

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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(thousands of dollars)			
Revenues:				
Revenues.....	\$ 5,654	\$ 10,179	\$ 18,292	\$ 36,837
Revenues – affiliates.....	119,097	248,906	391,384	709,054
Total.....	<u>124,751</u>	<u>259,085</u>	<u>409,676</u>	<u>745,891</u>
Expenses:				
Cost of sales.....	53,904	91,395	236,510	219,060
Cost of sales – affiliates.....	800	4,043	2,048	10,912
Operation and maintenance.....	22,614	24,061	80,722	86,008
Operation and maintenance – affiliates.....	15,536	14,183	52,231	45,369
Facilities leases.....	14,962	14,962	44,886	44,886
General and administrative – affiliates.....	14,831	9,269	43,487	30,735
Gains on sales of assets and emission allowances, net.....	(18)	—	(501)	(922)
Depreciation.....	9,137	8,343	26,630	26,743
Amortization.....	2,737	10,371	9,274	35,753
Total operating expense.....	<u>134,503</u>	<u>176,627</u>	<u>495,287</u>	<u>498,544</u>
Operating Income (Loss).....	<u>(9,752)</u>	<u>82,458</u>	<u>(85,611)</u>	<u>247,347</u>
Other Income (Expense):				
Interest expense.....	(94)	(178)	(514)	(1,127)
Interest expense – affiliates.....	(12,878)	(14,406)	(37,478)	(45,604)
Interest income.....	37	77	40	385
Total other expense.....	<u>(12,935)</u>	<u>(14,507)</u>	<u>(37,952)</u>	<u>(46,346)</u>
Income (Loss) Before Income Taxes.....	<u>(22,687)</u>	<u>67,951</u>	<u>(123,563)</u>	<u>201,001</u>
Income tax expense (benefit).....	(8,459)	27,828	(50,121)	82,438
Net Income (Loss).....	<u>\$ (14,228)</u>	<u>\$ 40,123</u>	<u>\$ (73,442)</u>	<u>\$ 118,563</u>

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

	September 30, 2009	December 31, 2008
	(unaudited)	
	(thousands of dollars)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,177	\$ 29,713
Restricted cash	1,411	1,632
Accounts receivable	5,755	5,712
Receivables from affiliates, net	30,896	59,770
Inventory	98,927	90,241
Prepaid lease	59,030	59,030
Derivative assets	33,006	34,169
Accumulated deferred income taxes	17,732	29,612
Prepayments and other current assets	11,281	8,591
Total current assets	274,215	318,470
Property, plant and equipment, gross	1,039,390	982,780
Accumulated depreciation	(283,766)	(259,302)
Property, Plant and Equipment, net	755,624	723,478
Other Assets:		
Other intangibles, net	96,642	98,727
Derivative assets	12,966	42,126
Accumulated deferred income taxes	36,798	19,145
Prepaid lease	292,127	273,374
Other	33,700	33,432
Total other assets	472,233	466,804
Total Assets	\$ 1,502,072	\$ 1,508,752
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 101	\$ 96
Accounts payable, principally trade	33,574	38,134
Subordinated accounts payable to affiliates, net	277,131	161,126
Subordinated interest payable to affiliate, net	64,854	26,638
Derivative liabilities	90,397	103,176
Note payable to affiliate	16,191	—
Subordinated note payable to affiliate	25,809	—
Other	21,161	50,072
Total current liabilities	529,218	379,242
Other Liabilities:		
Derivative liabilities	75,998	136,183
Benefit obligations	48,728	49,648
Taxes payable to RRI Energy, Inc. and related accrued interest	2,396	27,612
Other	19,928	29,511
Total other liabilities	147,050	242,954
Subordinated Note Payable to Affiliate	543,563	543,563
Long-term Debt	470	546
Commitments and Contingencies		
Member's Equity:		
Common stock; no par value (1,000 shares authorized, issued and outstanding)	—	—
Additional paid-in capital	284,672	284,672
Retained earnings	36,978	110,307
Accumulated other comprehensive loss	(39,879)	(52,532)
Total member's equity	281,771	342,447
Total Liabilities and Member's Equity	\$ 1,502,072	\$ 1,508,752

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

	Nine Months Ended September 30,	
	2009	2008
	(thousands of dollars)	
Cash Flows from Operating Activities:		
Net income (loss).....	\$ (73,442)	\$ 118,563
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization.....	35,904	62,496
Deferred income taxes.....	(24,684)	31,724
Net changes in energy derivatives.....	(21,982)	(6,899)
Gains on sales of assets and emission allowances, net.....	(501)	(922)
Other, net.....	(63)	(64)
Changes in other assets and liabilities:		
Accounts receivable.....	(43)	(67)
Receivables from affiliates, net.....	27,438	10,026
Inventory.....	(8,686)	(5,614)
Prepaid lease.....	(18,753)	(17,999)
Accounts payable.....	113	4,372
Other current assets.....	790	(737)
Other current liabilities.....	(5,360)	(2,635)
Other assets.....	(268)	7,570
Subordinated accounts payable to affiliates, net.....	116,005	(40,319)
Subordinated interest payable to affiliate, net.....	32,358	(16,041)
Income taxes payable/receivable.....	(3,480)	(2,747)
Taxes payable to RRI Energy, Inc. and related accrued interest.....	(25,216)	44,907
Other liabilities.....	399	2,475
Net cash provided by operating activities.....	30,529	188,089
Cash Flows from Investing Activities:		
Capital expenditures.....	(57,596)	(47,733)
Purchases of emission allowances – affiliate.....	(29,438)	(21,294)
Other, net.....	969	406
Net cash used in investing activities.....	(86,065)	(68,621)
Cash Flows from Financing Activities:		
Proceeds from note payable to affiliate.....	16,191	—
Proceeds from (payments on) subordinated notes payable to affiliate.....	25,809	(75,095)
Distributions to RRI Energy, Inc.	—	(57,162)
Net cash provided by (used in) financing activities.....	42,000	(132,257)
Net Change in Cash and Cash Equivalents.....	(13,536)	(12,789)
Cash and Cash Equivalents at Beginning of Period.....	29,713	28,536
Cash and Cash Equivalents at End of Period.....	\$ 16,177	\$ 15,747
Supplemental Disclosure of Cash Flow Information:		
Cash Payments:		
Interest paid to affiliate (net of amounts capitalized).....	\$ (5,858)	\$ 82,551
Interest paid to third parties.....	195	210
Income taxes paid (net of income tax refunds received).....	3,480	8,554