



Morgantown Generating Station  
Charles County, MD

## Bank of America/Merrill Lynch Power and Gas Leaders Conference

**Edward R. Muller**  
*Chairman and CEO*

*September 20, 2011*

## Forward-Looking Statements

This presentation and any related oral remarks contain statements, estimates and projections that constitute “forward-looking statements” as defined under U.S. federal securities laws. In some cases, one can identify forward-looking statements by terminology such as “will,” “expect,” “estimate,” “think,” “impact,” “effect,” “decline,” “increase,” “benefits,” “plan,” “project” or other comparable terminology. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections.

These risks include, but are not limited to:

- (i) legislative and regulatory initiatives or changes affecting the electric industry;
- (ii) changes in, or changes in the application of, environmental or other laws and regulations;
- (iii) failure of our generating facilities to perform as expected, including outages for unscheduled maintenance or repair;
- (iv) changes in market conditions or the entry of additional competition in our markets;
- (v) the ability to integrate successfully the businesses following the merger and realize cost savings and any other synergies; and
- (vi) those factors contained in our periodic reports filed with the SEC, including in the “Risk Factors” section of our most recent Annual Report on Form 10-K.

The forward-looking information in this document and any related oral remarks are given as of the date of the particular statement and we assume no duty to update this information. Our filings and other important information are also available on the Investor Relations page of our web site at [www.genon.com](http://www.genon.com).

# GenOn Today

- Merger integration continuing smoothly
- Increasing annual merger cost savings to \$160 million/year starting in January 2012
  - *Achieved 77% through July 2011*
- Adequate liquidity
- Hedging to reduce volatility
- Uncertainty about environmental regulations
- Pricing of electricity affected by weak economy

# GenOn Going Forward

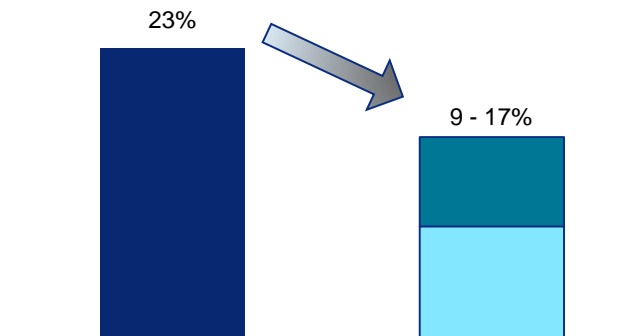
- CSAPR will be a net negative to GenOn
- HAP-MACT will be a net benefit to GenOn
- GenOn will benefit when the economy improves

- CSAPR adds cost without commensurate benefit, a net detriment to GenOn
- CSAPR may be a positive to adjusted EBITDA initially because of expected excess credits, but a negative thereafter
- GenOn has petitioned to stay and overturn CSAPR

**CSAPR will be a net negative to GenOn**

- CSAPR impact is mitigated when HAP-MACT takes effect
- HAP-MACT will result in:
  - *Capital expenditures for environmental controls*
  - *Industry retirements, including some GenOn units*
    - *EPA estimates 10 GWs*
    - *Industry and analysts estimate 30 – 80 GWs*
  - *Reduced supply*
    - *Reserve margins decline*

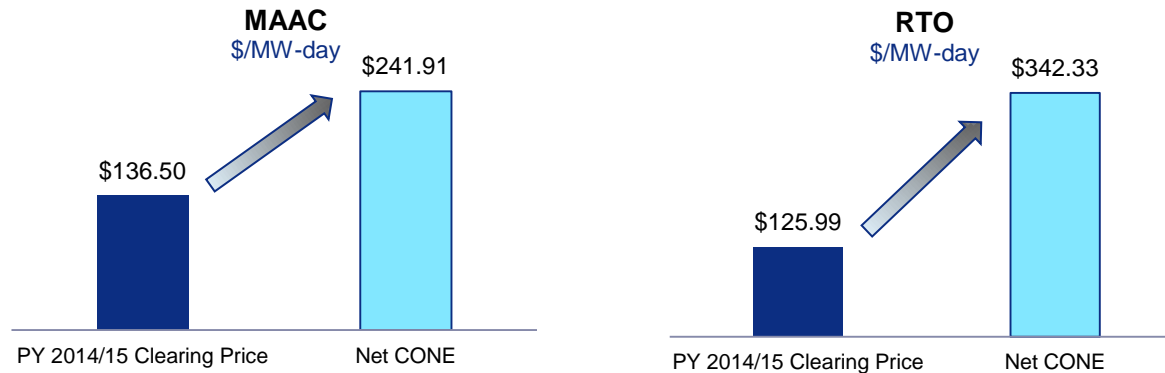
**Impact to 2011 Total PJM Reserve Margin**  
(assuming 9 - 22 GWs coal capacity retire in PJM at once)





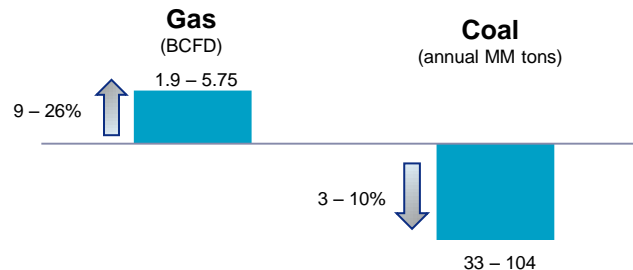
## ➤ Higher prices

- Capacity prices increase toward PJM's Cost of New Entry (Net CONE)



- Gas-coal spread expands

### Impact to 2010 U.S. Fuel Burns (assuming 30-80 GWs coal capacity retire in the U.S.)



**HAP-MACT will be a net benefit to GenOn**

- GenOn will invest only *if* expected return exceeds cost of capital
- Assuming higher power prices, expect investments for environmental controls for generating units of ~\$565 - \$700 million over the next 8 years
  - *Primarily SCRs & water projects*
  - *If prices do not improve from current 2012 price levels, expect investments for environmental controls for generating units of ~\$0 - \$135 million*
- If market power prices improve *even more*, additional investments could become economic

*If* valuing GenOn assuming capital expenditures of ~\$565 - \$700 million and current 2012 price levels, GenOn is undervalued

- CSAPR will be a net negative to GenOn
- HAP-MACT will be a net benefit to GenOn
- CSAPR and HAP-MACT together will be a net benefit to GenOn
- GenOn will invest in environmental controls only when the expected return is greater than the cost of capital
- Forecasted ~\$565 - \$700 million in capital expenditures assumes power prices increase above current 2012 levels