

RRI ENERGY MID-ATLANTIC POWER HOLDINGS, LLC

RRI ENERGY MID-ATLANTIC POWER HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	(thousands of dollars)			
Revenues:				
Revenues.....	\$ 8,671	\$ 5,654	\$ 21,871	\$ 18,292
Revenues – affiliates.....	182,775	119,097	478,176	391,384
Total.....	<u>191,446</u>	<u>124,751</u>	<u>500,047</u>	<u>409,676</u>
Expenses:				
Cost of sales.....	76,213	53,904	206,020	236,510
Cost of sales – affiliates.....	3,814	800	4,883	2,048
Operation and maintenance.....	24,338	22,614	112,228	80,722
Operation and maintenance – affiliates.....	13,412	15,536	47,136	52,231
Facilities leases.....	14,962	14,962	44,886	44,886
General and administrative – affiliates.....	7,828	14,831	34,587	43,487
Gains on sales of assets and emission allowances, net.....	—	(18)	(78)	(501)
Long-lived assets impairment.....	74,293	—	74,293	—
Depreciation.....	10,048	9,137	30,609	26,630
Amortization.....	2,220	2,737	7,140	9,274
Total operating expense.....	<u>227,128</u>	<u>134,503</u>	<u>561,704</u>	<u>495,287</u>
Operating Loss	<u>(35,682)</u>	<u>(9,752)</u>	<u>(61,657)</u>	<u>(85,611)</u>
Other Income (Expense):				
Interest expense.....	(398)	(94)	(1,245)	(514)
Interest expense – affiliates.....	(16,044)	(12,878)	(46,920)	(37,478)
Interest income.....	2	37	9	40
Total other expense.....	<u>(16,440)</u>	<u>(12,935)</u>	<u>(48,156)</u>	<u>(37,952)</u>
Loss Before Income Taxes	<u>(52,122)</u>	<u>(22,687)</u>	<u>(109,813)</u>	<u>(123,563)</u>
Income tax expense (benefit).....	2,553	(8,459)	17,907	(50,121)
Net Loss	<u>\$ (54,675)</u>	<u>\$ (14,228)</u>	<u>\$ (127,720)</u>	<u>\$ (73,442)</u>

RRI ENERGY MID-ATLANTIC POWER HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
	(unaudited)	
	(thousands of dollars)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,770	\$ 18,062
Restricted cash	1,613	1,541
Accounts receivable	81	5,910
Receivables from affiliates, net	44,284	49,337
Inventory	96,564	94,772
Prepaid lease	59,030	59,030
Derivative assets	14,367	32,358
Accumulated deferred income taxes	11,875	19,258
Prepayments and other current assets	8,332	7,309
Total current assets	<u>238,916</u>	<u>287,577</u>
Property, plant and equipment, gross	938,288	1,059,570
Accumulated depreciation	(263,688)	(293,141)
Property, Plant and Equipment, net	<u>674,600</u>	<u>766,429</u>
Other Assets:		
Other intangibles, net	92,758	96,603
Derivative assets	1,209	7,816
Accumulated deferred income taxes	15,013	33,818
Prepaid lease	285,772	277,370
Other	43,917	33,886
Total other assets	<u>438,669</u>	<u>449,493</u>
Total Assets	<u>\$ 1,352,185</u>	<u>\$ 1,503,499</u>
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 108	\$ 103
Accounts payable, principally trade	21,501	30,421
Subordinated accounts payable to affiliates, net	404,301	309,822
Subordinated interest payable to affiliate	48,683	78,227
Derivative liabilities	47,837	76,291
Note payable to affiliate	—	16,191
Subordinated working capital facility payable to affiliate	—	25,809
Other	25,099	19,422
Total current liabilities	<u>547,529</u>	<u>556,286</u>
Other Liabilities:		
Derivative liabilities	29,454	64,493
Benefit obligations	45,158	41,966
Other	22,755	22,907
Total other liabilities	<u>97,367</u>	<u>129,366</u>
Subordinated Note Payable to Affiliate	<u>543,563</u>	<u>543,563</u>
Long-term Debt	<u>361</u>	<u>444</u>
Commitments and Contingencies		
Member's Equity:		
Common stock; no par value (1,000 shares authorized, issued and outstanding)	—	—
Additional paid-in capital	291,549	284,672
Retained earnings (accumulated deficit)	(105,702)	22,018
Accumulated other comprehensive loss	(22,482)	(32,850)
Total member's equity	<u>163,365</u>	<u>273,840</u>
Total Liabilities and Member's Equity	<u>\$ 1,352,185</u>	<u>\$ 1,503,499</u>

RRI ENERGY MID-ATLANTIC POWER HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2010	2009
	(thousands of dollars)	
Cash Flows from Operating Activities:		
Net loss	\$ (127,720)	\$ (73,442)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization.....	37,749	35,904
Deferred income taxes	17,738	(24,684)
Net changes in energy derivatives	(19,069)	(21,982)
Gains on sales of assets and emission allowances, net	(78)	(501)
Long-lived assets impairment.....	74,293	—
Other, net.....	(74)	(63)
Changes in other assets and liabilities:		
Accounts receivable	5,829	(43)
Receivables from affiliates, net	11,241	27,438
Inventory	(1,792)	(8,686)
Prepaid lease.....	(8,402)	(18,753)
Accounts payable	(3,437)	113
Other current assets	(236)	790
Other current liabilities.....	1,728	(5,360)
Other assets	(10,032)	(268)
Subordinated accounts payable to affiliates, net.....	101,749	116,005
Subordinated interest payable to affiliate, net	(29,544)	32,358
Income taxes payable/receivable	825	(3,480)
Taxes payable to RRI Energy, Inc. and related accrued interest.....	(780)	(25,216)
Other liabilities	2,419	399
Net cash provided by operating activities.....	<u>52,407</u>	<u>30,529</u>
Cash Flows from Investing Activities:		
Capital expenditures	(18,560)	(57,596)
Purchases of emission allowances – affiliate	(7,145)	(29,438)
Other, net	6	969
Net cash used in investing activities.....	<u>(25,699)</u>	<u>(86,065)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable to affiliate.....	20,000	16,191
Proceeds from (payments on) subordinated working capital facility payable to affiliate	(25,809)	25,809
Payments on notes payable to affiliate.....	(36,191)	—
Net cash provided by (used in) financing activities.....	<u>(42,000)</u>	<u>42,000</u>
Net Change in Cash and Cash Equivalents	(15,292)	(13,536)
Cash and Cash Equivalents at Beginning of Period.....	18,062	29,713
Cash and Cash Equivalents at End of Period.....	\$ 2,770	\$ 16,177
Supplemental Disclosure of Cash Flow Information:		
Cash Payments:		
Interest paid to affiliate (net of amounts capitalized).....	\$ 68,728	\$ (5,858)
Interest paid to third parties	88	195
Income taxes paid (net of income tax refunds received).....	(656)	3,480
Non-Cash Disclosure:		
Contribution from affiliate of subordinated accounts payable to affiliates	\$ 6,877	\$ —