



Value Creation at NRG: The Acquisition of Reliant Retail

March 2, 2009

Safe Harbor



This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are subject to certain risks, uncertainties and assumptions that include, but are not limited to, expected earnings and cash flows, future growth and financial performance and the expected synergies and other benefits of the acquisition described herein, and typically can be identified by the use of words such as “will,” “expect,” “estimate,” “anticipate,” “forecast,” “plan,” “believe” and similar terms. Although NRG believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Factors that could cause actual results to differ materially from those contemplated above include, among others, general economic conditions, hazards customary in the power industry, weather conditions, competition in wholesale power markets, the volatility of energy and fuel prices, failure of customers to perform under contracts, changes in the wholesale power markets, changes in government regulation of markets and of environmental emissions, the condition of capital markets generally, our ability to access capital markets, unanticipated outages at our generation facilities, adverse results in current and future litigation, and the inability to implement value enhancing improvements to plant operations and companywide processes.

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Agenda

- Transaction Overview David Crane
- Risk, Commercial and Financial Management Bob Flexon
- Retail Management Kevin Howell
- Concluding Remarks David Crane
- Questions and Answers



Transaction Overview

David Crane

NRG Energy, President and CEO



Key Transaction Terms

Transaction

Entered Definitive Agreement to purchase Reliant Energy's Texas Retail Business (RERH Holdings LLC)

Purchase Price

\$288 million

Regulatory Approval

Hart Scott Rodino and other notice filings to PUCT and FERC

Collateral

Merrill Lynch to provide collateral support through October 31, 2010

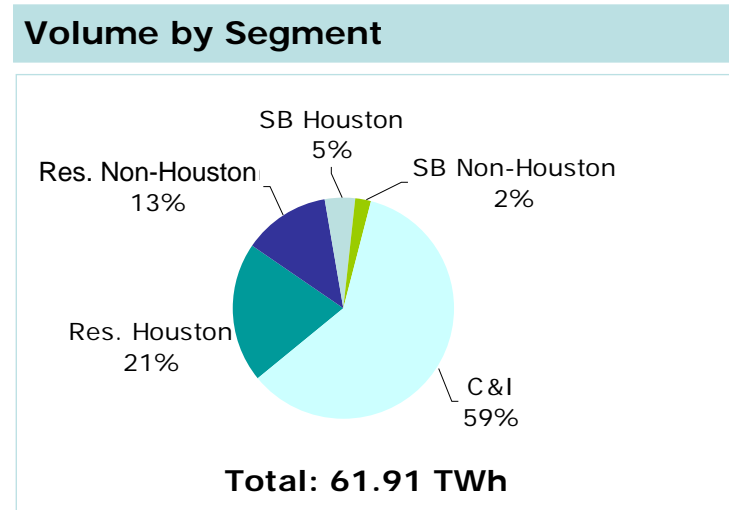
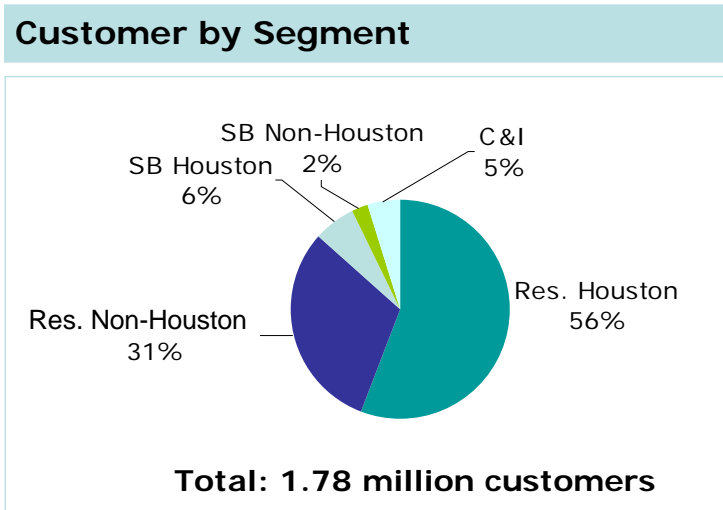
Estimated Closing

Second quarter 2009

The Right Price at the Right Time for All Constituencies

Reliant Retail Business Overview

- **Leading provider of electricity and energy services in ERCOT**
 - Highest ranking in overall residential customer satisfaction among 3 largest retailers
 - Lowest in PUCT complaints
- **Serves two groups of customers totaling nearly 1.8 million customers**
 - Mass: 2nd largest in Texas with ~28% market share – 1.69 million customers
 - C&I: largest in Texas over 35 TWh annual sales



Note: As of 12/31/2008. Res: Residential. SB: Small business. C&I: Commercial and Industrial

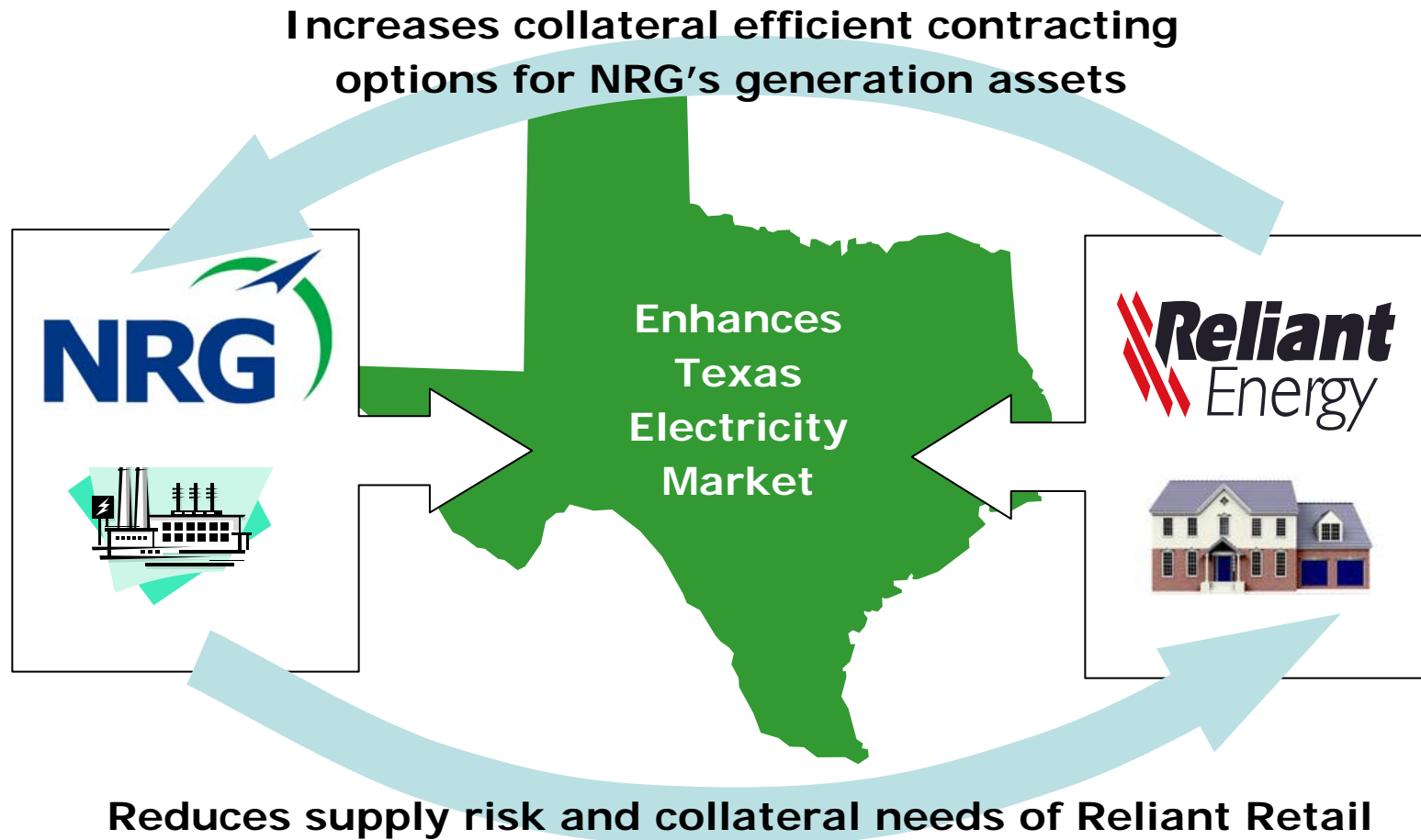
Reliant Retail is a leading provider in the Texas retail electric market

A Natural Fit for NRG



- ✓ Complements NRG's merchant generation position with a leading retail franchise business with an enduring brand name and outstanding customer operations
- ✓ Optimizes NRG's commercial and risk management of its wholesale generation business
- ✓ Accretes immediately to cash flows and EBITDA, excluding one-time integration and closing costs

Complementary Combination



Benefits all ERCOT stakeholders

NRG's Retail Objectives





Risk, Commercial and Financial Management

Robert Flexon

EVP and Chief Financial Officer

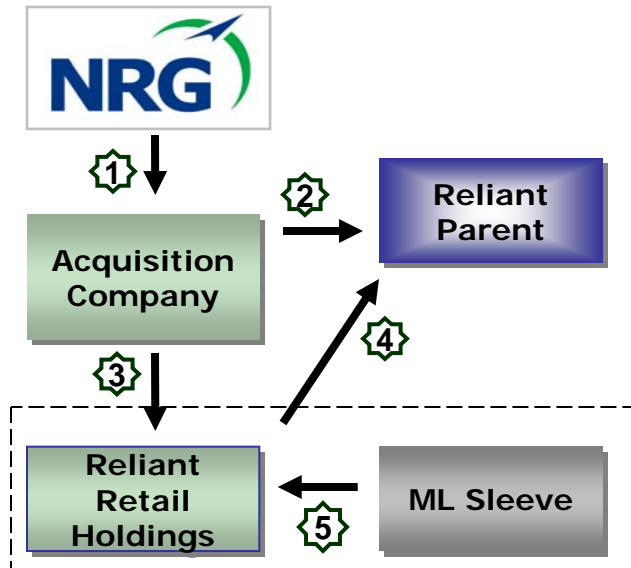
Risk and Financial Management Benefits



- ✓ Retail business initially operates within ring fenced entity (RFE)
- ✓ Risk Management oversees both generation and retail businesses
- ✓ Accretive to earnings, cash flow and credit profile in 2010

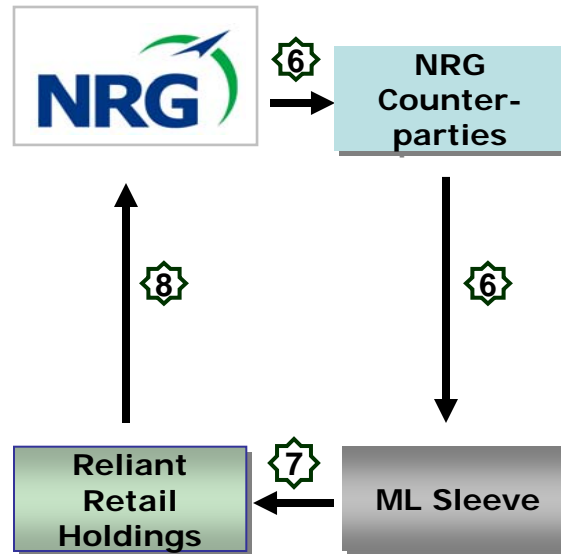
Transaction Structure

Structure at Closing



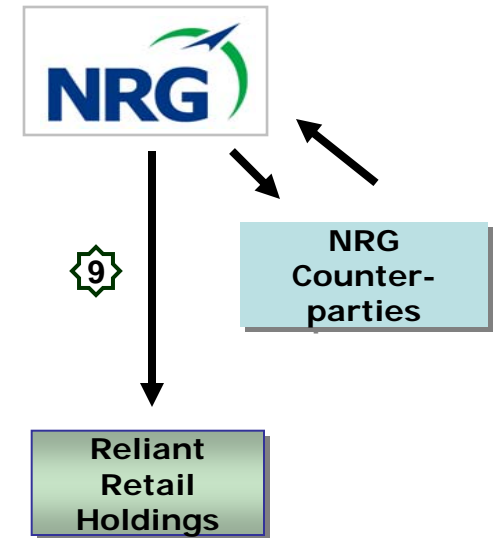
- 1 NRG creates Acquisition Company
- 2 AcqCo. pays Reliant Parent \$288 MM for their retail equity ownership
- 3 AcqCo. infuses Reliant Retail Holdings with \$200MM in initial equity
- 4 Reliant Retail Holdings pays Reliant Parent net acquired working capital over time
- 5 ML sleeve provides Reliant Retail Holdings collateral support

Exposure reduction at Closing



- 6 NRG novates in-the-money trade with counterparty X over to ML, collateral held by NRG shifts to ML lowering ML posted collateral (counterparty X kept economically flat)
- 7 ML offsets identical trade with Reliant Retail Holdings (ML kept economically flat)
- 8 Reliant Retail Holdings offsets identical trade with NRG (both Reliant Retail Holdings and NRG kept economically flat)

Structure Post October 2010



- 9 Ring fenced entity removed, management of power and load at the NRG level

Transaction structured for orderly transition of business

Exposure Step Down Schedule (ESDS)

- **ML Sleeve provides collateral support at closing through October 2010**
 - Collateral required at close
 - Contingent collateral

- **ESDS is the agreed level of monthly exposure to ML – reductions achieved through:**
 - NRG's generation to back load
 - Roll off of existing C&I business, new C&I is conducted outside the RFE
 - Novation of existing trades

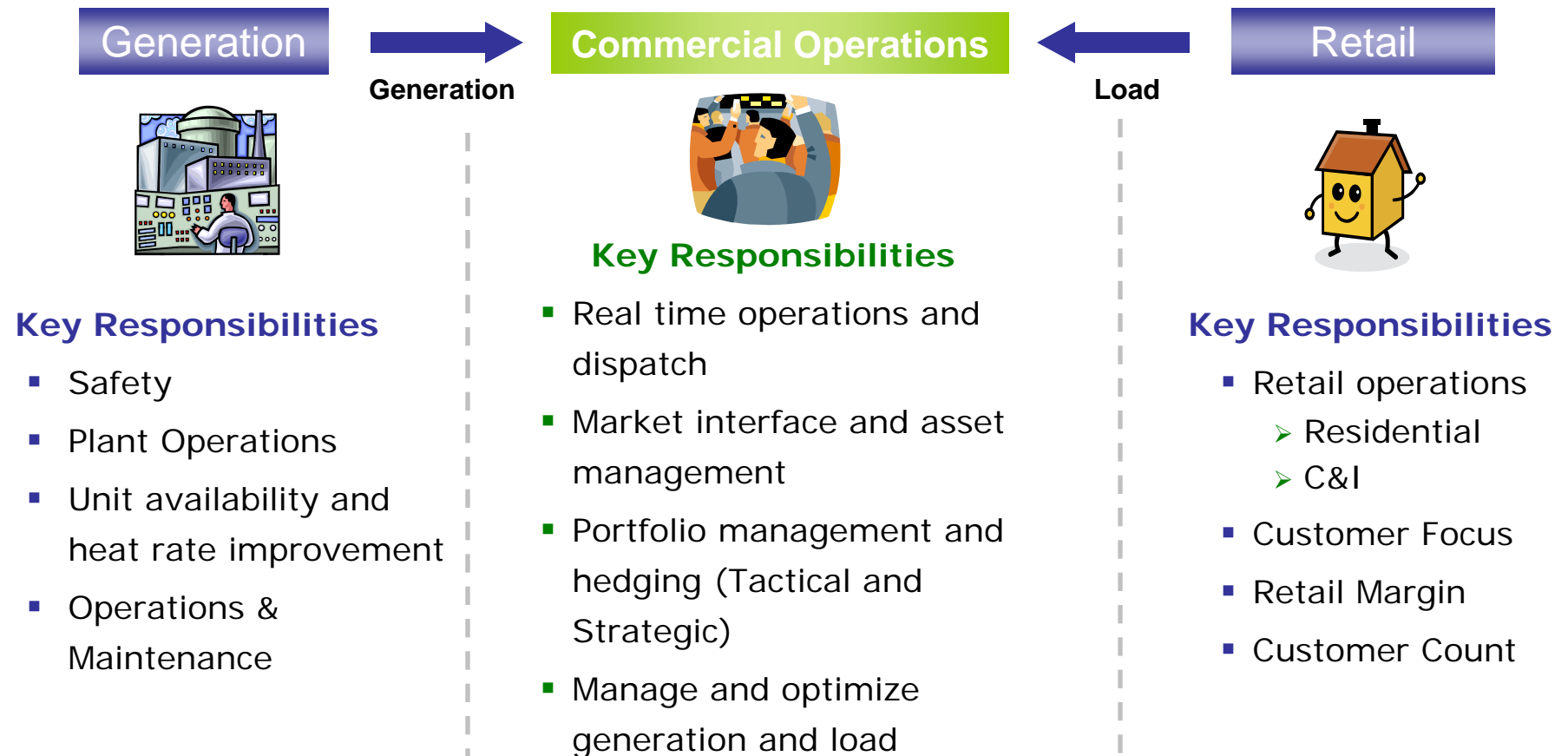
- **Under the terms of the sleeve agreement NRG injects \$200 million into the retail RFE and has two potential cash contribution obligations**
 - October 2009 (\$250M) if threshold level is exceeded
 - October 2010 (up to \$400M) at sleeve unwind

- **Monthly fees set at 5.875% of the predetermined exposure**

ESDS provides collateral support during integration period

Risk Management Framework

NRG Risk Management



NRG Risk Management provides governance, risk control and compliance over Generation and Retail

NRG's Hedging Program – Retail Impact

➤ **Strategic Hedging**

- Existing First Lien hedging program remains in place, largely unchanged
- C&I load provides additional collateral efficient avenue for long-term hedging
 - ❖ Avoids economic loss caused by bid-ask spreads and upfront credit charges

➤ **Tactical Hedging**

- C&I and Mass contracts provide additional avenues for short-term hedging
 - ❖ Provides collateral efficient hedging by avoiding marginable transactions
- Tactical hedging decisions will consider retail needs

Retail business enhances our existing hedging program

EBITDA and Cash Flow – Annual Run Rate

Purchase Price	Purchase price	<i>In millions</i> \$288
	Average working capital	<u>100</u>
	Total	\$388
Run Rate	EBITDA run rate	<i>In millions</i> \$150 - \$200
	Free cash flow run rate ⁽¹⁾	\$ 60 - \$110
Multiples	EV / EBITDA multiple	1.9x - 2.6x
	Free cash flow yield	15% - 28%

(1) Includes ML sleeve fees

Immediately accretive to ongoing EBITDA and cash flow

Pro-Forma Corporate Liquidity



in millions

Corporate Liquidity – 12/31/2008		Debit	Credit	Pro Forma Corporate Liquidity – 12/31/2008
Cash				
Unrestricted Cash	\$ 1,494 ⁽¹⁾	\$ 259 ⁽²⁾	\$ (528) ⁽³⁾	\$ 1,225
Restricted Cash	10			10
	<u>1,504</u>	<u>259</u>	<u>(528)</u>	<u>1,235</u>
Synthetic LC's				
Capacity	1,300			1,300
Current Use	(440)			(440)
	<u>860</u>	<u>-</u>	<u>-</u>	<u>860</u>
Revolver				
Capacity	1,000			1,000
Current Use	-			-
	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total Non-Lien Liquidity Available	\$ 3,364	\$ 259	\$ (528)	\$ 3,095

- (1) For GAAP purposes, NRG carries cash collateral received as Current Assets
- (2) MIBRAG gross cash proceeds
- (3) Includes purchase price, cash contributed to Retail entity and transaction costs

Corporate liquidity remains abundant and secure



Retail Management

Kevin Howell

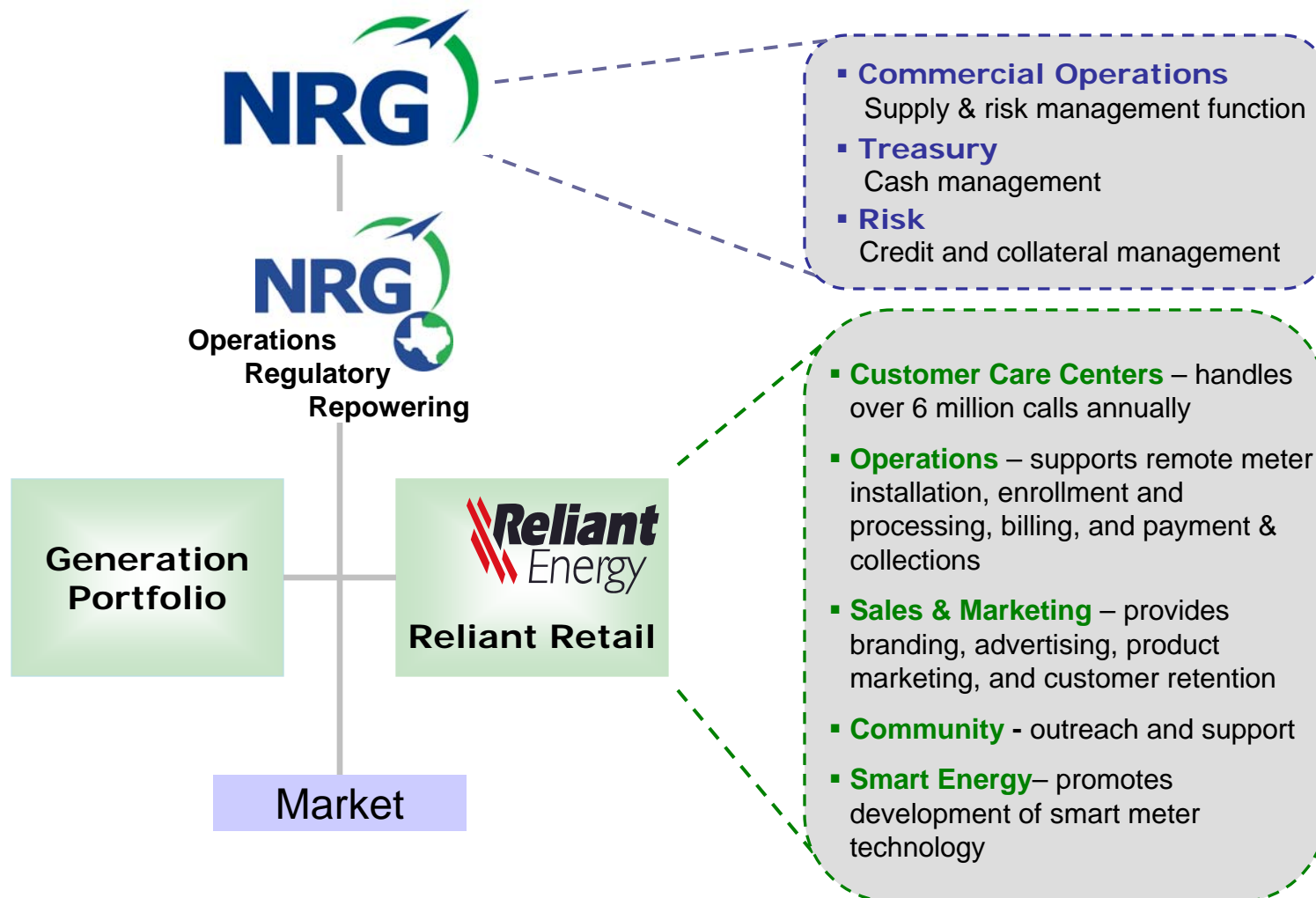
EVP and Regional President, Texas

Retail Benefits



- ✓ Combines NRG's risk management and commercial core competencies with leading retail franchise
- ✓ Optimizes business model through matching of strengths of each business profile
- ✓ Pairs retail load profile with wholesale merchant generation providing for optimal portfolio management

Retail Integration Objectives within NRG Structure



Enhancing Reliant’s retail business with NRG’s commercial and risk centralized infrastructure while preserving Reliant’s strong customer service reputation 20

Electric Retail Success Factors



New
NRG
Texas

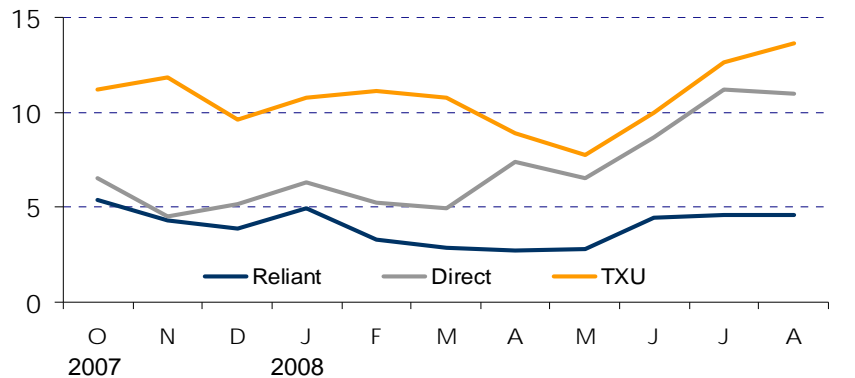
	NRG	Reliant Energy	New NRG Texas
Customer Retention / Procurement		✓	✓
Customer Debt / Collections		✓	✓
Volume / Price Risk Management	✓		✓
Collateral Management	✓		✓
Regulatory Relationships	✓	✓	✓

The New NRG Texas possesses all the core competencies to successfully manage a leading ERCOT electric retail business

Reliant: Leading Retail Customer Franchise

PUC Complaints Scorecard

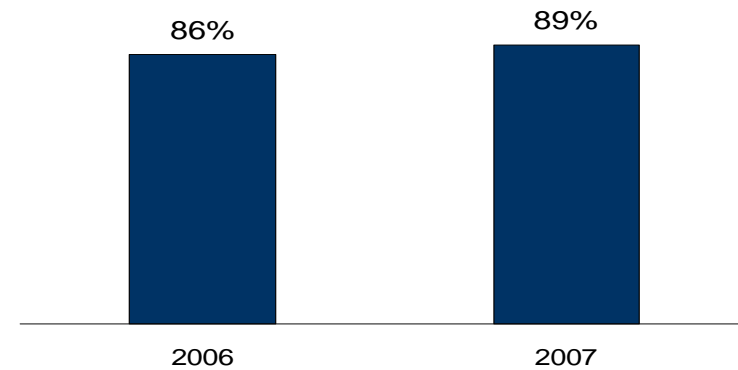
Ranking of Major Players Complaint rates



Source: Texas Electric Choice Education Program and RRI estimates; per 100,000

Overall C&I Customer Satisfaction

(somewhat or very satisfied)



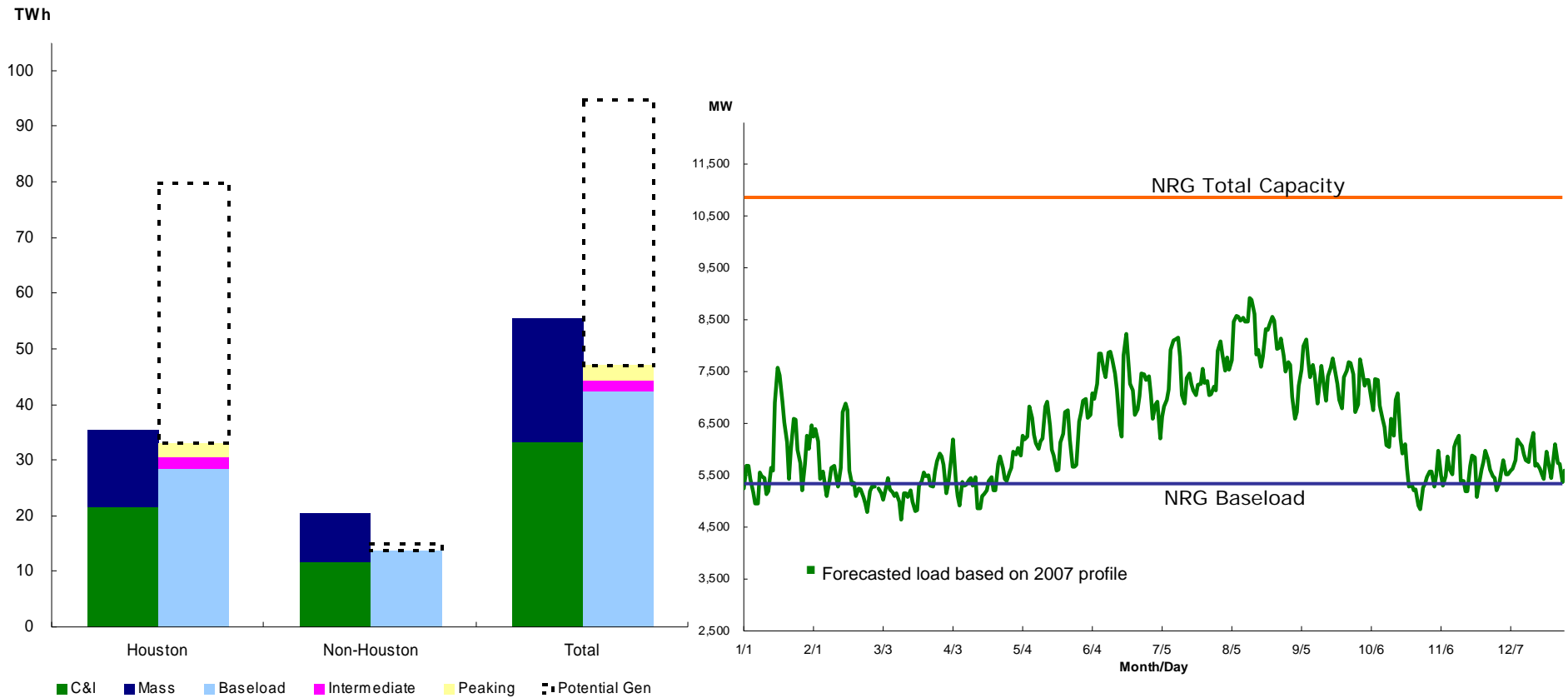
Source: RRI C&I Customer Satisfaction Report

Ranked #1 of top 3 Retail Providers for Overall Residential Customer Satisfaction

Supply Load Matching

ERCOT Retail Sales and NRG Generation Capacity

Seasonality of Retail Load vs NRG Generation Capacity



Note: As of 2007; Assumes 65% of ERCOT C&I load in Houston area.

NRG's generation portfolio diversity allows it to efficiently serve load

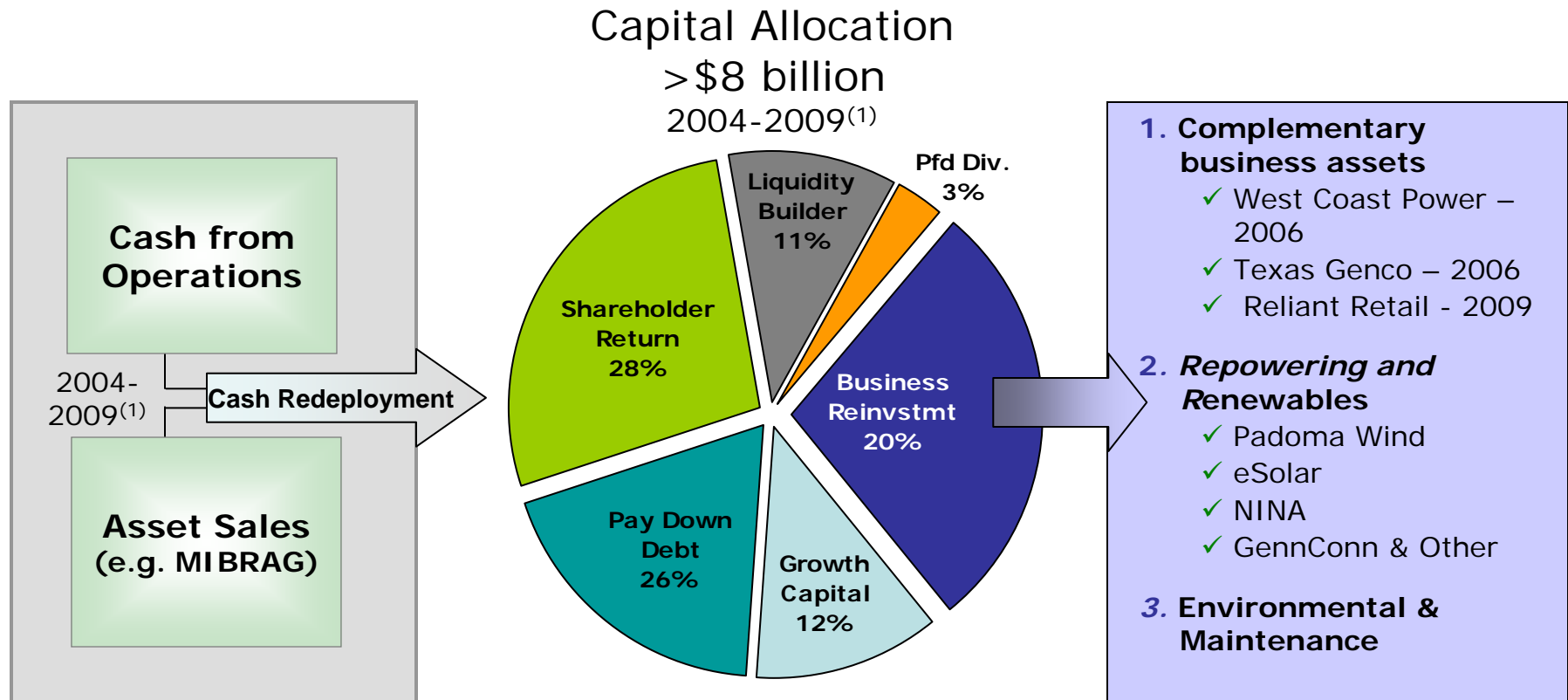


Closing Remarks

David Crane

NRG Energy, President and CEO

Ongoing Portfolio Optimization



(1) 2004 through 2008 actual allocation plus 2009 forecast

Actively redeploying capital from sales of non-core assets into value enhancing transactions that strengthen our business profile in our core markets

Focus on Shareholder Value Creation

- ✓ Price
- ✓ Accretion
- ✓ Commercial Advantages
- ✓ Risk Mitigation
- ✓ Strategic and rapid redeployment of capital

The Right Price at the Right Time ...Delivering Value Accretive to
All NRG's Stakeholders

Appendix

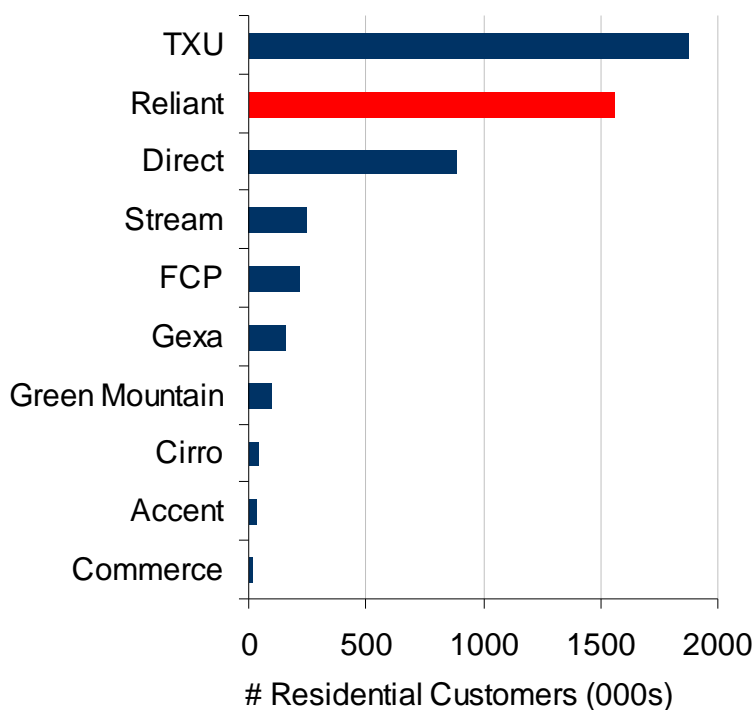
Landscape of ERCOT Retail Market - Regulation

- ✓ Retail is a competitive business driven by pricing, service product variety, and supply/demand dynamics
- ✓ PUCT regulations address customer protection and disclosures, anti-competition, service requirements (e.g., disconnects, deposits), other regulatory requirements (e.g., RECs)
- ✓ REPs interact with ERCOT for power scheduling and market settlement through Qualified Scheduling Entities (QSEs)
- ✓ ERCOT manages grid reliability; REPs are allocated ancillary service obligations and costs (no transmission reservation in ERCOT)

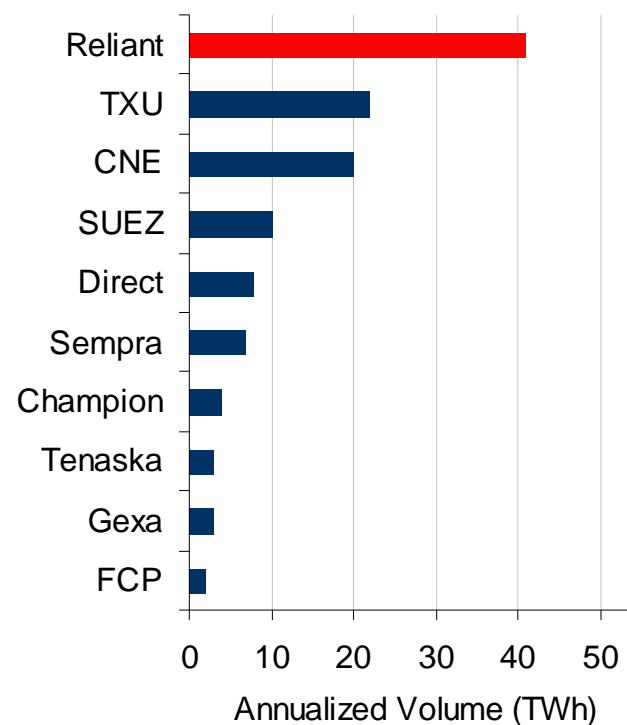
ERCOT Competitive Landscape



Texas (ERCOT): Top 10 Residential Retailers Based on Estimated Customer Counts, December 2007



Texas (ERCOT): Top 10 Non-Residential Retailers Based on Estimated Annual Sales (TWh), 2007 YE



Source: KEMA

Reliant Retail is a top player in the ERCOT competitive retail electric market in terms of both Mass and C&I customers

Scope of Acquisition

What is NRG acquiring?

- All ERCOT retail-related contracts
 - Customer contracts
 - Energy supply contracts
 - Hedging contracts
- The name “Reliant” and all intellectual property and branding related to the name
- Intellectual property primarily related to the ERCOT retail business, including systems, software and trademarks
- Employees who work within the Retail unit
- Texas retail licenses

What is Reliant Retaining?

- Reliant’s generation
 - Approximately 14,000 MW of non-ERCOT generation
 - Any assets, liabilities and contracts related to the generation
 - Employees associated with wholesale
- Reliant’s Non-Texas retail business
- Employees associated with Reliant Corporate

Note: This is not a comprehensive list and is presented for descriptive purposes.

NRG is acquiring a complete retail platform from Reliant;
NRG is not acquiring any of Reliant’s activities outside TX

Reg. G



- EBITDA, adjusted EBITDA, free cash flow and adjusted cash flow from operations are nonGAAP financial measures. These measurements are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance. The presentation of adjusted EBITDA and adjusted cash flow from operations should not be construed as an inference that NRG's future results will be unaffected by unusual or non-recurring items.
- EBITDA represents net income before interest, taxes, depreciation and amortization. EBITDA is presented because NRG considers it an important supplemental measure of its performance and believes debt-holders frequently use EBITDA to analyze operating performance and debt service capacity. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results as reported under GAAP. Some of these limitations are:
 - ❖ EBITDA does not reflect cash expenditures, or future requirements for capital expenditures, or contractual commitments;
 - ❖ EBITDA does not reflect changes in, or cash requirements for, working capital needs;
 - ❖ EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on debts;
 - ❖ Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
 - ❖ Other companies in this industry may calculate EBITDA differently than NRG does, limiting its usefulness as a comparative measure.
- Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to use to invest in the growth of NRG's business. NRG compensates for these limitations by relying primarily on our GAAP results and using EBITDA and adjusted EBITDA only supplementally.
- Adjusted EBITDA is presented as a further supplemental measure of operating performance. Adjusted EBITDA represents EBITDA adjusted for the hedge reset, integration, impairment and corporate relocation charges, discontinued operations, legal settlements and write downs and gains or losses on the sales of equity method investments and other assets; factors which we do not consider indicative of future operating performance. The reader is encouraged to evaluate each adjustment and the reasons NRG considers it appropriate for supplemental analysis. As an analytical tool, adjusted EBITDA is subject to all of the limitations applicable to EBITDA. In addition, in evaluating adjusted EBITDA, the reader should be aware that in the future NRG may incur expenses similar to the adjustments in this news release. Adjusted EBITDA, excluding mark-to-market (MtM) adjustments, is provided to further supplement adjusted EBITDA by excluding the impact of unrealized MtM adjustments included in EBITDA for hedge contracts that are economic hedges but do not qualify for hedge accounting treatment in accordance with SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*, as well as the ineffectiveness impact of economic hedge contracts that qualify for hedge accounting treatment. Adjusted EBITDA, excluding MtM adjustments, is a supplemental measure provided to illustrate the impact of MtM movements on adjusted EBITDA resulting from commodity price movements for economic hedge contracts while the underlying hedged commodity has not been subject to MtM adjustments.
- Free cash flow is cash flow from operations less capital expenditures and preferred stock dividends and is used by NRG predominantly as a forecasting tool to estimate cash available for debt reduction and other capital allocation alternatives. Free cash flow, net of collateral movements, adjusts free cash flow to remove the cash flow impact of collateral changes resulting from fluctuating commodity prices. Adjusted cash flow from operations is provided to show cash flows from operations without the impact of the Hedge Reset and the financing element of derivatives acquired in conjunction with the acquisition of NRG Texas. The reader is encouraged to evaluate each adjustment and the reasons NRG considers it appropriate for supplemental analysis. In addition, in evaluating free cash flow, the reader should be aware that in the future NRG may incur expenses similar to the adjustments in this presentation.
- EBITDA run rate and Free Cash Flow run rate are provided on a projected annual basis, and a reconciliation to Net Income or Cash From Operations, respectively, is not accessible on this basis.

