

Edgar Filing: NRG ENERGY, INC. - Form 425

NRG ENERGY, INC.
Form 425
February 10, 2009

Filed by Exelon Corporation

Reg. No. 333-155278

Pursuant to Rule 425 under the

Securities Act of 1933, as amended

Subject Company: NRG Energy, Inc.

On February 10, 2009, Exelon began using the following slides in discussions with investors:

Exelon
+
NRG:
Committed,
Moving
Forward
Investor Meetings

February 2009

Important Information

This
presentation
relates
to
the
offer

(the
Offer)
by
Exelon
Corporation
(Exelon)
through
its
direct
wholly-owned
subsidiary,
Exelon
Xchange
Corporation
(Xchange),
to
exchange
each
issued
and
outstanding
share
of
common
stock
(the
NRG
shares)
of
NRG
Energy,
Inc.
(NRG)
for
0.485
of
a
share
of
Exelon
common
stock.
This
presentation
is
for
informational
purposes
only
and

does
not
constitute
an
offer
to
exchange,
or
a
solicitation
of
an
offer
to
exchange,
NRG
shares,
nor
is
it
a
substitute
for
the
Tender
Offer
Statement
on
Schedule
TO
or
the
Prospectus/Offer
to
Exchange
included
in
the
Registration
Statement
on
Form
S-4
(Reg.
No.
333-
155278)
(including
the
Letter

of
Transmittal
and
related
documents
and
as
amended
from
time
to
time,
the
Exchange
Offer
Documents)
previously
filed
by
Exelon
and
Xchange
with
the
Securities
and
Exchange
Commission
(the
SEC).
The
Offer
is
made
only
through
the
Exchange
Offer
Documents.
Investors
and
security
holders
are
urged
to
read
these
documents

and
other
relevant
materials
as
they
become
available,
because
they
will
contain
important
information.
Exelon
expects
to
file
a
proxy
statement
on
Schedule
14A
and
other
relevant
documents
with
the
SEC
in
connection
with
the
solicitation
of
proxies
(the
NRG
Meeting
Proxy
Statement)
for
the
2009
annual
meeting
of
NRG

stockholders
(the
NRG
Meeting).
Exelon
will
also
file
a
proxy
statement
on
Schedule
14A
and
other
relevant
documents
with
the
SEC
in
connection
with
its
solicitation
of
proxies
for
a
meeting
of
Exelon
shareholders
(the
Exelon
Meeting)
to
be
called
in
order
to
approve
the
issuance
of
shares
of
Exelon

common
stock
pursuant
to
the
Offer
(the
Exelon
Meeting
Proxy
Statement).
Investors
and
security
holders
are
urged
to
read
the
NRG
Meeting
Proxy
Statement
and
the
Exelon
Meeting
Proxy
Statement
and
other
relevant
materials
as
they
become
available,
because
they
will
contain
important
information.
Investors
and
security
holders
can
obtain

copies
of
the
materials
described
above
(and
all
other
related
documents
filed
with
the
SEC)
at
no
charge
on
the
SEC's
website:
www.sec.gov.

Copies
can
also
be
obtained
at
no
charge
by
directing
a
request
for
such
materials
to
Innisfree
M&A
Incorporated,
501
Madison
Avenue,
20th
Floor,
New
York,
New

York
10022,
toll
free
at
1-877-750-9501.

Investors
and
security
holders
may
also
read
and
copy
any
reports,
statements
and
other
information
filed
by
Exelon,
Xchange
or
NRG
with
the
SEC,
at
the
SEC
public
reference
room
at
100
F
Street,
N.E.,
Washington,
D.C.
20549.
Please
call
the
SEC
at
1-800-SEC-

0330
or
visit
the
SEC's
website
for
further
information
on
its
public
reference
room.
Exelon,
Xchange
and
the
individuals
to
be
nominated
by
Exelon
for
election
to
NRG's
Board
of
Directors
will
be
participants
in
the
solicitation
of
proxies
from
NRG
stockholders
for
the
NRG
Meeting
or
any
adjournment
or

postponement
thereof.

Exelon
and
Xchange
will
be
participants
in
the
solicitation
of
proxies
from
Exelon
shareholders
for
the
Exelon
Meeting
or
any
adjournment
or
postponement
thereof.

In
addition,
certain
directors
and
executive
officers
of
Exelon
and
Xchange
may
solicit
proxies
for
the
Exelon
Meeting
and
the
NRG
Meeting.
Information
about

Exelon
and
Exelon's
directors
and
executive
officers
is
available
in
Exelon's
proxy
statement,
dated
March
20,
2008,
filed
with
the
SEC
in
connection
with
Exelon's
2008
annual
meeting
of
shareholders.
Information
about
Exchange
and
Exchange's
directors
and
executive
officers
is
available
in
Schedule
II
to
the
Prospectus/Offer
to
Exchange.
Information

about
any
other
participants
will
be
included
in
the
NRG
Meeting
Proxy
Statement
or
the
Exelon
Meeting
Proxy
Statement,
as
applicable.
2

Forward-Looking Statements

This
presentation
includes
forward-looking
statements.

These

forward-looking
statements
include,
for
example,
statements
regarding
benefits
of
the
proposed
merger,
integration
plans
and
expected
synergies.
There
are
a
number
of
risks
and
uncertainties
that
could
cause
actual
results
to
differ
materially
from
the
forward-looking
statements
made
herein.
The
factors
that
could
cause
actual
results
to
differ
materially
from

these
forward-looking
statements
include
Exelon's
ability
to
achieve
the
synergies
contemplated
by
the
proposed
transaction,
Exelon's
ability
to
promptly
and
effectively
integrate
the
businesses
of
NRG
and
Exelon,
and
the
timing
to
consummate
the
proposed
transaction
and
obtain
required
regulatory
approvals
as
well
as
those
discussed
in
(1)
Exelon's
2008

Annual
Report
on
Form
10-K
in
(a)
ITEM
1A.
Risk
Factors,
(b)
ITEM
7.
Management s
Discussion
and
Analysis
of
Financial
Condition
and
Results
of
Operations
and
(c)
ITEM
8.
Financial
Statements
and
Supplementary
Data:
Note
18;
(2)
Exelon s
preliminary
prospectus/offer
to
exchange
that
is
contained
in
the
Registration
Statement
on

Form
S-4
(Reg.
No.
333-155278)
that
Exelon
has
filed
with
the
SEC
in
connection
with
the
offer;
and
(3)
other
factors
discussed
in
Exelon's
filings
with
the
SEC.
Readers
are
cautioned
not
to
place
undue
reliance
on
these
forward-looking
statements,
which
apply
only
as
of
the
date
of
this
filing.

Exelon
does
not
undertake
any
obligation
to
publicly
release
any
revision
to
its
forward-looking
statements
to
reflect
events
or
circumstances
after
the
date
of
this
filing,
except
as
required
by law.
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.
All
information
in
this
presentation
concerning
NRG,
including
its
business,
operations,
and
financial
results,
was
obtained
from
public
sources.
While
Exelon
has
no
knowledge
that
any
such
information
is
inaccurate
or
incomplete,
Exelon
has
not
had
the
opportunity
to
verify
any

of
that
information.
3

Agenda for Today's Discussion

Full and Fair Offer

Capturing the Value of Growth Opportunities

Committed To Execution

1. Full and Fair Offer

Full and Fair Offer

On
November
12
th
,

Exelon
launched
an
exchange
offer
for
all
of
the
outstanding
shares
of
NRG
common
stock

Filed
Form
S-4
with
the
SEC

Fixed
exchange
ratio
of
0.485
Exelon
share
for
each
NRG
common
share

Represents
a
37%
premium
to
the
October
17
th
NRG
closing
price
6

7
Value Created for NRG Shareholders
1.
IPP
index
includes
CPN,

DYN,
MIR
and
RRI
2.
Based
upon
a
~95%
correlation
between
NRG
and
the
IPP
Index
for
12
months
prior
to
October
17,
2008
3.
Calculated
by
multiplying
the
offer
exchange
ratio
(0.485)
times
EXC s
daily
closing
stock
price
4.
Henry
Hub
forward
gas
for
calendar
year
2011
Source:
FactSet.

Closing
prices
as
of
January
29,
2009

Assuming that NRG's
stock price maintained
its historic relationship
to movement in the IPP
index

(1)
, NRG stock
would have declined
~16% since October 17,
2008 in the absence of
the Exelon offer

(2)
; with
those assumptions,
NRG's implied stock
price would have been
~\$16 at January 29,
2009, compared with its
actual closing price of
\$23.55.

During the same period,
EXC's share price
increased by ~3.4% to
\$56.38.

Since the announcement of EXC offer, NRG and EXC have outperformed the IPP
index

(1)

We believe NRG's stock price is being supported by EXC's offer and is not reflective
of
NRG's
true
stand
alone
value

we
believe
NRG's
market
discovery
process

will
prove
difficult
given
current
commodity
and
credit
conditions

2. Capturing the Value of Growth Opportunities

Exelon Offers Lower Risk Growth Opportunities

9

I/B/E/S 09- 11 EBITDA

1

I/B/E/S 09- 11 EPS

1

Growth Drivers

Cost to Achieve
Growth

Nuclear uprates

PA POLR roll-off

PJM capacity markets

Carbon upside

Ordinary business
operations expense

STP nuclear expansion
with sub-investment grade
balance sheet

Other low carbon capital
expenditure programs

Heavy capital expenditure
investments

Dependence on new build
construction including
new nuclear

5.5%

15.6%

3.2%

7.4%

We believe

Exelon's near-
term growth
drivers are more
predictable and
have dramatically
less capital at risk
than NRG's

1.

Based
solely
on
I/B/E/S
estimates
for
Exelon
and
NRG
as

of
1/27/09,
representing
annual
growth
rates.
Not
necessarily
representative
of
either
company's
internal
forecasts.
Provided
for
illustration
only.
Not
intended
as
earnings
guidance
or
as
a
forecast
of
expected
results.

10

Exelon is Better Positioned to Capture the Value of
Growth Opportunities

Need to find equity
partners before
starting; decreases

flexibility

Sub-optimal power
prices and hedges to
secure financing

Covenant inflexibility

Cash sweeps to debt
holders

Equity selldown
before
construction

Secure off-take
agreements /
hedges

Non-recourse,
high yield
financing

Largest market
capitalization in the sector

allowing Exelon to keep
proportionately more
equity

Balance
sheet
flexibility
to
lock-in optimal off-take
agreements / hedges
when needed

Has option to raise
corporate
or
project
level
debt
depending
on
value
to shareholders
NRG's
Development

Attributes

(1)

Implications

Exelon Solution

Lack of

Balance Sheet

Flexibility

Balance

Sheet

Strength

VS.

1.

Per NRG December 1, 2008 investor presentation.

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. We believe the market will likely discount NRG's standalone growth prospects given: The combined company, given its stronger financial position, will be better positioned to realize the value of growth opportunities than NRG stand alone

3. Committed to Execution

12
Committed to Execution
12
Q4 2008
Q1 2009
Q2 2009
Q3 2009

Q4 2009

Receive Regulatory
Approvals

* Notice filing only

10/19:

Announce Offer

NRG and Exelon

Shareholder

Meetings

2/25: Exchange

Offer Expires

11/12:

Exchange Offer

Filed

Make Filings and Work to Secure Regulatory Approvals

(FERC, NRC, DOJ/FTC, PUCT, NYPS&C, PAPUC, CPUC, ICC*)

Proxy Solicitation

Expected

Transaction

Close

13
Strong Initial Exchange Offer Results
13

As of January 6
th
, 45.6% of NRG shares had

been tendered into the exchange offer

Many NRG shareholders have informed Exelon they want to see meaningful discussions sooner rather than later

NRG board and management continue to refuse to allow due diligence -
designed to verify assumed values and identify additional value -
that could lead to a negotiated transaction

Exchange offer extended until February 25
th

Seeking highest possible level of NRG shareholder support to facilitate a negotiated transaction between Exelon and NRG

A strong tender result on February 25
th

is the best way for
NRG shareholders to facilitate a transaction

We remain
committed to and are
moving forward with
the transaction

Moving Forward with Proxy Solicitation

Pursuing, and soliciting proxies for, two
shareholder actions at NRG annual meeting

Proposed an expansion of the NRG board from 12 to 19
directors

Nominated nine well-qualified, independent candidates who we believe will act in the best interests of NRG and the NRG shareholders

Encouraging NRG shareholders to support the proposed slate

Materials will be sent to NRG shareholders, including a proxy and instructions on how to vote for the slate of new directors

Vote will take place at the NRG annual shareholder meeting, likely to occur in May or June

NRG shareholders deserve independent, well-qualified NRG directors to act in their best interest

14

Making Progress on Regulatory Approvals

Initial filings have been made with the following

(1)

:

FERC

(Docket #EC09-32-000)

Hart-Scott-Rodino (DOJ/FTC)

Request for additional information was issued by the DOJ on
January 16
th
, extending HSR waiting period

NRC

State regulatory commissions, including

Texas
(Docket #36555)

New York
(Docket #08 E 1486)

Filings will also be made with the following:

Pennsylvania and California state regulatory commissions

Various state siting
commissions

Notice filing in Illinois

1.
As of February 6, 2009
Regulatory hurdles are manageable
15

Financing Is Not an Obstacle

Believe we can obtain committed financing for the entire ~\$8 billion of NRG debt, if needed, at the appropriate time

Decision to defer commitments allows us to take advantage of

improving credit markets

Exelon's relationships with many of NRG's banks should facilitate arrangements for new credit facilities when current conflicts are eliminated

Believe a negotiated combination can be structured in a way to reduce refinancing requirements to \$4B or less

We believe that the contemplated structure would not trigger the change of control provision for NRG's \$4.7B of Senior Notes, and would substantially improve credit metrics for those bondholders

We have asked for approval of the contemplated structure in our regulatory filings

16

Reflecting our confidence that we can obtain committed financing at the appropriate time, our offer is not subject to a financing condition

Full and generous price
upfront premium of 37%

Tax-free opportunity to participate in the future growth
of the largest and most diversified US power
company, with a substantially improved credit profile

and access to liquidity

Requisite scope, scale and financial strength

Stronger credit metrics and investment grade balance sheet

Best-in-class nuclear and fossil operations

Low-cost generator, operating in the most attractive markets

Exelon 2020 principles will be adapted to the combined fleet

Potential for substantial synergies

Manageable regulatory hurdles to close
Compelling Value for NRG Shareholders

17

Without
Premium
0
1,000
3,000
2,000
With

Premium

Conservative

DCF Estimate

Replacement

Costs

NRG Stock Value

NRG Long-Term Value

975

1,350

2,050

3,000+

Price per Kilowatt Comparison for Texas Baseload Generation

Less than 45% of
replacement value

Even with premium, purchase

price is 66% of conservative

long-term DCF value

\$/kW values are for 5,325 MW of Texas baseload which includes Parish coal, Limestone and STP; values implied by NRG stock price by subtracting value of other NRG assets from NRG enterprise value based on October 17th close.

Exelon Unlocks NRG Value

Price

(\$/kilowatt)

19

Combination Expected to Create
Substantial Synergies

Exelon

Operations & Maintenance:

\$4,289

1

NRG

Maintenance & Other Opex:

\$950

General & Admin Expenses:

\$309

Other COGS:

\$454

Pro Forma

Combined Non-fuel Expenses:

\$6,002

Estimated Annual Cost Savings:

\$180 -

\$300

2

% of Combined Expenses:

3%-5%

Costs to Achieve

\$100

NPV of Estimated Synergies:

\$1,500-\$3,000

20

(\$ in Millions)

Transaction expected to

create

\$1.5

\$3

billion

of

value

through

synergies

with opportunity for more

Reflects no revenue or fuel cost synergies. Excludes transaction and other costs of \$654 million and excludes increased interest expense related to refinancing of NRG debt.

1. Company 10-K for 2007 and investor presentations.

2. Based on a preliminary analysis of publicly available information. Subject to due diligence investigation.

1

Market
capitalization as
of 10/17/2008
\$5.3 billion
\$0.4
Value to NRG
Shareholders

\$2.4 billion

\$5.1

\$2.0

Market cap as of

10/17/08

Premium to NRG

Value of estimated

synergies

Market cap as of

10/17/08

+ premium

+ synergies

Additional upside to

NRG shareholders

Market

capitalization as

of 10/17/2008

\$5.3 billion

(1)

(2)

\$7.7 billion

(3)

(4)

\$12.8 billion

NRG Shareholders Capture Value

Excludes transaction and other costs of \$654 million and excludes increased interest expense related to refinancing of NRG debt

1.

Assumes 275M diluted shares outstanding.

2.

Assumes an offer price of \$26.43; 37% premium to 10/17/08 close price; 275M shares outstanding.

3.

Value of synergies to NRG shareholders based on proportionate ownership of combined entity. Synergies estimate based on market value of combined entity

of

\$1.5

billion

-

\$3.0

billion.

4.

Additional

upside

defined

as

the

value

that

is

created

if

both

companies
stocks
simultaneously
reach
their
respective
52-week
high
prices (EXC: \$92.13, NRG: \$45.78).
21

Value Creation
to NRG

Shareholders
(\$ billions)

Creates compelling value for NRG shareholders today and allows them
to share in growth of Exelon stock.

Value to NRG
shareholders

44% of market cap

\$12.8 billion

= \$46.50 per NRG share

> NRG's 52-week high

Percent Contribution of Free Cash Flow

22

1.

NRG s

12/1/2008

NRG s

Path

to
Shareholder
Value
presentation,
slide
4.
Implied
ownership
based
on
a
0.485x
exchange ratio

2.
PECO
PPA
assumes
market
prices
as
of
11/30/2008.

Assumes
carbon
at
\$10-20
per
tonne.

Not
necessarily
representative of either company's internal forecast or indicative of results for any other year.

NRG states they contribute 30% of the free cash flow
while getting 17% ownership of the pro-forma
company based on offer

1

NRG's position is only a single year (2008) calculation

Ignores PECO PPA roll-off in 2011 and Exelon
carbon uplift

Factoring in these two omitted pieces for 2008,
NRG's free cash flow contribution of the pro-forma
company would be 15-17% for 2008

2

Pro Forma

Exelon

23

Combined company expected to have requisite scope, scale and financial strength to succeed in an increasingly volatile energy market

Pro Forma Quick Stats

(\$s in millions)

Combined assets

1

\$68,900

LTM EBITDA

2

\$9,400

Market cap

(as of 1/27/2009)

\$41,800

Enterprise value

3

\$62,500

Generating capacity

4

~51,000 MWs

Combination Will Result in Scope, Scale and
Financial Strength

1.

Reflects

total

assets

(under

GAAP)

with

no

adjustments.

Based

upon

9/30/08

Form

10-Q.

2.

Reflects

Last

Twelve

Months

EBITDA

(Earnings

before

Interest,

Income

Taxes,

Depreciation

and

Amortization)

as

of

9/30/08

with
no
adjustments.

3.
Calculation
of
Enterprise
Value

=
Market
Capitalization
(as
of
1/27/09)

+
Total
Debt

(as
of
9/30/08)

+
Preferred
Securities
(as
of
9/30/08)

+
Minority
Interest
(as
of
9/30/08)

Cash
&
Cash
Equivalents
(as
of
9/30/08).

Debt,
Preferred
Securities,
Minority
Interest
and
Cash
&
Cash
Equivalents

based
upon
9/30/08
Form
10-Q.
4.
Includes
owned
and
contracted
capacity
after
giving
effect
to
planned
divestitures
after
regulatory
approvals.
Enterprise
Value
Market Cap
\$0
\$30
\$50
\$60
\$40
\$20
\$70
\$10
Southern
Dominion
Duke
FPL
First
Energy
Entergy

0.0
2.0
4.0
6.0
8.0
10.0
12.0

14.0
EXC
D
PEG
PPL
EIX
NRG
MIR
DYN
RRI

10/17/2007

10/17/2008

24

Credit Ratings Are a Valuation Differentiator

1-year

Forward

EV/EBITDA

Investment Grade

Non-Investment Grade

Source:

Bloomberg,

FactSet

as

of

10/17/2008

Investment grade

credit ratings

provide access to

capital markets for

growth capital and

minimize collateral

requirements

which maximizes

liquidity and

contributes to

superior valuations

in difficult markets

Multiples of non-investment grade peers have fallen approximately 40%, whereas multiples of EXC and its investment grade peers have fallen less than 15%

5.6

9.6

Non-Investment Grade

6.8

7.7

Investment Grade

2008

2007

Average Multiples (x)

6.0%
8.0%
8.80%
12.10%
Exelon Generation
NRG
4.0

6.0
8.0
10.0
12.0
10/18/2007
12/30/2007
3/12/2008
5/24/2008
8/5/2008
10/17/2008

NRG

Exelon

25

Stable, Predictable Cash Flow Is Awarded

Premium Valuation

Exelon's strong, diversified cash flow streams have provided for a more stable valuation during periods of depressed commodity valuations and/or market turbulence.

4.6x

7.5x

1.

Yield

to

maturity

of

weighted

average

of

Exelon

Generation

outstanding

publicly

traded

debt

2.

Yield

to

maturity

of

weighted

average

of

NRG
outstanding
publicly
traded
debt

Source:

Per

NRG

December

1,

2008

investor

presentations,

Company

filings,

Bloomberg

Average EV / LTM EBITDA for last:

Current

1 month

6 months

1 year

NRG

4.6

5.8

8.2

8.3

Exelon

7.5

7.8

9.7

9.8

1

2

BBB+

B+

7/1/08

10/17/08

7/1/08

10/17/08

We believe the
market will likely
discount NRG's
standalone growth
prospects given
the potential cost
to finance its
development
projects.

Credit

Rating

Exelon Debt (YTM)

NRG Debt (YTM)

Enterprise Value / LTM EBITDA

Cost of Debt

Source: FactSet

as of 10/17/2008

6.7%

1/27/09

BBB

8.4%

1/27/09

BBB+

World Class Nuclear & Fossil Operations

26

NRG:

High performing nuclear plant

Top quartile capacity factor: 94.9%

Large, well-maintained, relatively young units
Fossil fleet

Half of >500 MW coal units are top quartile
capacity factor

90% of coal fleet lower-cost PRB and lignite
Combined Company:

Largest U.S. power company in terms of generating
capacity: ~51,000 MW fleet (18,000 MW nuclear)

Best-in-class nuclear and fossil operations

Second lowest carbon emitting intensity in the industry

Geographic and fuel diversification with an improved
dispatch profile

Exelon:

Premier U.S. nuclear fleet

Best fleet capacity factor: ~ 94%

Lowest fleet production costs: ~ \$15 / MWh

Shortest fleet average refueling outage duration:
24 days

Strong reputation for performance and safety

65
70
75
80
85
90
95

100

Operator (# of Reactors)

Range

5-Year Average

Sources:

Platts,

Nuclear

News,

Nuclear

Energy

Institute

and

Energy

Information

Administration

(Department

of

Energy).

Sustained production excellence

EXC: World-Class Nuclear Fleet Operator

Average Capacity Factor

Range of Fleet 2-Yr Avg Capacity Factor (2003-2007)

EXC 93.5%

80%

85%

90%

95%

100%

Exelon

Industry

27

1
st
Quartile
2
nd
Quartile
3

rd

Quartile

4

th

Quartile

2006-2007 Average Production Cost for

Major Nuclear Operators

(1)

Average

Among major nuclear plant fleet operators, Exelon is consistently the lowest-cost producer of electricity in the nation

EXC: Lowest Cost Nuclear Fleet Operator

1.

Source: 2007 Electric Utility Cost Group (EUCG) survey. Includes Fuel Cost plus Direct O&M divided by net generation.

28

29

Operating in Most Attractive Markets

Geographically complementary generation asset base

Predominantly located in competitive markets

Strong presence in PJM (Mid-Atlantic and Midwest) and ERCOT

6,280

Contracted*

51,403

2,085

CAL ISO

13,027

ERCOT

By RTO

Combined¹

PJM

22,812

MISO

1,065

ISO NE

2,174

NYISO

3,960

SERC

2,405

WECC

45

Total

53,853

By Fuel Type

Combined¹

Nuclear

18,144

Coal

8,986

Gas/Oil

18,801

Other

1,642

Contracted

6,280

*Contracted

in

various

RTOs,

mainly

in

PJM

and

ERCOT

1.

Excludes

international

assets.

Before

any
divestitures.
Exelon
NRG

<1%
<1%
6%
Coal
Exelon
~150,000 GWh
1

Pro Forma

Exelon

~198,000 GWh

1

Nuclear

PRB & Lignite Coal

Other Coal

Gas/Oil

Hydro/Other

2009 Historical Forward Coal Prices

Combined Entity Will Continue to Benefit

from Low Cost, Low Volatility Fuel Sources

Powder River Basin and lignite coal supply (90%

of NRG's coal) provides low-sulfur at a relatively

stable price as compared to northern and central

Appalachian coal mines.

0.00

1.00

2.00

3.00

4.00

5.00

6.00

Powder River Basin

Northern Appalachian

Central Appalachian

Production Costs

0

2

4

6

8

10

12

2000

2001

2002

2003

2004

2005

2006

2007

Nuclear

Gas

Coal

Petroleum

Combined fleet will continue to be predominantly

low-cost fuel.

93%

Nuclear

1%

3%

75%

Nuclear

6%

Other

Coal

1. Based on 2007 data, does not include ~38,000
GWh of Exelon Purchased Power.

Q1 2007

Q2 2007

Q3 2007

Q4 2007

Q1 2008

Q2 2008

Q3 2008

cents/Kwh

\$/mmbtu

30

15%

PRB &

Lignite Coal

0
50
100
150
50
100
150

200

250

2006 Electricity Generated (GWh, in thousands)

NRG

TVA

AEP

Duke

FPL

Southern

Exelon + NRG

Entergy

Exelon

Dominion

Progress

FirstEnergy

Bubble size represents carbon intensity, expressed in terms of metric tons of CO2 per MWh generated

Source: EIA and EPA data as compiled by NRDC

Exelon 2020 principles will be adapted to the combined fleet

CO2 Emissions of Largest US Electricity Generators

2006 CO2 Emissions

from Electricity

Generation

(in million metric tons)

Largest

Fleet,

2

nd

Lowest

Carbon

Intensity

Top Generators by CO2 Intensity

10

9

8

7

6

5

4

3

2

1

AEP

NRG

Southern

Duke

FirstEnergy

TVA

Progress
Dominion
FPL
Exelon + NRG
Entergy
Exelon
0.83
0.80
0.74
0.66
0.64
0.64
0.57
0.50
0.35
0.31
0.26
0.07
31

Exelon 2020 and NRG
Offer more low carbon
electricity in the
marketplace
Reduce emissions
from coal/oil fired
generation

Help our customers
and the communities
we serve reduce their
GHG emissions
Reduce or offset our
footprint by greening
our operations
Adapt Elements of
Exelon 2020 to NRG

Expand internal energy efficiency, SF6,
vehicle, and supply chain initiatives to
NRG portfolio

Offset a portion of NRG's GHG emissions

Expand energy efficiency program
offerings

Add capacity to existing nuclear units
through uprates

Add new renewable generation

Add new gas-fired capacity

Continue to explore new nuclear

Address older/higher emitting coal
and oil units

Invest in clean coal technology R&D
32

Taking the next step in Exelon's
commitment to address climate change

Options to Evaluate:

Expand the 2020 Plan

Clear Value under Multiple Scenarios
Value
Gas Prices
New Build Costs
Carbon Year/Price
Recession
\$0

\$6.50
\$1,300
Moderate
2014/\$22
\$7.30
\$1,100
Moderate
2020/\$22
\$7.10
\$1,100
Severe
2014/\$22
\$7.30
\$1,500
Moderate
2012/\$12
\$8.60
\$1,500
Moderate
33

We look at fundamental value creation under a wide range of future commodity price scenarios and our analysis suggests \$1-3 billion of value, possibly more.

Gas price is long-term price in 2008 \$/MMBtu; coal price is long-term price in 2008 \$/ton for PRB8800 excluding transportation; new build cost is long-term combined

cycle
cost
in
PJM
in
2008
overnight
\$/kW;
carbon
year
is
year
in
which
national
cap
and
trade
starts;
carbon
price
is
in
2012
\$/tonne
assuming
7%
escalation;
moderate
recession
assumes
conditions
consistent
with
current
forward
prices;
and
severe
recession
assumes
five
years
of
no
load
growth.
Coal Prices
\$11.00
\$20.00

\$20.00
\$20.00
\$11.00

34

Exelon More Than Meets the Five Imperatives
Outlined by NRG on May 28, 2008

- 1.
- 2.
- 3.
- 4.

5.
NRG's Stated Imperatives

MUST
accumulate
generation
at
competitive
cost

This transaction accomplishes in one step what several transactions might have accomplished for NRG in these regards. Given the current difficulty in accessing capital markets, it is unclear whether NRG would have the ability to meet this objective without Exelon.

Exelon provides NRG stakeholders with broad trading expertise and sound power marketing and risk management practices. Exelon's significant experience in markets with locational prices is particularly relevant since ERCOT is moving to a PJM-type structure.

Exelon's breadth of operations and depth of service allows significant access to customers, retail providers, and other sales channels.

NRG stakeholders become part of the most diversified and competitive generation portfolio operating in 12 different states and 6 different regional transmission organizations.

Deal expected to provide NRG stakeholders with significant value and upside and a share of the largest unregulated generation fleet in the United States.

MUST
be
geographically
diversified
in

multiple
markets

MUST
develop
and
expand

our
route
to

market
through
contracting
with

retail
load
providers,
trading,

direct
sales,
etc

MUST

have
sophisticated
ability
to
trade,
procure,
hedge,
and
originate
for
electricity
and
input
fuels
MUST
develop
depth
and
breadth
in
key
markets,
particularly
across
fuel
types,
transmission
constraints
and
merit
order
Exelon Combination More
than Meets These Imperatives