Reg G Reconciliation: Commodity Margin

Commodity Margin includes our power and steam revenues, capacity revenue, REC revenue, sales of surplus emission allowances, transmission revenue and expenses, fuel and purchased energy expense, RGGI compliance costs and cash settlements from our marketing, hedging and optimization activities that are included in mark-to-market activity, but excludes the unrealized portion of our mark-to-market activity and other revenue. Commodity Margin is presented because we believe it is a useful tool for assessing the performance of our core operations, and it is a key operational measure reviewed by our chief operating decision maker. Commodity Margin does not intend to represent gross profit (loss), the most comparable GAAP measure, as an indicator of operating performance and is not necessarily comparable to similarly-titled measures reported by other companies.

	Three Months Ended September 30, 2010 (in millions)					
	West	Texas	North	Southeast	Consolidation And Elimination	Total
Commodity Margin	$ 338	$ 165	$ 259	$ 90	$ —	$ 852
Add: Mark-to-market commodity activity, net and other revenue[1]	42	62	18	18	(6)	134
Less:						
Plant operating expense	86	55	38	28	(8)	199
Depreciation and amortization expense	50	36	37	28	(2)	149
Other cost of revenue[2]	12	—	5	—	2	19
Gross profit	$ 232	$ 136	$ 197	$ 52	$ 2	$ 619

	Three Months Ended September 30, 2009 (in millions)					
	West	Texas	North	Southeast	Consolidation And Elimination	Total
Commodity Margin	$ 368	$ 187	$ 96	$ 92	$ —	$ 743
Add: Mark-to-market commodity activity, net and other revenue[1]	41	2	21	(4)	(12)	48
Less:						
Plant operating expense	92	35	18	27	17	189
Depreciation and amortization expense	45	27	16	17	(1)	104
Other cost of revenue[2]	17	6	10	3	(18)	18
Gross profit (loss)	$ 255	$ 121	$ 73	$ 41	$ (10)	$ 480

(1) Mark-to-market commodity activity represents the unrealized portion of our mark-to-market activity, net, included in operating revenues and fuel and purchased energy expense on our Consolidated Condensed Statements of Operations for the three months ended September 30, 2010 and 2009.

(2) Excludes $1 million of RGGI compliance and other environmental costs for both the three months ended September 30, 2010 and 2009, respectively, which are included as a component of Commodity Margin.

Reg G Reconciliation: Commodity Margin (continued)

Commodity Margin includes our power and steam revenues, capacity revenue, REC revenue, sales of surplus emission allowances, transmission revenue and expenses, fuel and purchased energy expense, RGGI compliance costs and cash settlements from our marketing, hedging and optimization activities that are included in mark-to-market activity, but excludes the unrealized portion of our mark-to-market activity and other revenue. Commodity Margin is presented because we believe it is a useful tool for assessing the performance of our core operations, and it is a key operational measure reviewed by our chief operating decision maker. Commodity Margin does not intend to represent gross profit (loss), the most comparable GAAP measure, as an indicator of operating performance and is not necessarily comparable to similarly-titled measures reported by other companies.

	Nine Months Ended September 30, 2010 (in millions)					
	West	Texas	North	Southeast	Consolidation And Elimination	Total
Commodity Margin	$ 809	$ 400	$ 390	$ 216	$ —	$ 1,815
Add: Mark-to-market commodity activity, net and other revenue[1]	60	148	18	31	(20)	237
Less:						
Plant operating expense	264	217	83	87	(21)	630
Depreciation and amortization expense	151	110	75	83	(5)	414
Other cost of revenue[2]	37	1	19	2	—	59
Gross profit	$ 417	$ 220	$ 231	$ 75	$ 6	$ 949

	Nine months Ended September 30, 2009 (in millions)					
	West	Texas	North	Southeast	Consolidation And Elimination	Total
Commodity Margin	$ 918	$ 505	$ 215	$ 233	$ —	$ 1,871
Add: Mark-to-market commodity activity, net and other revenue[1]	120	(48)	37	2	(35)	76
Less:						
Plant operating expense	310	163	61	94	10	638
Depreciation and amortization expense	137	88	47	50	(5)	317
Other cost of revenue[2]	44	11	23	7	(28)	57
Gross profit	$ 547	$ 195	$ 121	$ 84	$ (12)	$ 935

(1) Mark-to-market commodity activity represents the unrealized portion of our mark-to-market activity, net, included in operating revenues and fuel and purchased energy expense on our Consolidated Condensed Statements of Operations for the nine months ended September 30, 2010 and 2009.

(2) Excludes $6 million and $5 million of RGGI compliance and other environmental costs for the nine months ended September 30, 2010 and 2009, respectively, which are included as a component of Commodity Margin.

Reg G Reconciliation: Adjusted EBITDA and Adjusted Recurring Free Cash Flow

Adjusted EBITDA represents net income (loss) before interest, taxes, depreciation and amortization, adjusted for certain non-cash or non-recurring items as detailed in the following reconciliation. Adjusted EBITDA is presented because our management uses Adjusted EBITDA (i) as a measure of operating performance to assist in comparing performance from period to period on a consistent basis and to readily view operating trends; (ii) as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations; and (iii) in communications with our Board of Directors, shareholders, creditors, analysts and investors concerning our financial performance. We believe Adjusted EBITDA is also used by and is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Adjusted EBITDA is not a measure calculated in accordance with GAAP, and should be viewed as a supplement to and not a substitute for our results of operations presented in accordance with GAAP. Adjusted EBITDA is not intended to represent cash flows from operations or net income (loss) as defined by GAAP as an indicator of operating performance. Furthermore, Adjusted EBITDA is not necessarily comparable to similarly-titled measures reported by other companies.

Adjusted Recurring Free Cash Flow represents net income before interest, taxes, depreciation and amortization, as adjusted, less operating lease payments, major maintenance expense and maintenance capital expenditures, net cash interest, cash taxes, working capital and other adjustments. Adjusted Recurring Free Cash Flow is presented because our management uses this measure, among others, to make decisions about capital allocation. Adjusted Free Cash Flow is not intended to represent cash flows from operations as defined by GAAP as an indicator of operating performance and is not necessarily comparable to similarly-titled measures reported by other companies.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in millions)			
GAAP net income attributable to Calpine	$ 217	$ 238	$ 55	$ 192
Net loss attributable to noncontrolling interest	—	(1)	—	(3)
Discontinued operations, net of tax expense	(19)	(11)	(31)	(34)
Income tax expense (benefit)	21	(7)	38	17
Reorganization items	—	(8)	—	(2)
Other (income) expense and debt extinguishment costs, net	23	20	36	55
Interest expense, net	312	192	714	591
Income from operations	$ 554	$ 423	$ 812	$ 816
Add:				
Adjustments to reconcile income from operations to Adjusted EBITDA:				
Depreciation and amortization expense, excluding deferred financing costs[1]	151	106	424	326
Impairment loss	19	—	19	—
Major maintenance expense	13	19	111	121
Operating lease expense	11	12	33	35
Unrealized gains on commodity derivative mark-to-market activity	(131)	(43)	(212)	(60)
Adjustments to reflect Adjusted EBITDA from unconsolidated investments[2][3]	10	28	25	11
Stock-based compensation expense	6	8	18	30
Non-cash loss on dispositions of assets	2	12	7	29
Conectiv acquisition-related costs	6	—	25	—
Other[4]	2	(1)	3	3
Adjusted EBITDA from continuing operations	643	564	1,265	1,311
Adjusted EBITDA from discontinued operations	20	22	61	63
Total adjusted EBITDA	$ 663	$ 586	$ 1,326	$ 1,374
Less:				
Lease payments	11	12	33	35
Major maintenance expense and capital expenditures[5]	65	74	211	273
Cash interest, net[6]	217	184	601	569
Cash taxes	2	3	10	(5)
Other	—	2	(1)	7
Adjusted Recurring Free Cash Flow[7][8]	$ 368	$ 311	$ 472	$ 495

(1) Depreciation and amortization expense in the income from operations calculation on our Consolidated Condensed Statements of Operations excludes amortization of other assets and amounts classified as sales, general and other administrative expenses.
(2) Included in our Consolidated Condensed Statements of Operations in income from unconsolidated investments in power plants.
(3) Adjustments to reflect Adjusted EBITDA from unconsolidated investments include unrealized gains (losses) on mark-to-market activity of $(1) and $(7) million for the three months ended September 30, 2010 and 2009, respectively, and $(1) and $34 million for the nine months ended September 30, 2010 and 2009, respectively.
(4) Includes fees for letters of credit.
(5) Includes $16 million and $120 million in major maintenance expense for the three and nine months ended September 30, 2010, respectively, and $49 million and $91 million in maintenance capital expenditures for the three and nine months ended September 30, 2010, respectively. Includes $29 million and $131 million in major maintenance expense for the three and nine months ended September 30, 2009, respectively, and $45 million and $142 million in maintenance capital expenditures for the three and nine months ended September 30, 2009, respectively.
(6) Includes commitment, letter of credit and other bank fees from both consolidated and unconsolidated investments, net of capitalized interest and interest income.
(7) Excludes (increase) decrease in working capital of $48 million and $(32) million for the three and nine months ended September 30, 2010, and $(20) million and $(9) million for the three and nine months ended September 30, 2009.
(8) Adjusted Recurring Free Cash Flow, as reported, excludes changes in working capital, such that it is calculated on the same basis as our guidance. Results for the three and nine months ended September 30, 2009, have been recast to conform to this method.

Reg G Reconciliation: 2010 and 2011
Adjusted EBITDA and Recurring Free Cash Flow Guidance

Full Year 2010 Range:	Low	High
	(in millions)	
GAAP Net Income	$ 0	$ 40
Plus:		
Interest expense, net of interest income	820	820
Depreciation and amortization expense	565	565
Major maintenance expense	170	170
Operating lease expense	45	45
Other[1]	85	85
Adjusted EBITDA	$ 1,685	$ 1,725
Less:		
Operating lease payments	45	45
Major maintenance expense and maintenance capital expenditures[2]	315	315
Recurring cash interest, net[3]	810	810
Cash taxes	15	15
Adjusted Recurring Free Cash Flow	$ 500	$ 540
Non-recurring interest rate swap payments[4]	25	25

Full Year 2011 Range:	Low	High
	(in millions)	
GAAP Net Income	$ (115)	$ (15)
Plus:		
Interest expense, net of interest income	910	910
Depreciation and amortization expense	560	560
Major maintenance expense	230	230
Operating lease expense	35	35
Other[1]	80	80
Adjusted EBITDA	$ 1,700	$ 1,800
Less:		
Operating lease payments	30	30
Major maintenance expense and maintenance capital expenditures[2]	390	390
Recurring cash interest, net[3]	825	825
Cash taxes	15	15
Adjusted Recurring Free Cash Flow	$ 440	$ 540
Non-recurring interest rate swap payments[4]	110	110

(1) Other includes stock-based compensation expense, adjustments to reflect Adjusted EBITDA from unconsolidated investments and other items.
(2) Includes projected major maintenance expense of $175 million and $235 million in 2010 and 2011, respectively, and maintenance capital expenditures of $140 million and $155 million in 2010 and 2011, respectively. Capital expenditures exclude major construction and development projects.
(3) Includes fees for letters of credit, net of interest income.
(4) Interest payments related to legacy LIBOR hedges associated with floating rate first lien credit facility, which has been substantially refinanced.