan program. Loans received by these solar projects, such as the California Valley Solar Ranch, are indeed loans that will be repaid (with interest) for the benefit of the American taxpayer.