



# Exelon's Exchange Offer for NRG: Unchanged and Unpersuasive

*Assessing Developments in the Relative Value and Prospects of Exelon and NRG since the Launch of Exelon's Hostile Takeover Attempt in October 2008*

**Investor Meetings  
June 2009**

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# Safe Harbor Statement

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## **Important Information**

In connection with its 2009 Annual Meeting of Stockholders (the "2009 Annual Meeting"), NRG Energy, Inc. ("NRG") has filed a definitive proxy statement on Schedule 14A with the Securities and Exchange Commission (the "SEC"). INVESTORS AND STOCKHOLDERS OF NRG ARE URGED TO READ THE PROXY STATEMENT FOR THE 2009 ANNUAL MEETING IN ITS ENTIRETY BECAUSE IT CONTAINS IMPORTANT INFORMATION.

In response to the exchange offer proposed by Exelon Corporation referred to in this communication, NRG has filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9. STOCKHOLDERS OF NRG ARE ADVISED TO READ NRG'S SOLICITATION/RECOMMENDATION STATEMENT ON SCHEDULE 14D-9 IN ITS ENTIRETY BECAUSE IT CONTAINS IMPORTANT INFORMATION. This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities of NRG.

Investors and stockholders will be able to obtain free copies of NRG's definitive proxy statement, the Solicitation/Recommendation Statement on Schedule 14D-9, any amendments or supplements to the proxy statement and/or the Schedule 14D-9, any other documents filed by NRG in connection with the 2009 Annual Meeting and/or the exchange offer by Exelon Corporation, and other documents filed with the SEC by NRG at the SEC's website at [www.sec.gov](http://www.sec.gov). Free copies of the definitive proxy statement, the Solicitation/ Recommendation Statement on Schedule 14D-9, and any amendments and supplements to these documents can also be obtained by directing a request to Investor Relations Department, NRG Energy, Inc., 211 Carnegie Center, Princeton, New Jersey 08540.

NRG and its directors and executive officers will be deemed to be participants in the solicitation of proxies in connection with its 2009 Annual Meeting. Detailed information regarding the names, affiliations and interests of NRG's directors and executive officers is available in the definitive proxy statement for the 2009 Annual Meeting, which was filed with the SEC on June 16, 2009.

## **Forward-Looking Statements**

This communication contains forward-looking statements that may state NRG's or its management's intentions, hopes, beliefs, expectations or predictions for the future. Such forward-looking statements are subject to certain risks, uncertainties and assumptions, 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, risks and uncertainties related to the capital markets generally.

The foregoing review of factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements included herein should be considered in connection with information regarding risks and uncertainties that may affect NRG's future results included in NRG's filings with the SEC at [www.sec.gov](http://www.sec.gov). Statements made in connection with the exchange offer are not subject to the safe harbor protections provided to forward-looking statements under the Private Securities Litigation Reform Act of 1995.

# Exelon-NRG -- Current Status

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- The third expiration date of Exelon's conditional "exchange offer" is June 26, 2009
- While the third expiration date will not result in the actual exchange of a single NRG share into Exelon shares any more than the first or second expiration date did, the outcome will be perceived as a barometer of NRG shareholder sentiment with respect to the merits of Exelon's 0.485 fixed exchange ratio offer for NRG
- Exelon's response to receiving 51% tender on the second expiration date of its offer was to:
  - ⇒ Not increase its original offer or improve it in any way
  - ⇒ Not arrange debt financing
  - ⇒ Not provide any reasonable assurance as to credit rating agency reaction to the proposed combination – or to the amount of equity Exelon may need to issue to support its credit rating objectives
  - ⇒ Not provide any detail or even an outline of a credible business plan or hedging program suitable for a 48,000 MW – ~250 million MWh/year merchant generation fleet, with significant collateral/liquidity requirements
- Exelon has provided clarification to its medium-term hedge disclosure, with the result being that the market now understands that Exelon's fleet is much less hedged volumetrically in 2011-2012 than had been commonly understood, and as acknowledged that rating agency concerns dictate a very substantial equity offering
- According to recent published comments attributed to John Rowe, Exelon's Board will reconsider their offer at an Exelon Board meeting on June 30<sup>th</sup> and may increase their bid at that time

## On the Other Hand, NRG has...

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### ...Over the past three months:

- ✓ Succeeded in acquiring the retail electricity business of RRI Energy in a strategically complementary and significantly value accretive transaction
- ✓ Succeeded in sale of MIBRAG (June 10, 2009), our German lignite business, at significant value
- ✓ Succeeded in contracting for the acquisition of the 500MW eSolar development portfolio and progressing the balance of our renewables development portfolio
- ✓ Succeeded in the off-balance sheet non-recourse debt financing for our 400MW GenConn projects (\$534M), as well as the recourse debt associated with Dunkirk backend controls (\$58M)
- ✓ Succeeded in becoming one of the four nuclear development projects advanced by the DOE in the nuclear loan guarantee program, setting the stage for NRG to be a first mover in the "nuclear renaissance"

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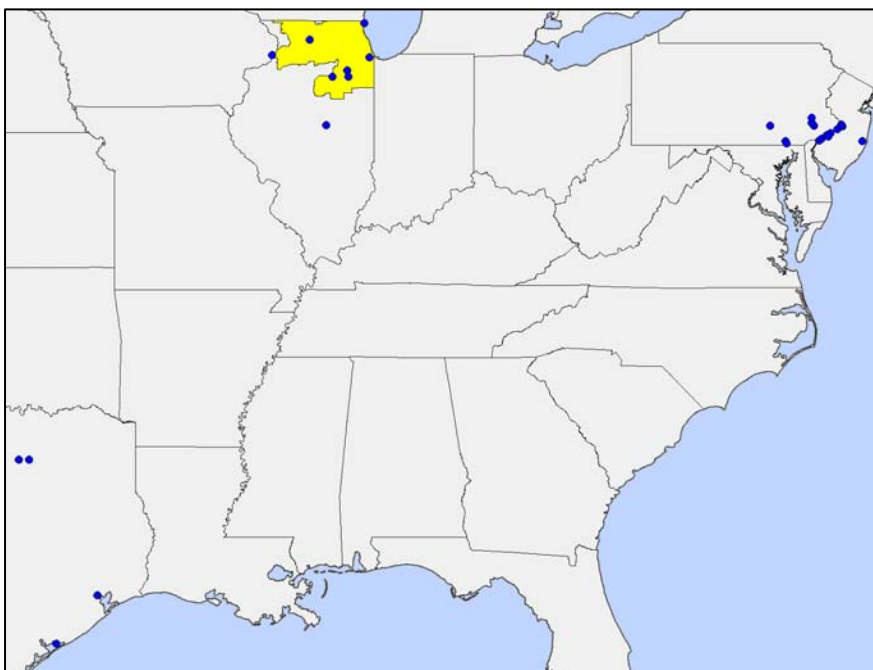
EXELON – NRG: THEN to NOW



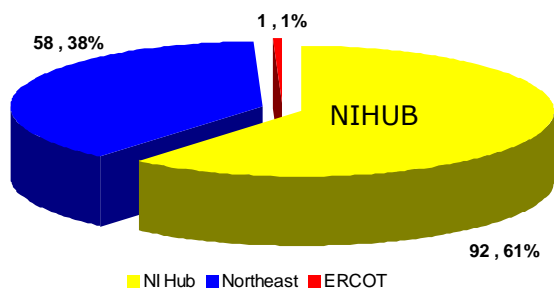
## Comparative Value Analysis



# Exelon Gross Margin Outlook: Heat Rate Contraction in PJM

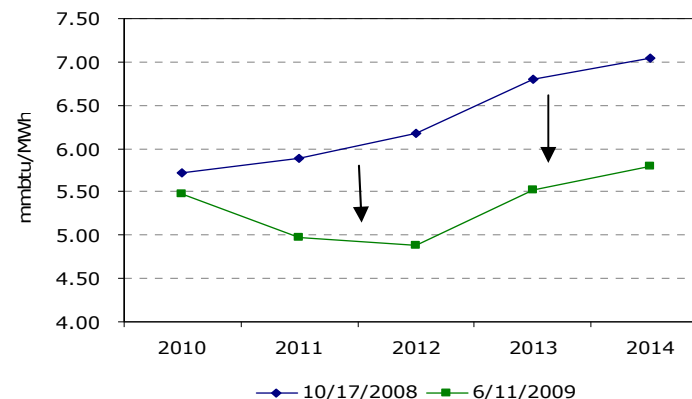


**Exelon Generation  
(2008 GWh, %) <sup>2</sup>**



(1) Source: PJM NI Hub forward market prices and NYMEX Natural gas prices; (2) Source: Ventyx Energy Velocity

**NIHUB Round the Clock Implied Market Heat Rate<sup>1</sup>**



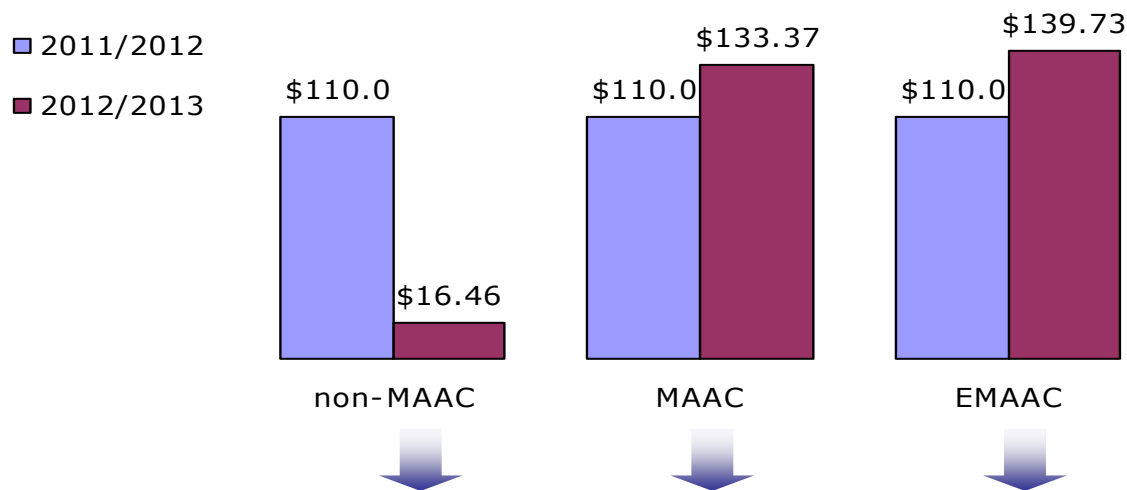
➤ **Heat rate contraction in NIHub and PJM East:**

- **Recession:** Destruction of Midwestern industrial production weakening near term fundamentals
- **Major wind projects** are being priced into heat rates. 100+ GW of wind projects in PJM and MISO interconnection queue. Transmission projects such as Green Power Express, given FERC contingent approval.
- **Increased Carbon policy clarity** as RES is part of Waxman bill; EPA study of Waxman impact implies lower carbon prices

Exelon appears to be forward hedging into sharply declining PJM heat rate market

# Exelon Gross Margin Outlook: Capacity Auction Results in PJM

## PJM RPM Auction Results (\$/MW-day)



	non-MAAC	MAAC	EMAAC	TOTAL
Exelon Unforced Capacity, UCAP (MW) <sup>1</sup>	11,400	1,403	8,888	21,700
Capacity Revenue (Unhedged portfolio)				
2011 / 2012	\$458.8	\$56.5	\$357.7	\$873.1
2012 / 2013	68.5	68.3	453.3	590.1
<b>Projected Change in Gross Margin</b>	<b>(\$390.4)</b>	<b>\$11.8</b>	<b>\$95.6</b>	<b>(\$282.9)</b>

<sup>(1)</sup> Unforced Capacity MW from Exelon 3/10/2009 2009 Investor Conference presentation (pg. 39), adjusted by pool wide EFORD of 6.44% for 2012/2013 and 6.21% for 2011/2012 per PJM auction report. Capacity clearing prices per PJM RPM auction results. Share price impact based on 7.9x market implied EV/EBITDA multiple (based on 10/17/08 enterprise value and Wall Street EBITDA estimates) and 8% discount rate based on average of Wall Street estimates

**PJM Capacity results imply a \$2.18/share negative impact to Exelon's Share Price**

# NRG Gross Margin Outlook: NG and HR in Texas

## ➤ Reliant Transaction:

Balanced portfolio positioned to offset short term market contraction and manage long term heat rate position

## ➤ Carbon Legislation:

Increased policy clarity implies lower CO<sub>2</sub> prices and continued support for allocations to initially hold merchant coal largely neutral, thus allowing, with time, the support and deployment of key low/no CO<sub>2</sub> technologies

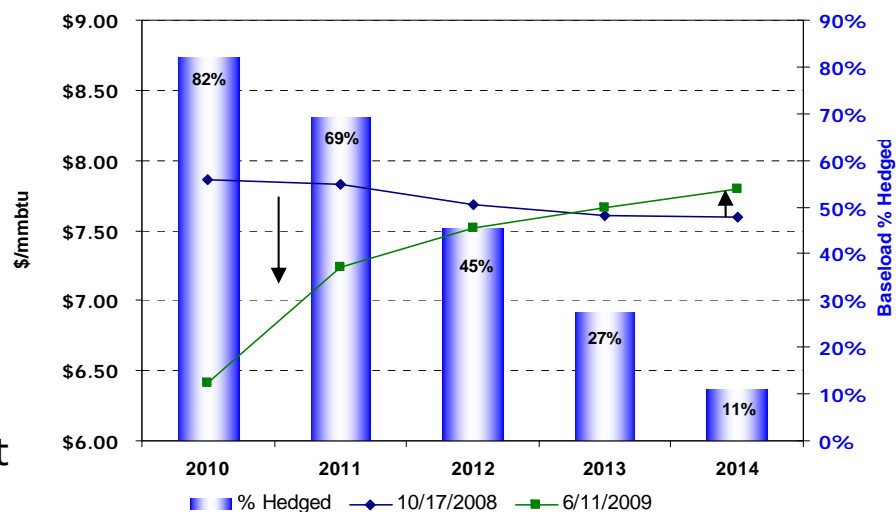
## ➤ Expanding ERCOT Heat rates:

Bullish expectations of long term Texas economic recovery, new generation build uncertainty, CO<sub>2</sub> cost bidding exceeding anticipated wind and CREZ transmission build impact

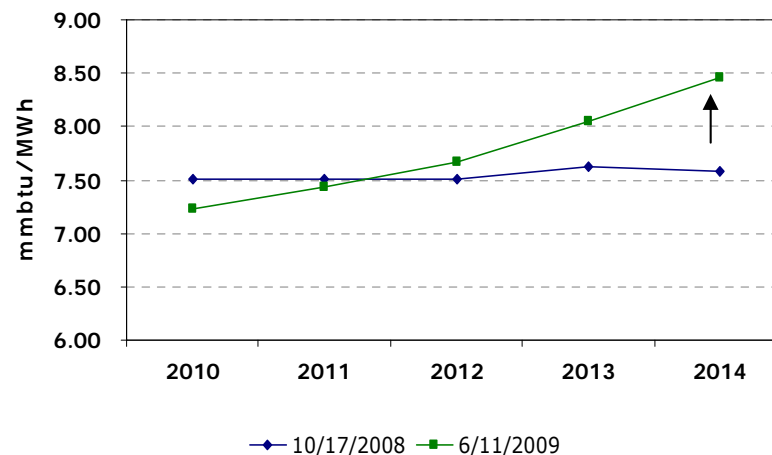
## ➤ Natural Gas:

Short term contraction. Long term expansion following economic recovery expectations

Natural Gas NYMEX Henry Hub<sup>1</sup>



ERCOT - Houston Zone Round the Clock Market Heat Rates<sup>1</sup>

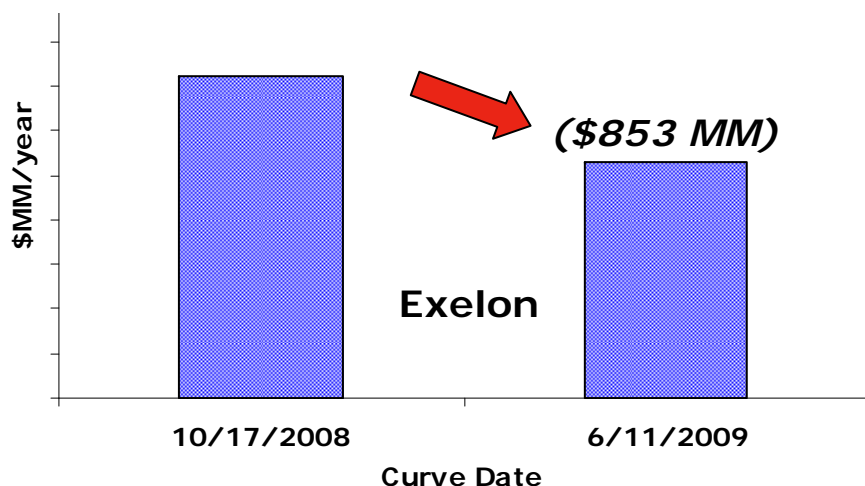


(1) Source: ERCOT Houston zone forward market heat rate quotes and NYMEX natural gas prices. Volumetric hedge percentage from NRG's Q1 earnings presentation on 4/30/09



# Gross Margin Trends: Exelon vs. NRG

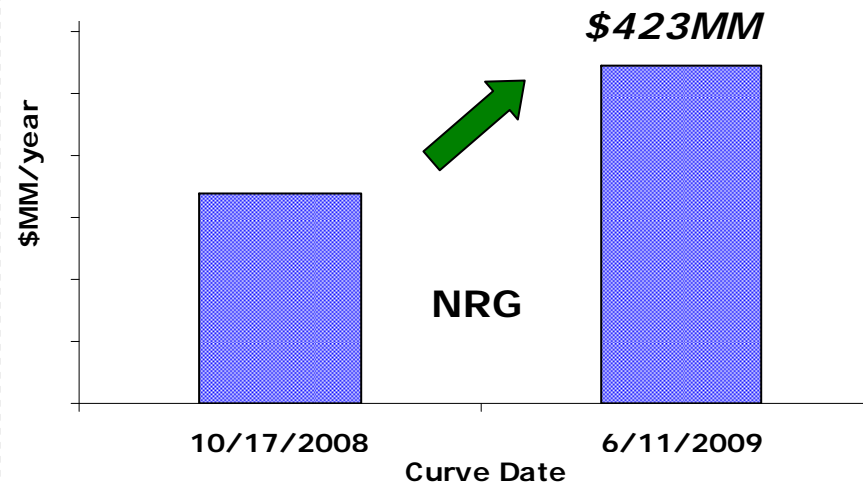
2014 Forecasted Gross Margin, 10/17/2008 and 6/11/2009 Cases



Walk-through of Energy margin Changes<sup>(1)</sup>

Impact of Contracting Heat Rates <sup>(2)</sup>	\$	(1,089) MM
Impact of Increasing Natural Gas Prices <sup>(3)</sup>	\$	236 MM
<b>Net Impact of Heat Rates and Natural Gas movements to energy margin</b>		<b>(\$853) MM</b>

**Impact to energy margin due to contraction in heat rates and increase in natural gas drive a \$6.60/share negative impact to Exelon**



Walk-through of Energy margin Changes<sup>(4)</sup>

Impact of Expanding Heat Rates <sup>(5)</sup>	\$332 MM
Impact of Increasing Natural Gas Prices <sup>(6)</sup>	\$91 MM
<b>Net Impact of Heat Rates and Natural Gas movements to energy margin</b>	<b>\$423 MM</b>

**Impact to energy margin due to heat rate and natural gas price expansion drive a \$5.29/share increase to NRG**

Source: NRG analysis, based on Exelon disclosure before and after 10/17/08. Exelon generation from 2008 Fact Book on Exelon Investor Relations website

Notes: (1) Assumes 8% discount rate (average of Wall Street analyst estimates) and 7.9x implied EV/EBITDA multiple (based on 10/17/08 enterprise value and Wall Street EBITDA estimates)

(2) Heat Rate sensitivity : (0.93) mmbtu/mwh weighted average Heat Rate change (10/17/08-6/11/09) \* \$7.80 mmbtu 6/11/09 NYMEX NG price \* 150 Twh's per Exelon Fact Book = \$(1,089)MM

(3) Gas Sensitivity: \$0.20/mmbtu change in natural gas \* 7.88 mmbtu/mwh 10/17/08 Weighted average Heat Rate \* 150 Twh's = \$236MM

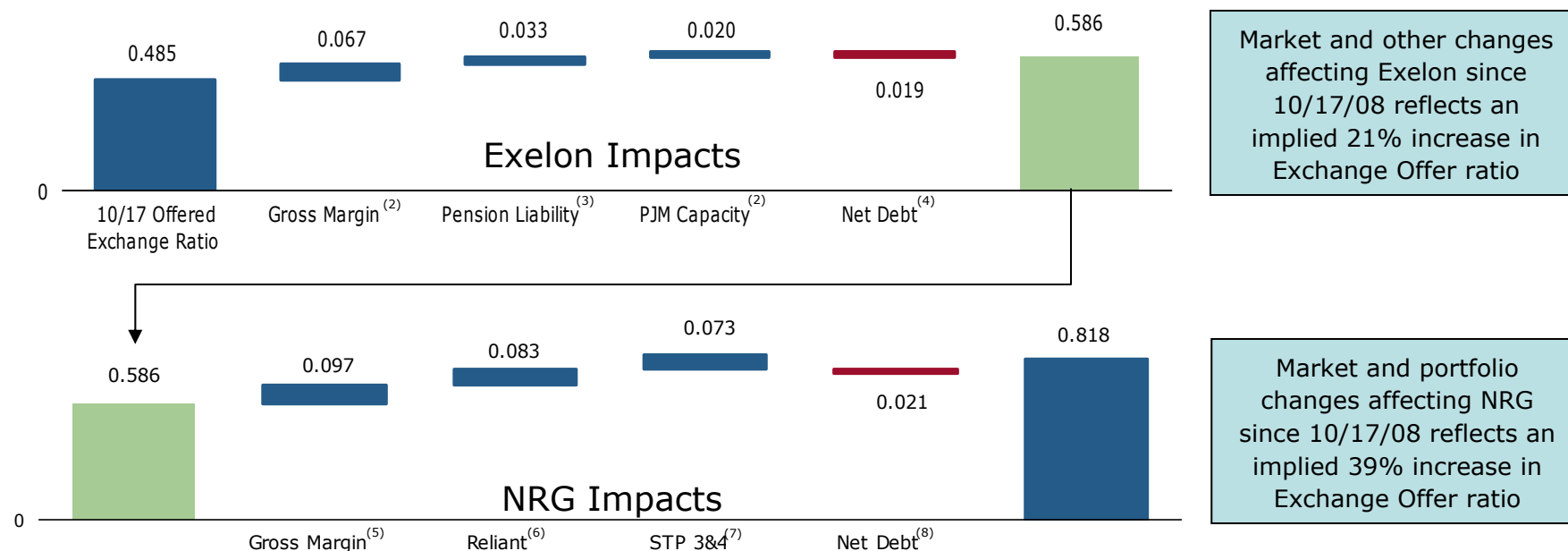
(4) Assumes 9.17% discount rate (average of Wall Street analyst estimates) and 5.6x implied EV/EBITDA multiple based on 10/17/08 offer

(5) Heat Rate sensitivity : 0.7 mmbtu/mwh weighted average Heat Rate change (10/17/08 to 6/11/09) \* \$7.80 mmbtu NYMEX 6/11/09 NG price \* 60,100 Gwh's (SC, West Coast assumed contracted) per NRG annual report = \$332MM

(6) Gas sensitivity : \$0.20/mmbtu natural gas price change (10/17/08 - 6/11/09) \* 7.57 mmbtu/mwh 10/17/08 weighted average Heat Rate \* 60,100 Gwh's = \$91MM

# Impact of Market and Portfolio Changes on Exchange Ratio

## Implied Changes in Exchange Ratio<sup>(1)</sup>



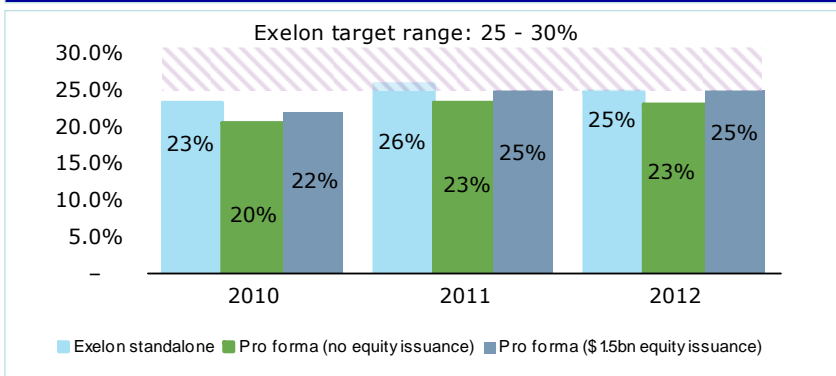
Source: NRG analysis, based on Exelon disclosure before and after 10/17/08.

- Notes: (1) Represents selected factors that impact the Exchange Ratio for illustrative purposes and is not representative of all factors that could impact the Exchange Ratio offer. The exchange ratios are not indicative, nor are they meant to imply, an exchange ratio that the NRG Board would accept or reject  
 (2) Assumes 8% discount rate (average of Wall Street analyst estimates) and 7.9x market implied EV/EBITDA multiple (based on 10/17/08 enterprise value and Wall Street EBITDA estimates)  
 (3) Exelon's net Pension and OPEB liability increased by \$3,791 million from \$2,472 million from Exelon's 9/30/08 10Q to \$6,309 from the 3/31/09 10Q  
 (4) Exelon's net debt decreased by \$1.5 billion, caused by an increase in debt of \$500mm and cash increase of \$2.0 billion from the difference between the 9/30/08 10Q and 3/31/09 10Q  
 (5) Assumes 9.17% discount rate (average of Wall Street analyst estimates) and 5.6x EV/EBITDA multiple based on 10/17/08 offer implied price  
 (6) Reliant share price impact from NRG presentation at Deutsche Bank Energy and Utilities Conference 5/27/2009  
 (7) Change in STP value based on Wachovia report dated June 4, 2009  
 (8) NRG's net debt change between 9/30/08 and 3/31/09 per form 10Q of \$77MM, less purchase of Reliant Energy including working capital of \$370MM from NRG's 6/2/2009 presentation, less net bond issuance of \$22MM from NRG press release dated 6/2/2009

Conclusion: An inadequate offer to begin with, keeps getting worse...

# ... And that is Before Taking into Account the Dilutive Effect of Exelon's Potentially Massive Equity Issuance

## FFO / debt <sup>(1)</sup>



(1) Assumptions on synergies, transaction costs and refinancing interest rate as per slide 28. No asset sales and no use of cash on balance sheet to fund transaction.

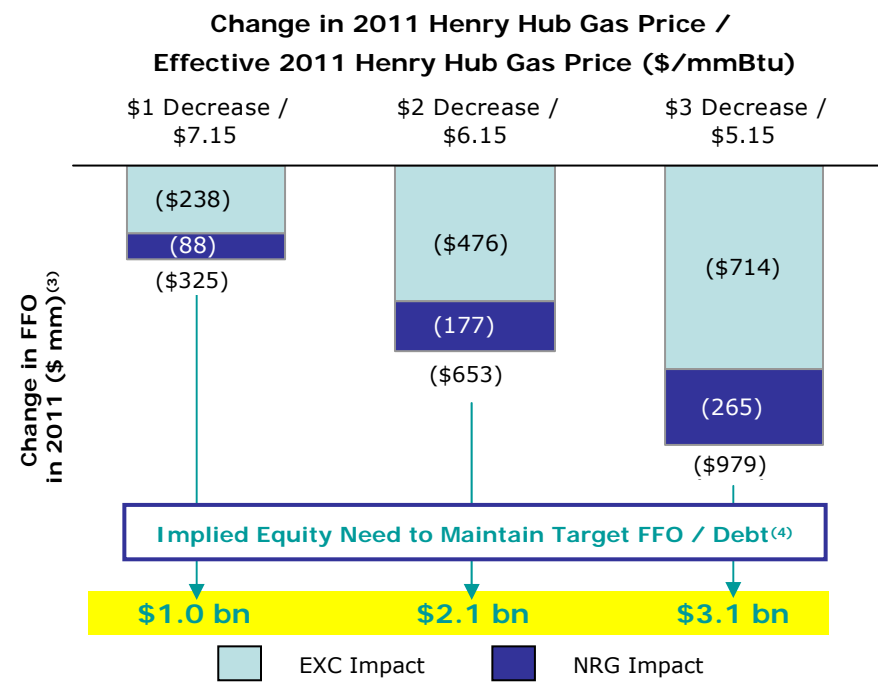
## Impact of an Exelon Equity Issuance on Exchange Offer

	NRG Ownership	Exchange Ratio	
Exelon's Offer on 10/17	16.9%	0.485x	Implications for NRG stockholders
<b>Effective Offer<sup>(2)</sup> Adjusted for Scenario of:</b>			
\$1.0B Exelon Equity Issuance	16.4%	0.470x	↓ 3.1%
\$2.0B Exelon Equity Issuance	15.9%	0.455x	↓ 6.1%

(2) 10/17 Exchange Ratio Equivalent is equal to the exchange ratio that would give NRG the same equity ownership % of the combined company without an equity issuance.

## 2011 FFO Sensitivities

Exelon assumed 2011 Henry Hub gas price in November 2008 of \$8.15<sup>(1)</sup> and current NYMEX 2011 forward price of \$6.82<sup>(2)</sup>



(1) Source: Exelon 2008 EEI Presentation.  
 (2) Source: Bloomberg, data as of 4/15/09.  
 (3) EXC gas sensitivity based on 4/15/09 presentation. NRG gas sensitivity based on 2/12/09 presentation. Tax rate of 39% assumed.  
 (4) Assumes proforma FFO/Debt level in November 2008 of 25% for EXC+NRG – low end of EXC's target range. Analysis done to solve for same target FFO/Debt level after adjusting for the reduced FFO. Assumes interest expense on reduced debt of 10% and tax rate of 39%.

Two unknowns – S&P and natural gas prices – will drive the size of the Exelon equity issuance

# The Shrinking Exchange Offer

10/19/08 Exelon's original offer 0.485 at \$55<sup>(1)</sup> /ps =

**\$26/  
share**

6/12/09 Exelon's offer today 0.485 at \$50<sup>(2)</sup> /ps =

**\$24/  
share**

Future Exelon's effective offer if issues \$2 billion of new equity to fund its credit rating aspirations 0.455 at \$50<sup>(2)</sup> /ps =

**\$23/  
share**

"While the recent increase in NRG's share price puts pressure on Exelon to raise its bid, its ability to do so is constrained by the likely need to issue \$1.0 billion of equity following the acquisition to pay down debt and sustain its investment grade rating."  
-- Hugh Wynne, Bernstein Research report June 10, 2009

(1) Market close price 10/17/08 of \$54.50, unadjusted for EXC dividend (2) Market close price 6/12/09 of \$50.58, unadjusted for EXC dividend

With the prospect of a large equity issue, Exelon needs to increase its offer by almost 15% simply to get NRG shareholders back to the inadequate position they were in at the time of the original Exelon offer

# Exelon Nuclear Uprates vs. NRG's Advanced Nuclear Project (STP 3&4)



## Getting More "Bang-for-the Buck"

	Exelon Uprates <sup>(1)</sup>	NRG STP 3&4
Peak New MWs	1,326	1080
MW Years (MWs available each year times number of years)	35,026	66,420
Overnight Cost (\$ MM)	\$3,500 <sub>(100%)</sub>	\$4,000 <sub>(40%)</sub>
Average Cost per KW (\$)	\$2,600	\$3,700
Cost per KW Year (\$)	<b>\$99</b>	<b>\$60</b>
Recourse Capital (\$ MM)	\$3,500	\$500
Recourse Capital per KW (\$)	<b>\$2,600</b>	<b>\$250</b>
Recourse Capital per KW Year	<b>\$99</b>	<b>\$4</b>

Source: Exelon Corporation SEC filings and NRG estimates.

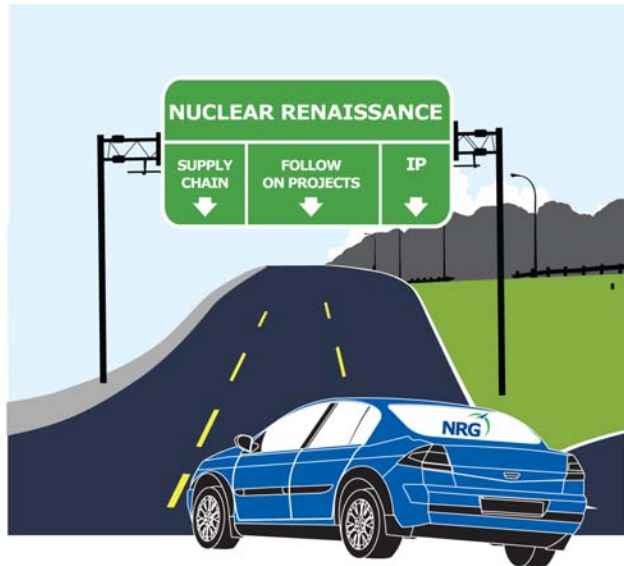
Note: Total uprates presented reflects Exelon's share of uprates in case of units jointly owned by others.

STP 3&4 has far less recourse capital at risk, and substantially more years of operations at full capacity, plus...

# Where Does Each Company's Growth Initiative Lead?



For NRG:



Leadership in the Nuclear Renaissance with follow on value drivers in additional projects, intellectual property and development knowhow, construction and supply chain investments

For Exelon:



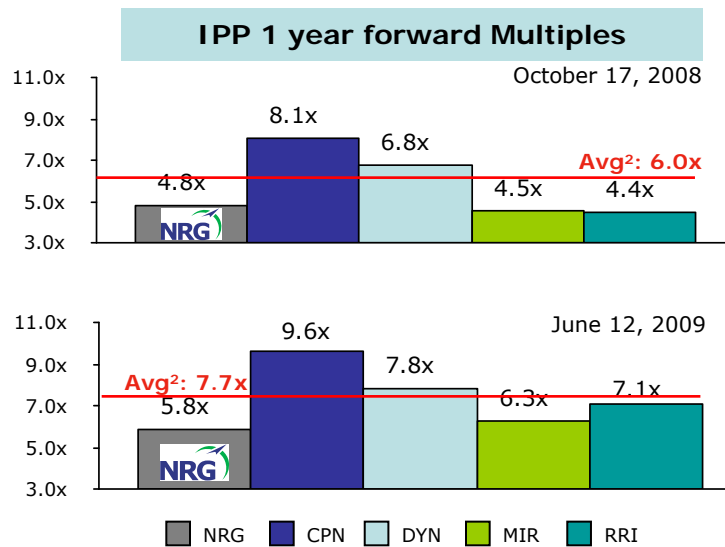
NRG's First Mover Advantage in new nuclear can be realized in multiple ways

# Trading Value: Exelon is Not "Propping Up" NRG's Share Price

## THEN: Exelon in its own words

"Assuming that NRG's stock price maintained its historic relationship to movement in the IPP index, NRG stock would have declined ~16% since October 17, 2008 in the absence of the Exelon offer"<sup>1</sup>

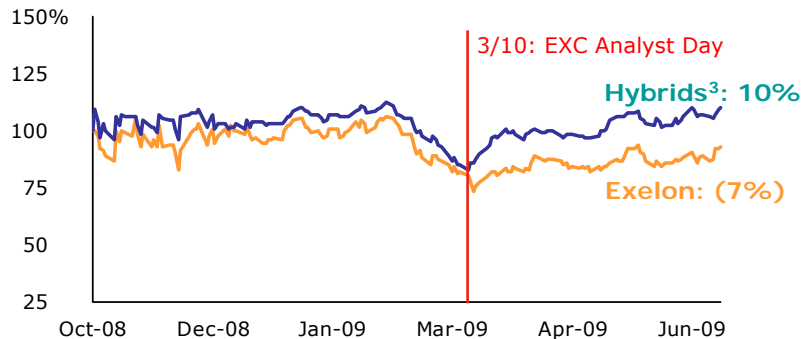
## NOW



## NOW: Should Exelon choose to update their statements...

...If you assume NRG maintains its historic relationship to the IPP index on a relative value basis, NRG share price would be \$27.46 vs. current \$24.37 (12.7% higher)

## Hybrid Trading Performance



...During the period, EXC share price decreased by 7% to \$50.58

"During the same period, EXC's share price increased by ~3.4% to \$56.38"<sup>1</sup>

(1) Source from Exelon presentation dated 2/2009 (2) IPP avg. includes CPN, DYN, MIR, RRI (3) Hybrid Index includes AYE, EIX, FPL, FE, PEG, PPL

...Indeed, NRG's stock price is being constrained by EXC's offer



## Four Key Investor Factors





# Four Key Factors

Factors	Key Questions	Trend Favors
<p><b>1. Value Equation</b></p>	<p>Which company over the last six months has executed on its plan to deliver enhanced value to its shareholders?</p>	<p>?</p>
<p><b>2. The Washington Factor</b></p>	<p>Will climate and other energy legislation likely out of Washington, in aggregate, favor NRG or Exelon?</p>	<p>?</p>
<p><b>3. Hedging Program</b></p>	<p>Which company's hedge position provides greater protection through the current commodity down-cycle?</p>	<p>?</p>
<p><b>4. Allocation of Capital</b></p>	<p>In an era where capital is expensive and scarce to everyone, which company is in a better position to deploy capital in a manner that enhances shareholder value?</p>	<p>?</p>

# Factor 1: Value Equation: Free Cash Flow

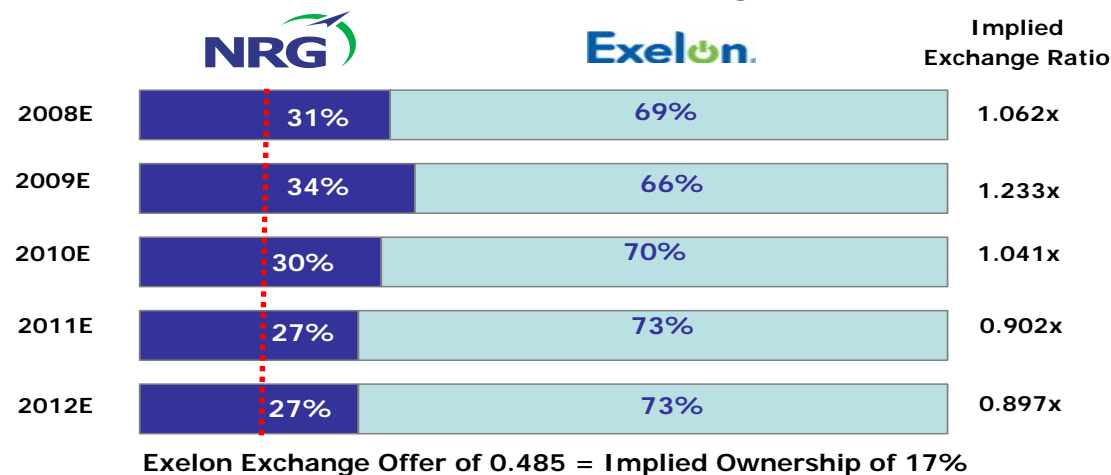
**THEN:** Exelon in its own words

“NRG’s position [with respect to Free Cash Flow dilution] is only for a single year [2008]” and... “ignores PECO PPA roll-off in 2011 and Exelon carbon uplift”<sup>1</sup>

**NOW**

Free Cash Flow dilution to NRG shareholders

Percent Contribution of Recurring FCF<sup>(2), (3)</sup>



(1) Exelon presentation dated 2/09

(2) Source: Sell-side research; (3) FCF defined as Cash from Operations less maintenance CapEx but excluding environmental and growth CapEx, dividends, and share repurchases; not intended as guidance of expected results.

**NRG Response:** Pick any year... let’s talk about PECO PPA roll-off and carbon... and just wait until we add the projected contribution of Reliant Energy retail

# Factor 2: Washington Legislation

Stimulus	Federal RES	Climate Change
<ul style="list-style-type: none"> <li>Designed to incent tomorrow's energy infrastructure, not yesterday's</li> <li>Wind, solar, CCS, biomass</li> <li>NRG has initiatives (and applications) with respect to each of those technologies</li> </ul>	<ul style="list-style-type: none"> <li>Federal RES is progressing in both bodies – independent of climate change in Senate</li> <li>Significant potential impact on baseload coal &amp; nuclear in Midwest where renewables penetration has been low<sup>1</sup></li> <li>Less impact in Texas which already is approaching 20% renewable</li> </ul>	<ul style="list-style-type: none"> <li>Waxman-Markey generally tracks USCAP <i>Blueprint</i></li> <li>To achieve passage, legislation will need to accommodate coal state legislators</li> <li>Impact on Exelon will depend on state tolerance of EXC's carbon uplift; Impact on NRG will depend on our own success with <i>Repowering</i> NRG</li> </ul>
<p><b>NRG View:</b></p> <p><b>Advantage NRG (Significant)</b></p>	<p><b>Advantage NRG (Significant)</b></p>	<p><b>Advantage Exelon: (Moderate – possible)</b></p>

(1) Credit Suisse Equity Research "Adventure in Power Market Transformation", December 22, 2008

Since June 2006, NRG remains at the forefront of legislation and repositioning its portfolio to benefit from potential outcomes

## Factor 2: Washington Legislation – Climate Change

### THEN: Exelon in its own words

If you take a look at Exelon on a standalone and you analyze us on a standalone from carbon, and you assume that we would get the full benefit of the potential value, **it's about \$1 billion for every \$10 of tax, and that's earnings before taxes.** Then again, you take a look at the NRG fleet and you evaluate the dilutive effect of our standalone on carbon, it's approximately 10%. So you would, anywhere from 80 to 120 million is the dilution, and that's on a more conservative approach of not getting – *the generators not getting any allotment.* **So, although carbon on a standalone could be slightly dilutive, and that's if you assume we are going to reap that full benefit as the generator,** the dilutive effects are minimal compared to the value created of those assets.

-- EEI Financial Conference, Nov. 11, 2008, Christopher M. Crane

### NOW

- W-M allocations keep NRG net neutral in early years and *RepoweringNRG* creates upside in out-years
- EPA modeling suggests almost 50% lower benefits to EXC (~\$15 prices for 2012 and ~\$85 for 2050 under W-M<sup>1</sup>) than last year (~\$28 in 2012 and ~\$157 in 2050 under Lieberman-Warner<sup>2</sup>)

### Latest Update

"If passed, John Rowe calculates the Waxman-Markey bill will add **\$700 to \$750** million to Exelon's annual revenues for every \$10 per metric ton (Mt) increase in the price of CO2 allowances"

-- Hugh Wynne, Bernstein Research report June 10, 2009

(1) The United States Environmental Protection Agency's Preliminary Analysis of the Waxman-Markey Discussion Draft in the 111th Congress, The American Clean Energy and Security Act of 2009; (2) The United States Environmental Protection Agency's Analysis of Senate Bill S.2191 in the 110th Congress, the Lieberman-Warner Climate Security Act of 2008

Little to no downside to NRG and far less accretion for EXC, if Illinois and Pennsylvania states actually allow EXC to keep upside

## Factor 2: Washington Legislation -- Renewables

### THEN: Exelon in its own words

"Our *Exelon 2020* work says that the cost of adding all this wind to society is between \$50 and \$80 per ton of avoided carbon-dioxide. This is not a cheaper way for our customers to deal with the CO2 problems as everybody wants to believe it is. Nonetheless it's very clear that the politics are with building wind, we're going to keep seeing more of it and we are trying very hard to stay on top of it's effects and we are certainly trying to model it in the NRG acquisition. ... it seems to concern us more than it concerns NRG but that's not a helpful comment."

-- Q109 EXC earnings call

### NOW

- Both Senate and House are reaching compromises on Renewable Energy Standards
  - Key features likely to include up to 20% of all energy delivered must be met by renewables, with 5% to 8% achievable by efficiency and "carve outs" for *new* nuclear
  - Federal transmission siting authority also is likely to emerge
- "Future power prices will come under pressure relative to current expectations as low variable cost renewable generation is added to the bottom of the supply stack.
  - "The major surprise in our mind is the hit in MISO where coal fired generation was poised to be replaced more frequently by gas fired generation as the marginal source of electricity; with renewables this will likely not happen to the magnitude as previously expected."
  - "Equally interesting to us is that the outlook for ERCOT (Texas) is largely unchanged at basically flat since even with the addition of new renewable resources, the large installed base of efficient gas fueled power plants (CCGTs) remains as the marginal provider of electricity although look for some zonal price differentiation that favors the South and Houston over the West and North."

-- *CS Equity Analyst, Dan Eggers, December 22, 2008*

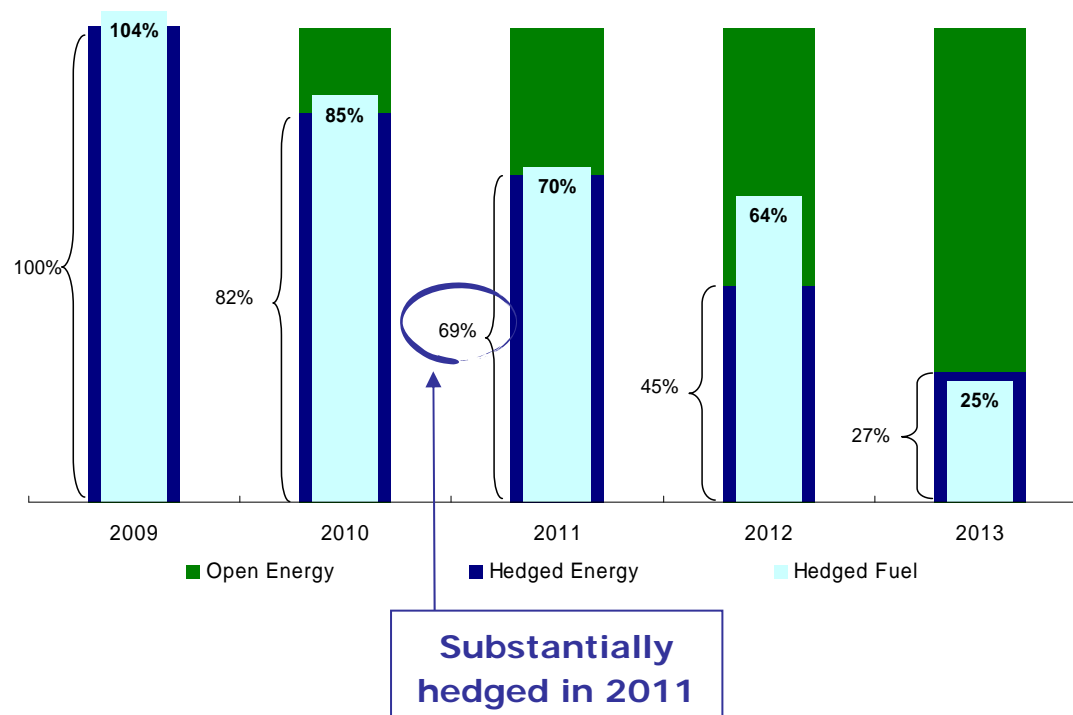
NRG has minimal negative impact and increased growth opportunity while EXC has potential risk of not realizing anticipated carbon uplift due to regional renewables penetration

# Factor 3: Hedging Programs Compared: NRG vs...

## THEN and NOW: Consistent Guidance on Hedge Profile<sup>(1)</sup>

## S&P's Commentary

### NRG Baseload Hedge Position<sup>(1)</sup>



"We raised power producer NRG Energy's corporate credit rating reflective of our view of standalone credit quality... The upgrade is unusually timed amidst sharply lower gas prices, but reflects expected strong and stable cash flows for several years due to the hedged nature of NRG's fleet, as well as a recognition that management's **superior execution of its hedge strategy** has allowed NRG distinguished itself in the independent power producer (IPP) sector. We see NRG being free-cash-flow positive for the next several years even under our conservative merchant price deck."

- S&P press release dated 5/22/09

(1) Portfolio as of 04/09/2009; 2009 values reflect positions from May 09 through December 09 only

NRG's effective hedge program insulates the Company from the current commodity down-cycle...

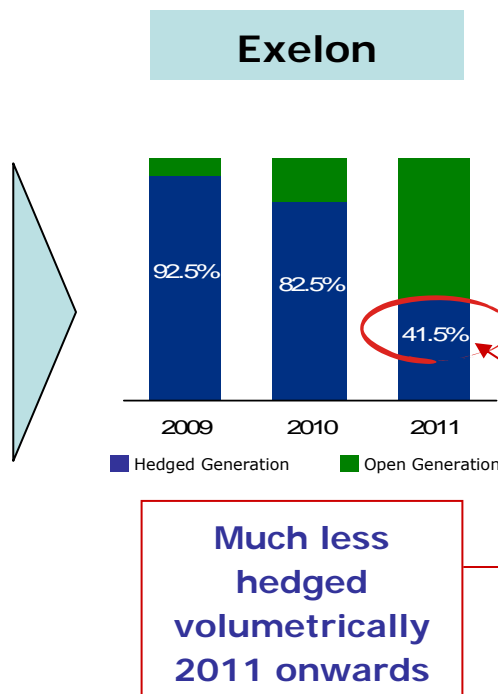
# Factor 3: Exelon

## THEN: Exelon in its own words

"...the prompt year we're 90 to 98% hedged...[in 2010] upward to a 90% financially hedged...[in 2011] we're at the top end of the range towards an 80% financially hedge issue."

- Kenneth W. Cornew, Exelon SVP, Exelon Investor Day Conference, 03/10/09

## NOW: Current Hedge Profile<sup>(1)</sup>



## S&P & Sell Side Commentary

"Mitigating near-term cash flow volatility is a high level of physical hedges in 2009 and 2010 but this ratio drops off in future years. Because Exelon's merger plan proposes deleveraging from free cash flow sweeps (after capital expenditures and dividends) any decline in net revenues could affect debt reduction targets. We note that the power/commodity forward strips have substantially declined since Exelon made its offer."

-- S&P press release on Exelon's CreditWatch negative status, 04/17/09

"Based on the newly disclosed magnitude of difference between EXC's 2011 financial hedge profile (high end of a 60% to 80% range, or closer to 80%) and what we calculate as closer to a 32% volumetric hedge % for 2011 **we believe the company's long-term earnings growth profile has eroded too much.** As such, we are downgrading our rating to Hold."

-- Deutsche Bank equity research following EXC analyst conference: EXC 2011 More Exposed to Falling Gas, 3/11/09

(1) Midpoint of expected generation hedged for each year as disclosed in April 15, 2009 Exelon Generation Hedging Program presentation

...While Exelon has far more market exposure than previous thought

# Factor 4: Allocation of Capital

## THEN: Exelon in its own words

- Committed to returning Exelon's senior unsecured debt to strong investment grade within the next 3 years
- Targeting stronger credit metrics for the combined entity— 25 - 30% FFO/debt
- Pay down debt plan** will include: NRG balance sheet cash, asset sale proceeds, *free cash flow*

-- 10/29/08 Exelon presentation

We believe the market will likely discount NRG's standalone growth prospects given:

- NRG's development model requires external solutions that as a standalone company it cannot implement on its own; and
- The potential cost to finance its development projects and the availability of capital

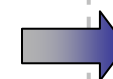
-- 2/09 Exelon presentation

## NOW

**NRG raises capital off strength of assets**

	Cost to Finance	Type	Amount
GenConn debt	6.79% <sup>1</sup>	Non-recourse	\$534M
Dunkirk	2.30% <sup>2</sup>	Recourse	\$58M
DOE guaranteed nuclear debt	4.53% <sup>3</sup>	Non-recourse	\$6B <sup>(4)</sup>
Bond Issuance	8.75% <sup>(6)</sup>	Recourse	\$700M

(1) Represents L+350bps, with the current 7 year swap rate at 3.29%; (2) Represents LC backing cost of 2.00% under our revolver, plus current spread of 30 bps (resets weekly); (3) Represents 30 year treasury + 12.5 bps (4) As per last disclosure dated 3/26/08 for overnight costs – "NRG and Toshiba" presentation, page 11; (5) Cumulative since 2003; (6) Coupon of 8.5% plus OID



## NOW

**And allocates capital in a balanced fashion:**

- Debt repaid (\$2.0B)<sup>(5)</sup>
- Share buybacks (\$1.9B)<sup>(5)</sup>
- Growth capex
  - ✓ Texas Genco
  - ✓ West Coast Power
  - ✓ Reliant Energy Retail
  - ✓ Padoma Wind
  - ✓ Long Beach
  - ✓ Cos Cob
  - ✓ Cedar Bayou 4
  - ✓ GenConn

NRG's prudent approach to capital allocation enables us to invest in high value growth while enabling shareholders to derive greater portion of that growth through regular share buybacks



# Factor 4: Allocation of Capital -- Reliant Retail Valuation

Adj. EBITDA Run Rate		Purchase Price	
Gross Margin <sup>1</sup>	\$670	Purchase Price	\$288
O&M and G&A	~420	Working Capital Adjustment	82
Reliant Energy adj. EBITDA <sup>2</sup>	\$250	Total Purchase Price	\$370

Implied Price Multiple @ \$250M EBITDA = 1.5x			
EBITDA Multiple @	\$1,000	\$1,250	\$1,500
	4.0x	5.0x	6.0x

(1) Excludes forward MtM impacts; (2) Average EBITDA over medium-term

Using an EBITDA multiple of 5x – the ongoing implied equity value of the Reliant acquisition is \$4.50 per share

## Four Key Factors, in our view, favor NRG

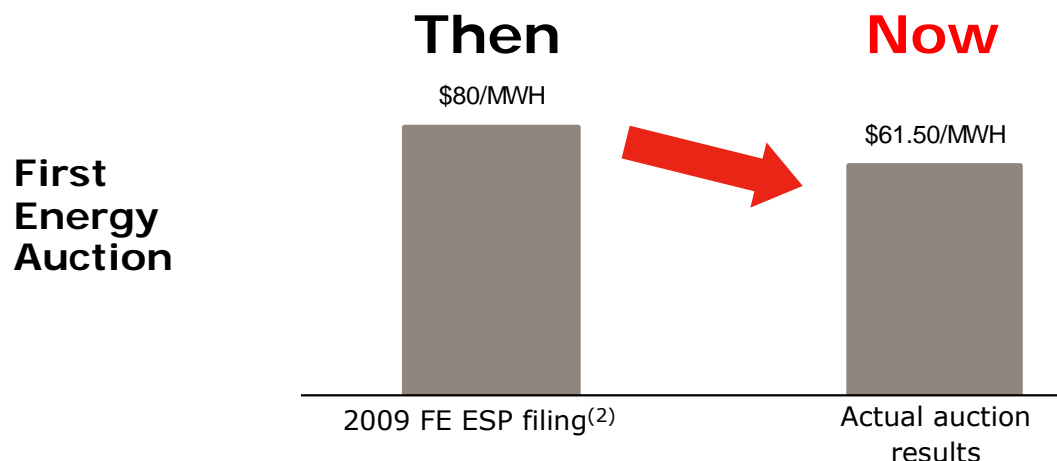
Factors	Key Questions	Trend Favors
1. Value Equation	Which company over the last six months has executed on its plan to deliver enhanced value to its shareholders?	NRG
2. The Washington Factor	Will climate and other energy legislation likely out of Washington, in aggregate, favor NRG or Exelon?	NRG
3. Hedging Program	Which company's hedge position provides greater protection through the current commodity down-cycle?	NRG
4. Allocation of Capital	In an era where capital is expensive and scarce to everyone, which company is in a better position to deploy capital in a manner that enhances shareholder value?	NRG



## APPENDIX

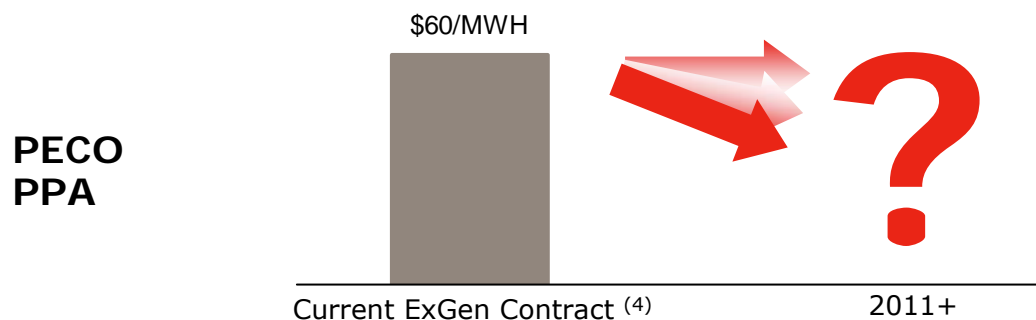


# Factor 1: Value Equation – Analyzing Second Key Exelon “Growth” Driver<sup>(1)</sup>



- FE’s recent auction (5/15/09) demonstrated lower prices and lower load serving margins, far below Wall Street and prior FE expectations
- FE’s stock price closed down 10% on the day the auction results were announced

Exelon provided “illustrative” guidance on PECO rates increasing to **\$107.50/MWH** in 2011 based on PPL’s auction results<sup>(3)</sup>

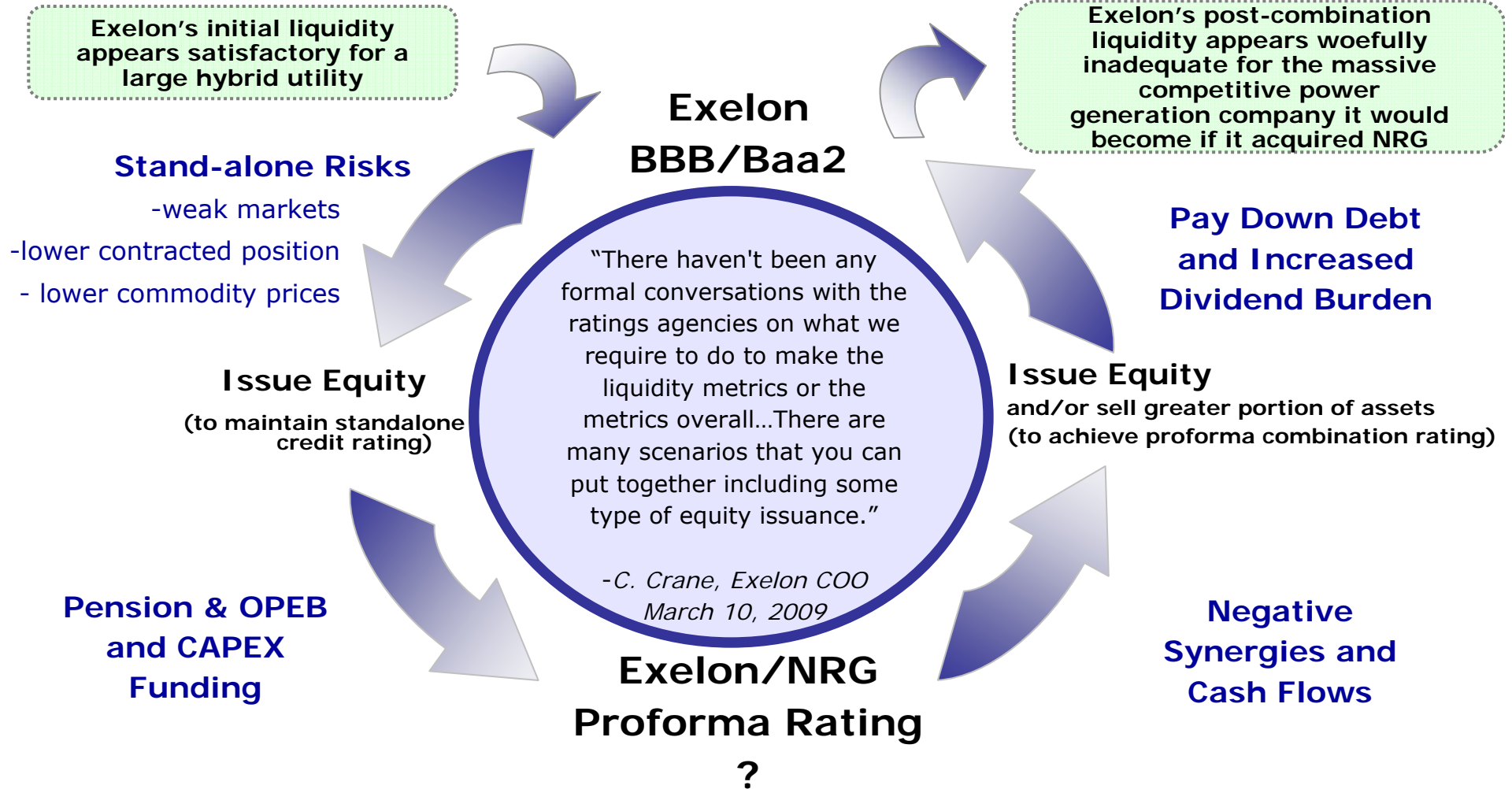


- ExGen touted uplift in 2011 as legacy PECO contract rolls off and is replaced by higher market prices...
- ...however, FE Auction results could suggest otherwise

(1) Exelon February investor presentation, page 9; (2) Energy, capacity and transmission service; (3) Exelon EEI presentation, 11/10/08; (4) Energy and Capacity, excluding transmission

Cash Flow uplift from PECO roll-off?

# Strategic Rationale - Exelon: Caught in a Rating Agency Vicious Cycle

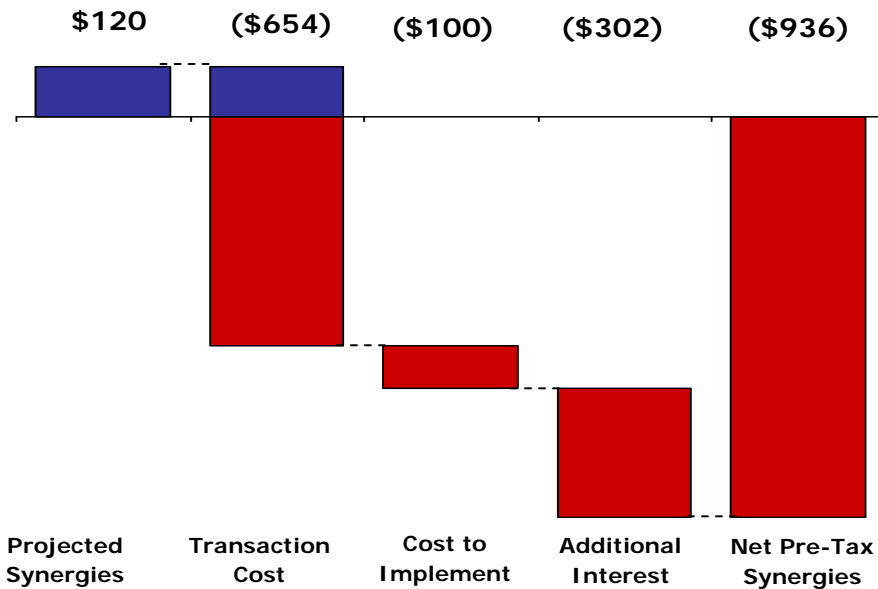


Exelon seeks to maintain an investment grade rating primarily for the benefit of its utility business, not for the benefit of its much larger competitive power generation business

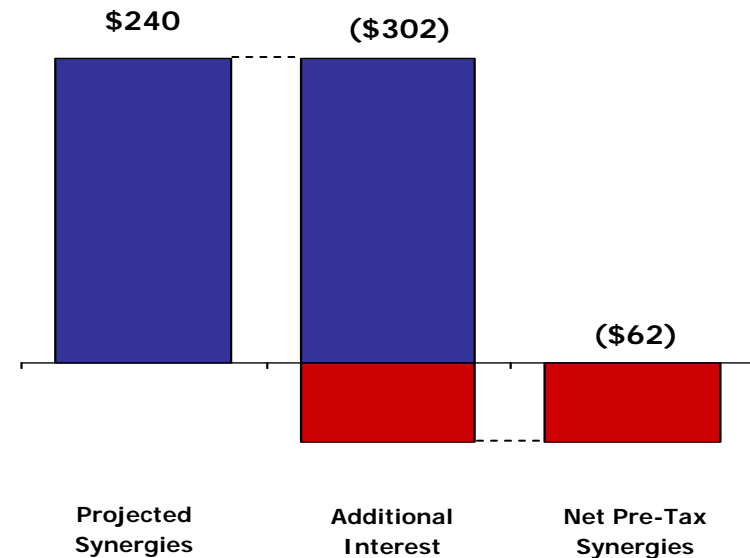
# Strategic Rationale– Synergies, as Estimated by EXC, Would be Offset by Transaction Costs



**Pre-Tax Synergy Estimate Year 1**  
*Cash Impact to Combined Company*  
*in millions*



**Pre-Tax Run Rate Synergies Year 2 +**  
*Annual Cash Impact to Combined Company*  
*in millions*

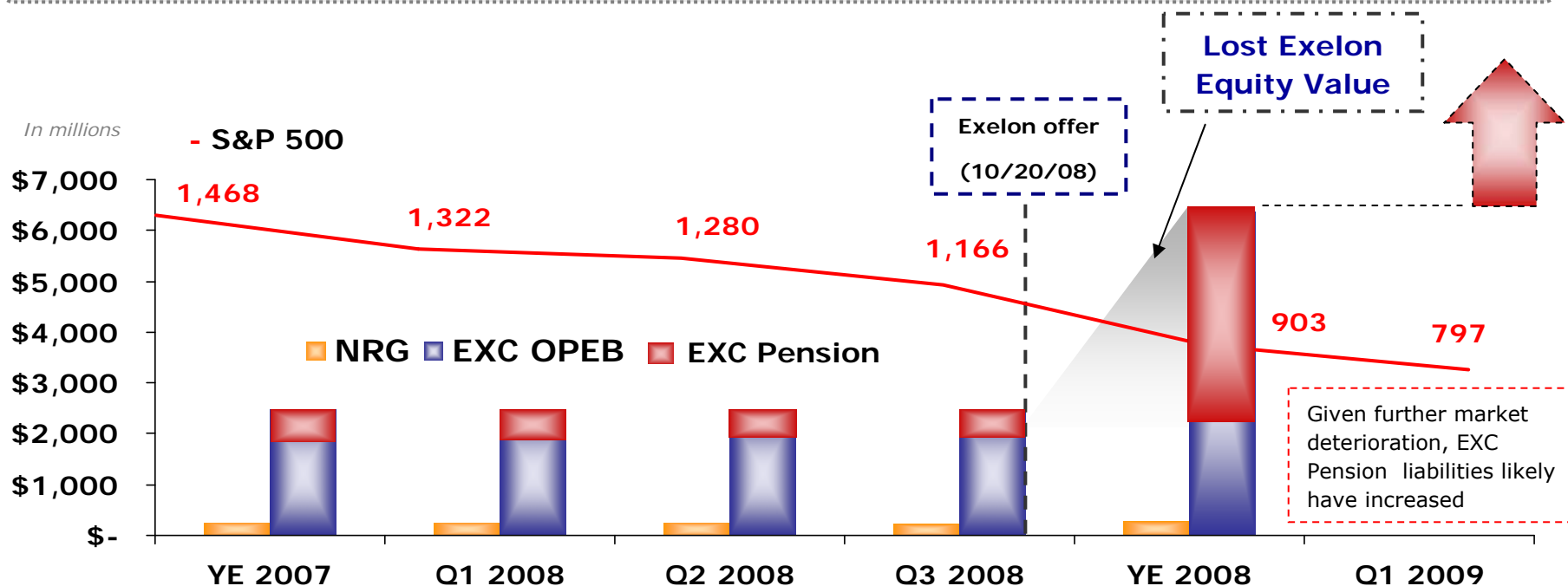


Note: Estimated synergies are midpoint of Exelon's range of \$180 - \$300mm per year; with one half of synergies realized in Year One, all synergies realized by Year Two. Transaction Costs, refinancing interest rate of 10% and costs to implement synergies derived from Exelon estimates disclosed in their EEI presentation of 11/11/08. Assumption that additional interest costs apply to \$4.7B of refinanced notes and \$2.4B of Term B Loans using 4/17/09 3M LIBOR

Assuming Exelon eventually obtains the financing needed to close the transaction, higher interest rates and transaction costs are likely to more than offset projected G&A synergies

# Strategic Rationale: Unfunded Pension and OPEB Has Created a Significant Issue for Exelon, but Not for NRG

Post-exchange offer, pension and OPEB liabilities increased significantly, to the detriment of all equity holders



Source: Exelon's SEC filings and 3/10/09 Investor Day Conference

Post-exchange offer, Exelon has lost significant equity value to increased pension and OPEB liabilities, while NRG's exposure remains minimal

# Strategic Rationale – Risk Summary: Exelon Adds Risk Across the Board



Normal Business Risk	≠				<table border="1"> <thead> <tr> <th data-bbox="730 500 1087 626">Normal Business Risk</th> <th data-bbox="1087 500 1409 626">Contest Risk</th> <th data-bbox="1409 500 1661 626">Implementation Risk</th> <th data-bbox="1661 500 1980 626">Combination Risk</th> </tr> </thead> <tbody> <tr> <td data-bbox="730 626 1087 711">Ongoing</td> <td colspan="2" data-bbox="1087 626 1409 711">2009 - 2010</td> <td data-bbox="1409 626 1980 711">2010 - 2011</td> </tr> <tr> <td data-bbox="730 711 1087 1256"> <ul style="list-style-type: none"> <li>▪ Operating risk</li> <li>▪ Commodity risk</li> <li>▪ Financial risk</li> </ul> <div style="margin-left: 20px;">                     } All Actively Managed and Largely Mitigated                 </div> </td> <td data-bbox="1087 711 1409 1256"> <ul style="list-style-type: none"> <li>▪ Recessionary impact on IL and PA</li> <li>▪ Nuclear operating and decommissioning risk</li> <li>▪ Political/Regulatory risk</li> </ul> </td> <td data-bbox="1409 711 1661 1256"> <ul style="list-style-type: none"> <li>▪ Distraction</li> <li>▪ Retention and recruiting</li> <li>▪ Economic waste</li> <li>▪ Opportunity cost of missed partnerships and acquisitions</li> </ul> </td> <td data-bbox="1661 711 1980 1256"> <ul style="list-style-type: none"> <li>▪ Financing</li> <li>▪ Rating Agencies</li> <li>▪ Regulatory Approvals</li> <li>▪ Integration</li> <li>▪ Management Experience</li> <li>▪ Ratings Downgrade Risk</li> <li>▪ Regulatory "Claw back" risk</li> </ul> </td> </tr> </tbody> </table>				Normal Business Risk	Contest Risk	Implementation Risk	Combination Risk	Ongoing	2009 - 2010		2010 - 2011	<ul style="list-style-type: none"> <li>▪ Operating risk</li> <li>▪ Commodity risk</li> <li>▪ Financial risk</li> </ul> <div style="margin-left: 20px;">                     } All Actively Managed and Largely Mitigated                 </div>	<ul style="list-style-type: none"> <li>▪ Recessionary impact on IL and PA</li> <li>▪ Nuclear operating and decommissioning risk</li> <li>▪ Political/Regulatory risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ Distraction</li> <li>▪ Retention and recruiting</li> <li>▪ Economic waste</li> <li>▪ Opportunity cost of missed partnerships and acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financing</li> <li>▪ Rating Agencies</li> <li>▪ Regulatory Approvals</li> <li>▪ Integration</li> <li>▪ Management Experience</li> <li>▪ Ratings Downgrade Risk</li> <li>▪ Regulatory "Claw back" risk</li> </ul>
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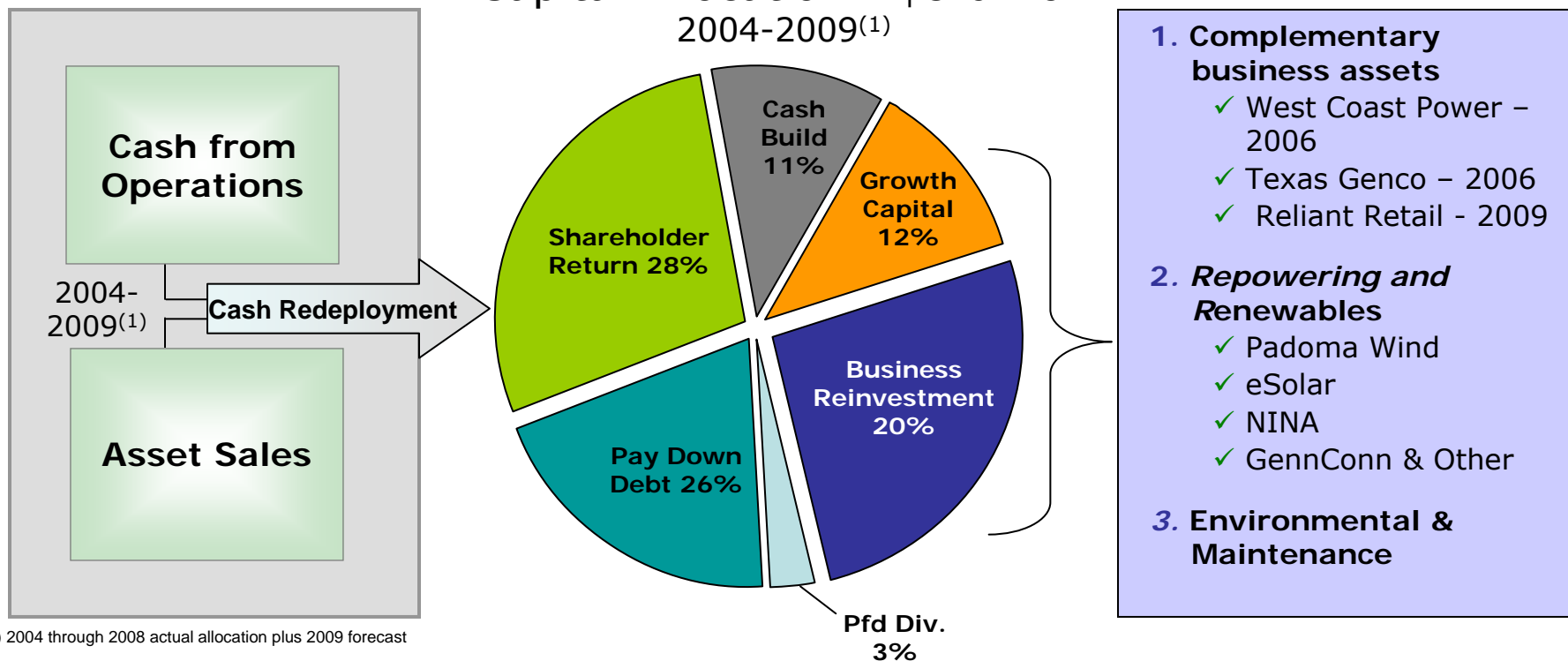
The proposed transaction presents near-term implementation and additional ongoing business risks, for which EXC has disclosed no mitigation plan and has provided no compensation to NRG stockholders



# Allocating Capital Prudently

## Capital Allocation >\$8 billion

2004-2009<sup>(1)</sup>



(1) 2004 through 2008 actual allocation plus 2009 forecast

### Recent Value Accretive Events

- February 23, 2009: For under \$10 million, acquired initial rights to develop up to 500 MW of solar power through venture with eSolar
- June 10, 2009: Closed on sale of MIBRAG for appx \$260 million pre-tax
- May 1, 2009: Closed on the acquisition of Reliant Energy's retail business for \$288 million, plus WC

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



# The Right Technology: Advanced Boiling Water Reactor (ABWR)



**ABWR is the most viable approach to new nuclear**

	<i>Our Choice</i>			
	ABWR	ESBWR	AP1000	EPR
Manufacturers	GE, Hitachi, Toshiba	GE	Westinghouse	AREVA
Unit Size	1,350	1,600	1,000	1,600
Reactor Design	Boiling Water Reactor	Boiling Water Reactor	Pressurized Water Reactor	Pressurized Water Reactor
NRC Certified Design	Yes	No	Yes	No
Status of Design Engineering	Completed except for site specific changes	In Progress	In Progress	In Progress
Units Commissioned / In Operation	4	0	0	0

- ✓ Already certified by NRC
- ✓ Four units successfully commissioned
- ✓ Design is complete
- ✓ Dependable construction schedule & supply chain

ABWR technology has been commercially deployed for 10 years in Japan with plants built "on time and on budget."

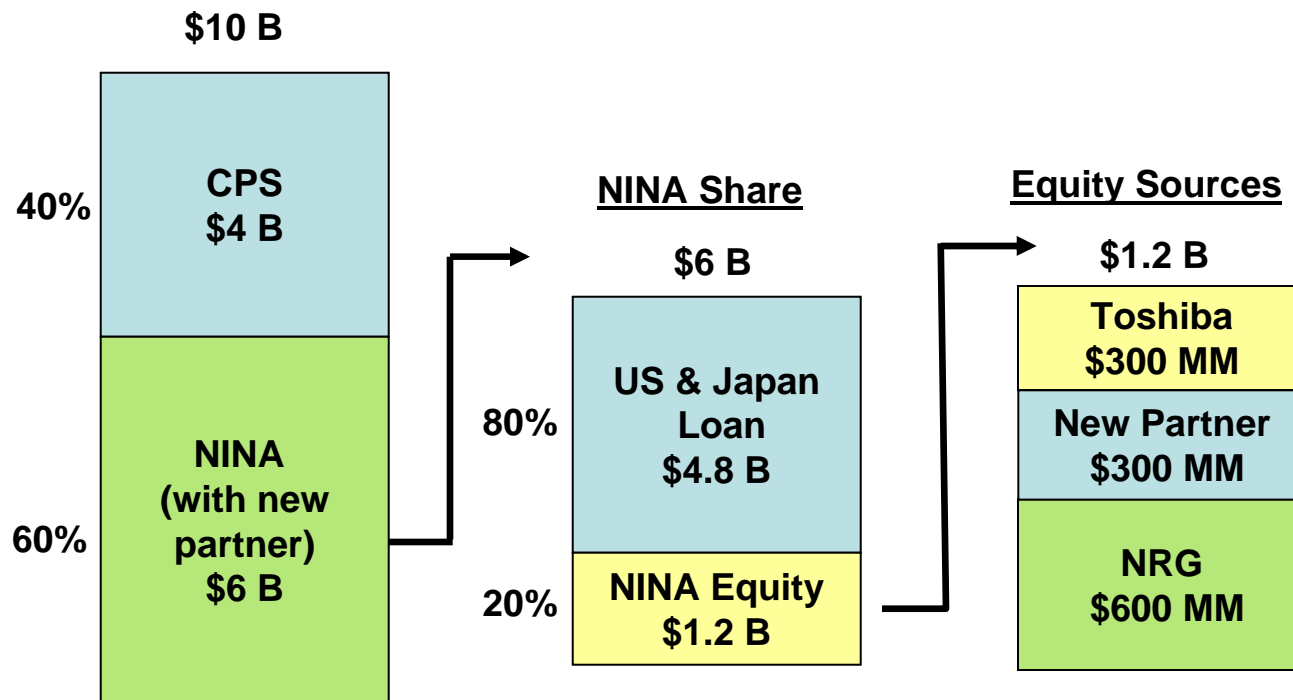
Proven Design: Timely Construction, Flawless Operation



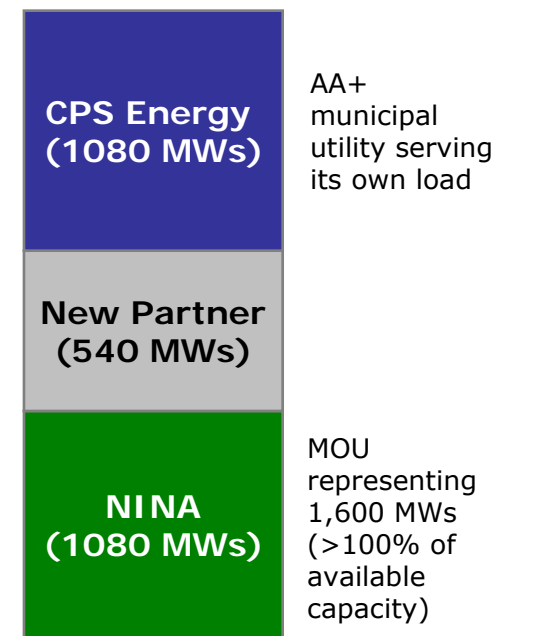
# More Specifically, What Is NRG's Downside Before COL?



## Representative Project Cost and Sources of Funds (1)



## The Right Strategy: Offtake Certainty



- Mix of industrials and load serving entities
- Average credit rating is single-A
- Several additional counterparties have also shown interest in capacity

(1) Excludes \$500 million non-recourse facility from Toshiba for long lead materials

The addition of an additional partner further manages NRG's cash commitment and pre-COL risk



# Creating Cost Certainty – Overnight Reference



- Significant risk mitigation by selecting ABWR technology which has been built four times
  - ✓ Provides history of full engineering and nearly all quantities required for construction are known
- Primary open risk for our activities is the difference between U.S and Japanese labor productivity
- NRG will have a closed book, fixed price contract at financial closing, at which point escalation risk will cease
- Similarly, NRG intends to hedge its foreign exchange exposure as it makes its financial commitments

Relative Cost Comparison	ABWR Cost (\$/kw)		FPL Midpoint (\$/kw)
<b>Base Cost (including G&amp;A, Fee and Contingency)</b>			
U.S. Sourced Quantities	\$470		
Foreign Sourced Quantities	\$770		
Site and Structural Improvements	\$340		
Labor	\$1,320		
<b>Total EPC Cost</b>	<b>\$2,900</b>		<b>\$3,013</b>
Owner's Cost (Excluding IDC)	\$300		\$592
<b>Total Cost Excluding IDC</b>	<b>\$3,200</b>		<b>\$3,605</b>
Transmission Cost	\$0		\$220
<b>Total Cost Including Transmission</b>	<b>\$3,200</b>		<b>\$3,825</b>
<b>Risks</b>	<b>Low</b>	<b>High</b>	
Cost Escalation Provided by FPL (through 2020)			\$2,680
Potential Cost Variance for NRG <sup>1</sup>	(\$335)	\$470	
<b>Price Range (before IDC)</b>	<b>\$2,865</b>	<b>\$3,670</b>	<b>\$6,505</b>

Source: NRG estimates and Nucleonics Week dated 2/21/08

<sup>1</sup> Variance includes labor productivity, material price escalation until finance close and foreign exchange currency risk until hedged

NRG's choice of ABWR, with a fixed price contract, creates significantly more price certainty than other developers

