

NRG ENERGY, INC.
Form PRE 14A
March 10, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

x Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Under §240.14a-12

NRG Energy, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

March 24, 2006

Dear Stockholder:

We are pleased to invite you to attend NRG Energy, Inc.'s Annual Meeting of Stockholders, which will be held on Friday, April 28, 2006, at 9:30 a.m. Eastern Daylight Time at Hotel du Pont, 11th and Market Streets, Wilmington, Delaware. Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement. A report on Company operations and a discussion of our plans will be made at the meeting and there will be time for your questions and comments.

Your vote is important. Whether or not you plan to attend the Annual Meeting, we hope you will vote as soon as possible. You may vote on the Internet, by telephone, or by completing and mailing a traditional proxy card. Information about each of these voting options is set forth in the accompanying Notice of Annual Meeting and Proxy Statement.

Thank you for your ongoing interest and investment in NRG Energy, Inc.

Sincerely,

HOWARD E. COSGROVE
Chairman of the Board

DAVID CRANE
President and Chief Executive Officer

THIS PROXY STATEMENT AND PROXY CARD ARE
BEING DISTRIBUTED ON OR ABOUT MARCH 24, 2006.

2006 ANNUAL MEETING OF STOCKHOLDERS

NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

TABLE OF CONTENTS

	<u>Page</u>
<u>Notice of Annual Meeting of Stockholders</u>	iii
<u>Proxy Statement</u>	1
<u>Purpose of the Annual Meeting</u>	1
<u>Annual Meeting Admission</u>	1
<u>Quorum</u>	1
<u>Stockholders Entitled to Vote</u>	1
<u>Required Vote</u>	2
<u>Voting Methods</u>	2
<u>Changing Your Vote</u>	3
<u>Counting the Vote</u>	3
<u>Confidentiality</u>	3
<u>List of Stockholders</u>	3
<u>Cost of Proxy Solicitation</u>	3
<u>Transfer Agent</u>	4
<u>Governance of the Company</u>	4
<u>Corporate Governance Guidelines</u>	4
<u>Director Independence</u>	4
<u>Board Structure and Committee Membership</u>	5
<u>Board Meetings</u>	5
<u>Audit Committee</u>	6
<u>Compensation Committee</u>	6
<u>Governance and Nominating Committee</u>	7
<u>Commercial Operations Oversight Committee</u>	8
<u>Nuclear Oversight Committee</u>	9
<u>Communication with Directors</u>	9
<u>Director Compensation and Stock Ownership Guidelines</u>	9
<u>Proposals To Be Voted On</u>	10
<u>Proposal No. 1 Election of Directors</u>	10
<u>Nominees for Director (Class III Directors)</u>	10
<u>Directors Continuing in Office</u>	11
<u>Proposal No. 2 Amendment to Article Four, Section 2, of the Amended and Restated Certificate of Incorporation</u>	14
<u>Proposal No. 3 Amendment to the Long-Term Incentive Plan</u>	16
<u>Proposal No. 4 Ratification of Independent Registered Public Accounting Firm</u>	24
<u>Executive Officers</u>	24
<u>Voting Stock Ownership of Directors, Named Executive Officers, and Certain Beneficial Owners</u>	28
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	30
<u>Executive Compensation</u>	31
<u>Summary Compensation Table</u>	31
<u>Option Grants in Last Fiscal Year</u>	33

	<u>Page</u>
<u>Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values</u>	34
<u>Long-Term Incentive Plan Awards Table</u>	34
<u>Retirement Benefits</u>	35
<u>Employment Contracts, Termination of Employment, and Change-In-Control Arrangements</u>	35
<u>Compensation Committee Report on Executive Compensation</u>	37
<u>Audit Committee Report</u>	39
<u>Independent Registered Public Accounting Firm</u>	39
<u>Change of Independent Registered Public Accounting Firm</u>	39
<u>Audit and Nonaudit Fees</u>	40
<u>Policy on Audit Committee Pre-Approval of Audit and Permissible Nonaudit Services of Independent Registered Public Accounting Firm</u>	41
<u>Stock Performance Graph</u>	42
<u>Requirements for Submission of Stockholder Proposals for Next Year's Annual Meeting</u>	42
<u>Appendix A Audit Committee Charter</u>	A-1
<u>Appendix B Long-Term Incentive Plan (As Proposed to be Amended)</u>	B-1

NRG Energy, Inc.

211 Carnegie Center, Princeton, New Jersey 08540

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE 9:30 a.m. Eastern Daylight Time on Friday, April 28, 2006

PLACE Hotel du Pont
11th and Market Streets
Wilmington, Delaware

ITEMS OF BUSINESS (1) To elect four Class III directors.
(2) To approve an amendment to Article Four, Section 2, of the Amended and Restated Certificate of Incorporation revising the authority of the Board of Directors to issue and designate preferred stock.
(3) To approve an amendment to NRG's Long-Term Incentive Plan which increases the number of shares available under the plan from 4,000,000 to 8,000,000 shares.
(4) To ratify the appointment of KPMG LLP as NRG's independent registered public accounting firm.
(5) To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement.

RECORD DATE You are entitled to vote if you were a stockholder of record at the close of business on Monday, March 13, 2006.

ANNUAL REPORT Our 2005 Annual Report, which is not part of the proxy soliciting materials, is enclosed.

PROXY VOTING Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You may submit your proxy:
(1) Over the Internet,
(2) By telephone, or
(3) By mail.
For specific instructions, please refer to the information on pages 2-3 of this proxy statement and the voting instructions on the proxy card.

By Order of the Board of Directors

TANUJA M. DEHNE
Corporate Secretary

iii

PROXY STATEMENT

The Board of Directors (the Board) of NRG Energy, Inc. (NRG or the Company) is soliciting proxies for the Annual Meeting of Stockholders. You are receiving a proxy statement because you own shares of NRG's Common Stock, par value \$.01 per share (the Common Stock or Common Shares) and/or shares of NRG's 4% Convertible Perpetual Preferred Stock (the 4% Preferred Stock or 4% Preferred Shares) that entitle you to vote at the meeting. Holders of NRG's 3.625% Convertible Perpetual Preferred Stock and NRG's 5.75% Mandatory Convertible Preferred Stock are not entitled to vote at the Annual Meeting. By use of a proxy, you can vote whether or not you attend the meeting. The proxy statement describes the matters we would like you to vote on and provides information on those matters.

Purpose of the Annual Meeting

The purpose of the Annual Meeting is to elect directors, to approve an amendment to Article Four, Section 2, of the NRG Amended and Restated Certificate of Incorporation revising the authority of the Board of Directors to issue and designate preferred stock, to approve an amendment to NRG's Long-Term Incentive Plan, to ratify the appointment of KPMG LLP as NRG's independent registered public accounting firm, and to conduct such other business as may properly come before the Annual Meeting. Other than the proposals described in this proxy statement, the Board is not aware of any other matters to be presented for a vote at the Annual Meeting. If you grant a proxy, either of the persons named as proxy holders David Crane and Tanuja M. Dehne will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting.

Annual Meeting Admission

Stockholders of NRG may attend the Annual Meeting. However, only stockholders who owned the NRG Common Stock or 4% Preferred Stock at the close of business on March 13, 2006, the record date, or their duly appointed proxies, are entitled to vote at the meeting. Proof of ownership of such NRG stock, along with personal identification, must be presented in order to be admitted to the Annual Meeting. If your shares are held in the name of a bank, broker or other holder of record, you must bring a brokerage statement or other proof of ownership with you to the Annual Meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases, or packages will be permitted in the Annual Meeting.

Quorum

A quorum is the minimum number of shares required to hold a meeting. Under NRG's Bylaws, to have a quorum, a majority of the outstanding shares of stock entitled to vote at a meeting must be represented in person or by proxy at the meeting. Both abstentions and broker nonvotes, if any, are counted as present for determining the presence of a quorum. Generally, broker nonvotes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (a) the broker has not received voting instructions from the beneficial owner and (b) the broker lacks discretionary voting power to vote such shares. Brokers who do not receive instructions are entitled to vote on the election of directors and the ratification of the appointment of the independent auditors, but they may not vote on either the approval of the amendment to Article Four, Section 2, of the Amended and Restated Certificate of Incorporation or the approval of the amendment to NRG's Long-Term Incentive Plan.

Stockholders Entitled to Vote

Only stockholders of record at the close of business on March 13, 2006 are entitled to vote at the Annual Meeting. As of the record date, [136,966,275] shares of Common Stock and 420,000 shares of 4% Preferred Stock were issued and outstanding. Each share of NRG's Common Stock and 4% Preferred Stock is entitled to one vote per share.

Edgar Filing: NRG ENERGY, INC. - Form PRE 14A

Many NRG stockholders hold their shares through a stockbroker, bank, trustee, or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially:

** Stockholder of Record* If your shares are registered directly in your name with NRG's transfer agent, Wells Fargo Bank, N.A., you are considered the stockholder of record of those shares and these proxy materials are being sent to you by NRG. As the stockholder of record, you have the right to grant your voting proxy directly to NRG or to vote in person at the meeting.

** Beneficial Owner* If your shares are held in a stock brokerage account, or by a bank, trustee, or other nominee, you are considered the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by your broker, trustee, or nominee, who is considered the stockholder of record of those shares. As the beneficial owner, you have the right to direct your broker, trustee or nominee on how to vote and are also invited to attend the meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the meeting. Your broker, trustee, or nominee is obligated to provide you with a voting instruction card for you to use.

Required Vote

Director Nominees The nominees for election as directors at the Annual Meeting will be elected by a plurality of the votes cast at the meeting. This means that the director nominee with the most votes for a particular slot is elected for that slot. Votes withheld from a director nominee will have no effect on the election of the director from whom votes are withheld. Broker nonvotes, if any, will not be counted as having been voted and, thus, will have no effect on the outcome of the vote on the election of directors.

Amendment to Article Four, Section 2, of the Amended and Restated Certificate of Incorporation The proposal requires the affirmative FOR vote of a majority of the outstanding Common Shares and 4% Preferred Shares voting together. Abstentions and broker nonvotes, if any, will have the same effect as voting against this proposal.

Amendment to the Long-Term Incentive Plan This proposal requires the affirmative FOR vote of a majority of those shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal. Abstentions will be counted toward the tabulation of votes cast on this proposal and will have the same effect as a vote against this proposal. Broker nonvotes, if any, will have no effect on the outcome of the vote on this proposal.

Ratification of the Appointment of the Independent Auditors This proposal requires the affirmative FOR vote of a majority of those shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal. Abstentions will be counted toward the tabulation of votes cast on this proposal and will have the same effect as a vote against this proposal. Broker nonvotes, if any, will have no effect on the outcome of the vote on this proposal.

Voting Methods

If you hold shares directly as the stockholder of record, you may vote by granting a proxy or, if you hold shares beneficially in street name, by submitting voting instructions to your broker, trustee, or nominee. In most instances, you will be able to do this over the Internet, by telephone, or by mail. Please refer to the summary instructions below and those included on your proxy card or, for shares held in street name, the voting instruction card included by your broker, trustee, or nominee.

The Internet and telephone voting procedures are designed to authenticate stockholders by use of a control number and to allow you to confirm that your instructions have been properly recorded. If you vote by telephone or on the Internet, you do not need to return your proxy card. Telephone and Internet voting facilities for stockholders of record will be available 24 hours a day, and will close at noon (Central Daylight Time) on the day before the Annual Meeting.

Edgar Filing: NRG ENERGY, INC. - Form PRE 14A

** Vote By Internet* If you have Internet access, you may submit your proxy from any location in the world 24 hours a day, 7 days a week by visiting the web site listed on the proxy card. Have your proxy card in hand when you access the web site. You will be prompted to enter your company number and a security control number (these numbers are located on the proxy card) to create an electronic ballot.

** Vote By Telephone* If you live in the United States, you may use any touch-tone telephone to vote your proxy toll-free 24 hours a day, 7 days a week. The telephone number is printed on your proxy card, which you should have in hand when you call. You will be prompted to enter your company number and a security control number (these numbers are located on the proxy card). You must then follow the recorded instructions.

** Vote By Mail* You may do this by signing your proxy card or, for shares held in street name, the voting instruction card included by your broker, trustee, or nominee, and mailing it in the enclosed, postage-paid, addressed envelope. If you provide specific voting instructions, your shares will be voted as you instruct. If you sign, but do not provide instructions, your shares will be voted as the Board recommended. Mark, sign, and date your proxy card and return it in the postage-paid envelope provided as soon as possible so that it is received by April 28, 2006, the meeting date.

All shares that have been properly voted and not revoked will be voted at the Annual Meeting.

Changing Your Vote

You may change your proxy instructions or revoke your proxy at any time prior to the vote at the Annual Meeting. For shares held directly in your name, you may accomplish this by granting a new proxy or by voting in person at the Annual Meeting. For shares held beneficially by you, you may change your vote by submitting new voting instructions to your broker, trustee, or nominee.

Counting the Vote

In the election of directors, you may vote **FOR** all of the nominees or your vote may be **WITHHELD** from one or more of the nominees. For the other proposals, you may vote **FOR**, **AGAINST**, or **ABSTAIN**. If you **ABSTAIN**, it has the same effect as a vote **AGAINST**. If you sign your proxy card or broker voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Board. Representatives of Wells Fargo Bank, N.A., NRG's transfer agent, will tabulate the votes and act as the inspectors of election.

Confidentiality

Stockholder proxies, ballots, and tabulations that identify stockholders are confidential. They will not be available for examination, nor will the identity or vote of any stockholder be disclosed, except as necessary to meet legal requirements and allow the inspectors of election to certify the results of the stockholder vote. Occasionally, stockholders provide written comments on their proxy card that may be forwarded to NRG management.

List of Stockholders

The names of stockholders of record entitled to vote at the Annual Meeting will be available at the Annual Meeting and for 10 days prior to the meeting for any purpose germane to the meeting, between the hours of 8:45 a.m. and 4:30 p.m. (Eastern Daylight Time), at our principal executive offices at 211 Carnegie Center, Princeton, New Jersey 08540, by contacting the Corporate Secretary.

Cost of Proxy Solicitation

NRG will pay for the cost of preparing, assembling, printing, mailing, and distributing these proxy materials. You will need to obtain your own Internet access if you choose to access the proxy materials and/or vote over the Internet. In addition to mailing these proxy materials, the solicitation of proxies or votes may be made in person, by telephone, or by electronic communication by our directors, officers, and

employees, who do not receive any additional compensation for these solicitation activities. We have hired MacKenzie Partners, Inc. to assist us in the distribution of proxy materials and the solicitation of votes. We will pay MacKenzie Partners a fee of \$9,500 plus expenses for these services. We will also reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and other solicitation materials to beneficial owners of stock.

Transfer Agent

Our transfer agent is Wells Fargo Bank, N.A. All communications concerning stockholders of record accounts, including address changes, name changes, common stock transfer requirements, and similar issues can be handled by contacting Wells Fargo Bank, N.A. at 1-800-468-9716 (local: (651) 450-4064), www.wellsfargo.com/shareownerservices, or by writing to P.O. Box 64854, St. Paul, MN 55164-0864.

GOVERNANCE OF THE COMPANY

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines that, along with the Amended and Restated Certificate of Incorporation, the Bylaws and the charters of the Board committees, provide the framework for the governance of the Company. The Board's Governance and Nominating Committee is responsible for periodically reviewing the Guidelines and recommending any proposed changes to the Board for approval. The Corporate Governance Guidelines are available on our website at <http://www.nrgenergy.com/investor/corpgov.htm>, along with the charters of our Audit, Compensation, and Governance and Nominating committees and our Code of Conduct. The Corporate Governance Guidelines, the charters of all of our Board committees and our Code of Conduct are available in print to any stockholder who requests them. In addition, the Audit Committee Charter was amended by the Board on February 21, 2006 and is attached to this proxy statement at Appendix A.

Director Independence

The Board has determined that each of the current directors is independent under the listing standards of the New York Stock Exchange, with the exception of David Crane, President and Chief Executive Officer, and Paul Hobby, whose sister-in-law is a current partner at KPMG LLP, the Company's independent registered public accounting firm. Each of the Audit, Compensation, and Governance and Nominating Committees is made up solely of independent directors. In accordance with the Company's Corporate Governance Guidelines and the New York Stock Exchange listing standards, all members of the Audit Committee meet additional independence standards applicable to audit committee members.

Board Structure and Committee Membership

At the 2005 Annual Meeting of Stockholders, an amendment to Article Seven of the Amended and Restated Certificate of Incorporation was approved providing the Board of Directors authority to enlarge the Board to up to 15 directors and to fill newly created directorships. Currently, the Board is set at 12 directors. Anne C. Schaumburg was appointed to the Board effective April 1, 2005 and Maureen Miskovic was appointed to the Board effective September 1, 2005. On February 2, 2006, the Company completed the acquisition of Texas Genco LLC. While conducting their search to fill vacancies on the Board, the Governance and Nominating Committee and the Board of Directors reviewed the credentials of certain independent directors of Texas Genco, and as a result, appointed William E. Hantke and Paul W. Hobby to the Board effective March 8, 2006. The Board is divided into three classes, approximately equal in number, serving staggered three-year terms.

The Board presently has the following five Committees: Audit, Compensation, Governance and Nominating, Commercial Operations Oversight and Nuclear Oversight. The membership and the functions of each Committee are described below.

Name of Director	Audit	Governance and Nominating	Compensation	Commercial Operations Oversight	Nuclear Oversight
Howard E. Cosgrove ⁽¹⁾	X				X
John F. Chlebowski	X(2)	X			X
Lawrence S. Coben			X(2)		X
David Crane					X
Stephen L. Cropper			X	X(2)	X
William E. Hantke ⁽³⁾	X				X
Paul W. Hobby ⁽³⁾				X	X
Maureen Miskovic				X	
Anne C. Schaumburg	X				X
Herbert H. Tate		X			X
Thomas H. Weidemeyer			X		X
Walter R. Young		X(2)			X

X = Committee Member

(1) = Chairman of the Board

(2) = Committee Chair

(3) = Committee assignments were effective March 8, 2006.

Board Meetings

During 2005, the Board held 14 meetings. During 2005, no director attended less than 75% of the total of the Board meetings and the meetings of the committees upon which he or she served. In calendar year 2006, the Board has held two meetings through March 8, 2006.

The Company's Corporate Governance Guidelines provide that the nonmanagement directors meet in executive session periodically following Board meetings. The Company's nonexecutive Chairman presides at these sessions.

Directors are encouraged to attend the Annual Meetings of Stockholders. All of the directors attended the 2005 Annual Meeting of Stockholders.

Audit Committee

The Audit Committee represents and provides assistance to the Board with respect to matters involving the accounting, auditing, financial reporting, internal controls, and legal compliance functions of the Company and its subsidiaries, including assisting the Board in its oversight of the integrity of the Company's financial statements, compliance with legal and regulatory requirements, the qualifications, independence, and performance of the Company's independent auditors, the performance of the Company's internal audit function, and effectiveness of the Company's financial risk management. Among other things, the Committee:

Appoints, retains, oversees, evaluates, and compensates the independent auditors;

Reviews the annual audited and quarterly consolidated financial statements;

Reviews major issues regarding accounting principles and financial statement presentations;

Reviews earnings press releases and earnings guidance provided to analysts and rating agencies;

Reviews with the independent auditors the scope of the annual audit, and approves all audit and permitted nonaudit services provided by the independent auditors;

Considers the adequacy and effectiveness of the Company's internal control and reporting system;

Discusses policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the effectiveness of the Company's system for monitoring compliance with laws and regulations, and reviews the Company's tax policies and findings of regulatory agencies and independent auditors;

Reports regularly to the Board regarding its activities and prepares and publishes required annual committee reports;

Establishes procedures for the receipt, retention, and treatment of complaints and concerns regarding accounting, internal accounting controls, or auditing matters; and

Annually evaluates the performance of the Audit Committee and the adequacy of its charter.

The Board has determined that all Audit Committee members are independent under the New York Stock Exchange definition of independence for directors and audit committee members, and that all members of the Audit Committee are financially literate. In addition, the Board has determined that John Chlebowski, Howard Cosgrove and William Hantke qualify as "audit committee financial experts" within the meaning of Securities and Exchange Commission (SEC) regulations. In calendar year 2005, the Audit Committee held 13 meetings. In calendar year 2006, the Audit Committee has held two meetings through March 8, 2006.

Compensation Committee

The Compensation Committee oversees the Company's overall compensation structure, policies, and programs. Among other things, the Committee:

Reviews and recommends to the Board annual and long-term goals and objectives relevant to the compensation of the President and the Chief Executive Officer, evaluates the performance of the President and Chief Executive Officer in light of those goals and objectives, and either as a committee or together with the other independent directors, determines and approves the President and the Chief Executive Officer's compensation;

Reports to the Board the review of annual and long-term goals and objectives relevant to the compensation of the Chief Financial Officer, the Executive Vice Presidents and any other officer designated by the Board, the evaluation of those officers' performance in light of those goals and objectives, the determination and approval of compensation levels based on such evaluations and the review and approval of employment arrangements, severance arrangements and benefits plans;

Reviews and recommends to the Board the compensation, incentive-compensation and equity-based plans that are subject to Board approval;

Reviews and approves stock option and other stock incentive awards for executive officers other than for the President and Chief Executive Officer;

Makes recommendations regarding, and monitors compliance by officers and directors with, the Company's stock ownership guidelines;

Reviews the compensation of directors for service on the Board and its committees;

Reviews and approves employment agreements and severance arrangements, benefits plans not otherwise subject to Board approval, and corporate goals and objectives for officers other than for the President and Chief Executive Officer;

Produces required committee reports on executive compensation;

Reviews and oversees the Company's overall compensation strategy, structure, policies and programs, and assesses the compensation structure's establishment of appropriate incentives for management and employees; and

Annually evaluates the performance of the Compensation Committee and the adequacy of its charter.

The Board has determined that all Compensation Committee members are independent under the listing standards of the New York Stock Exchange, and that they are nonemployee directors for purposes of Rule 16b-3 under the Securities Exchange Act of 1934 (the Exchange Act), as amended, and outside directors for purposes of Section 162(m) of the Internal Revenue Code. In calendar year 2005, the Compensation Committee held 10 meetings. In calendar year 2006, the Compensation Committee has held two meetings through March 8, 2006.

Governance and Nominating Committee

The Governance and Nominating Committee recommends director candidates to the Board for election at the Annual Meeting of Stockholders, and periodically reviews the Company's Corporate Governance Guidelines and recommends changes to the Board. Among other things, the Committee also:

Identifies and reviews the qualifications of potential nominees to the Board consistent with criteria approved by the Board, and assesses the contributions and independence of incumbent directors in determining whether to recommend them for re-election;

Establishes and reviews procedures for the consideration of Board candidates recommended by the Company's stockholders;

Makes recommendations to the Board concerning the structure, composition, and functioning of the Board and its committees;

Reviews and assesses the channels through which the Board receives information, and the quality and timeliness of information received;

Reviews and recommends to the Board retirement and other tenure policies for directors;

Reviews and approves Company policies applicable to the Board, the directors and officers subject to Section 16 of the Exchange Act;

Reviews and reports to the Board regarding potential conflicts of interests of directors;

Recommends to the Board director candidates for the annual meeting of stockholders, and candidates to be elected by the Board as necessary to fill vacancies and newly created directorships;

Oversees the evaluation of the Board, its committees and management and annually reviews the Company's senior management succession plans;

Monitors directorships in other public companies held by directors and senior officers of the Company; and

Annually evaluates the performance of the Governance and Nominating Committee and the appropriateness of its charter.

The Board has determined that all Governance and Nominating Committee members are independent under the listing standards of the New York Stock Exchange. In calendar year 2005, the Governance and Nominating Committee held six meetings. In calendar year 2006, the Governance and Nominating Committee has held one meeting through March 8, 2006.

The Governance and Nominating Committee is responsible for identifying individuals that the Committee believes are qualified to become Board members in accordance with criteria set forth in the Company's Corporate Governance Guidelines. These criteria include an individual's business experience and skills, independence, judgment, integrity, and ability to commit sufficient time and attention to the activities of the Board. The Guidelines provide that the Committee will consider these criteria in the context of the perceived needs of the Board as a whole and seek to achieve a diversity of backgrounds and perspectives on the Board. The Governance and Nominating Committee's process for identifying and evaluating director nominees also includes consultation with all directors, solicitation of proposed nominees from all directors, the engagement of one or more professional search firms, if deemed appropriate, interviews with prospective nominees by the Committee (and other directors, if deemed appropriate) and recommendations regarding qualified candidates to the full Board.

The Committee will consider nominations by stockholders who recommend candidates for election to the Board. A stockholder seeking to recommend a prospective candidate for the Committee's consideration may do so by writing to the Corporate Secretary, NRG Energy, Inc., 211 Carnegie Center, Princeton, New Jersey 08540. Recommendations submitted for consideration by the Committee in preparation for the 2007 Annual Meeting of Stockholders must be received by January 28, 2007, and must contain the following information: (a) the name and address of the stockholder; (b) the name and address of the person to be nominated; (c) a representation that the stockholder is a holder of the Company's stock entitled to vote at the meeting; (d) a statement in support of the stockholder's recommendation, including a description of the candidate's qualifications; (e) information regarding the candidate that would be required to be included in a proxy statement filed in accordance with the rules of the SEC; and (f) the candidate's written, signed consent to serve if elected. The Governance and Nominating Committee will follow the process described above in considering nominees proposed by stockholders in accordance with the foregoing requirements.

Alternatively, as discussed under Requirements for Submission of Stockholder Proposals for Next Year's Annual Meeting, stockholders intending to appear at the 2007 Annual Meeting of Stockholders in order to nominate a candidate for election by the stockholders at the meeting (in cases where the Board does not intend to nominate the candidate or where the Governance and Nominating Committee was not requested to consider his or her candidacy) must comply with the procedures in the Company's Bylaws, a copy of which is available upon request to our Corporate Secretary.

Commercial Operations Oversight Committee

The Commercial Operations Oversight Committee, which was established in the fall of 2005, assists the Board in fulfilling its responsibilities with respect to the oversight of trading, power marketing and risk management issues at the Company. The Commercial Operations Oversight Committee consists of at least three directors, a majority of which must be independent, as defined under the listing standards of the New York Stock Exchange and as affirmatively determined to be independent by the Board. No member of the Commercial Operations Oversight Committee may be removed except by majority vote of the independent directors then in office.

The Commercial Operations Oversight Committee's duties and responsibilities consist of the following:

Providing Board oversight of the trading and power marketing of the Company;

Reviewing, advising and consulting with management and the Audit Committee regarding the Company's risk management policies, practices and procedures;

Approving as appropriate, the Company's power marketing and trading limits, policies, practices and procedures, and counterparty credit limit and policies, and approving exceptions to policies, as necessary;

Annually evaluating the performance of the Committee and the appropriateness of the Committee's charter; and

Performing such other responsibilities as may be delegated to it by the Board from time to time that are consistent with its purpose.

Nuclear Oversight Committee

The Nuclear Oversight Committee, which was established in the fall of 2005, assists the Board in fulfilling its responsibilities with respect to the oversight of the Company's ownership and operation, directly or indirectly, of its undivided interests in nuclear power plant facilities as the Company may hold from time to time. The Nuclear Oversight Committee consists of all of the members of the Board who are citizens of the United States of America and who otherwise meet the requirements of applicable law to serve on the Committee, a majority of which shall be independent, as defined under the listing standards of the New York Stock Exchange and as affirmatively determined to be independent by the Board.

Communication with Directors

Stockholders and other interested parties may communicate with the Board by writing to the Corporate Secretary, NRG Energy, Inc., 211 Carnegie Center, Princeton, New Jersey 08540. Communications intended for a specific director or directors should be addressed to their attention to the Corporate Secretary at the address provided above. Communications received from stockholders are forwarded directly to Board members as part of the materials mailed in advance of the next scheduled Board meeting following receipt of the communications. The Board has authorized the Corporate Secretary, in his or her discretion, to forward communications on a more expedited basis if circumstances warrant or to exclude a communication if it is illegal, unduly hostile or threatening, or similarly inappropriate. Advertisements, solicitations for periodical or other subscriptions, and other similar communications generally will not be forwarded to the directors.

DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

Nonmanagement directors receive 60 percent of their compensation in the form of cash and the remaining 40 percent in the form of vested but deferred stock units. Each deferred stock unit is equivalent in value to one share of NRG's Common Stock and represents the right to receive one such share of Common Stock payable in the manner as elected by the director, or in the event the director does not make an election with respect to payment, when the director ceases to be a member of the Board. Nonmanagement directors other than the nonexecutive Chairman receive total annual compensation of \$110,000. Members of the Audit Committee receive an additional \$5,000 per year and the Chair of the Audit Committee receives an additional \$50,000 per year. Chairs of the Committees other than ad hoc committees and the Audit Committee receive an additional \$10,000 per year. The nonexecutive Chairman receives \$270,000 in annual compensation. The employee director does not receive separate compensation for Board service.

Directors are required to retain all stock received as compensation for the duration of their service on the Board, although they may sell shares as necessary to cover tax liability associated with the payout of

deferred stock units. Exceptions to these requirements may be made by the Board under special circumstances.

PROPOSALS TO BE VOTED ON

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board is divided into three classes serving staggered three-year terms. Directors for each class are elected at the Annual Meeting of Stockholders held in the year in which the term for their class expires.

The terms of the four Class III directors, which includes William E. Hantke who was appointed on March 8, 2006, will expire at the 2006 Annual Meeting. The Class III directors elected at the 2006 Annual Meeting will hold office for a three-year term expiring at the Annual Meeting in 2009 (or until their respective successors are elected and qualified, or until their earlier death, resignation, or removal). There are no family relationships among the Company's executive officers and directors.

Each of the nominees for director have been recommended and nominated by the Governance and Nominating Committee. The persons named as proxies intend to vote the proxies for the election of the nominees to the Board. If any of the nominees should be unavailable to serve as a director, an event which is not anticipated, the persons named as proxies will vote your proxy for another candidate or candidates as may be nominated by the Board.

Nominees for Director (Class III Directors)

John F. Chlebowski

Age 60
Audit Committee (Chair)
Governance and Nominating Committee
Nuclear Oversight Committee

Mr. Chlebowski has been a director of NRG since December 2003, pursuant to the NRG plan of reorganization. Mr. Chlebowski served as the President and Chief Executive Officer of Lakeshore Operating Partners, LLC, a bulk liquid distribution firm, from March 2000 until his retirement in December 2004. From July 1999 until March 2000, Mr. Chlebowski was a senior executive and cofounder of Lakeshore Liquids Operating Partners, LLC, a private venture firm in the bulk liquid distribution and logistics business, and from January 1998 until July 1999, he was a private investor and consultant in bulk liquid distribution. Prior to that, he was employed by GATX Terminals Corporation, a subsidiary of GATX Corporation, as President and Chief Executive Officer from 1994 until 1997. Mr. Chlebowski is a director of Laidlaw International Inc.

Howard E. Cosgrove

Age 62
Chairman of Board
Audit Committee
Nuclear Oversight Committee

Mr. Cosgrove has been a director of NRG since December 2003, pursuant to the NRG plan of reorganization, and Chairman of the Board since December 2003. He was Chairman and Chief Executive Officer of Conectiv and its predecessor Delmarva Power and Light Company from December 1992 to August 2002. Prior to December 1992, Mr. Cosgrove held various positions with Delmarva Power and Light including Chief Operating Officer and Chief Financial Officer. Mr. Cosgrove serves as Chairman of the Board of Trustees at the University of Delaware.

Anne C. Schaumburg

Age 56
Audit Committee
Nuclear Oversight Committee

Ms. Schaumburg has been a director of NRG since April 2005. From 1984 until her retirement in January 2002, she was at Credit Suisse First Boston in the Global Energy Group, where she last served as Managing Director. From 1979 to 1984, she was in the Utilities Group at Dean Witter Financial Services Group, where she last served as Managing Director. From 1971 to 1978, she was at The First Boston Corporation in the Public Utilities Group.

William E. Hantke

Age 58
Audit Committee
Nuclear Oversight Committee

Mr. Hantke has been a director of NRG since March 8, 2006. Mr. Hantke served as Executive Vice President and Chief Financial Officer of Premcor, Inc., a refining company, from February 2002 until December 2005. Mr. Hantke was Corporate Vice President of Development of Tosco Corporation, a refining and marketing company, from September 1999 until September 2001, and he also served as Corporate Controller from December 1993 until September 1999. Prior to that position, he was employed by Coopers & Lybrand as Senior Manager, Mergers and Acquisitions from 1989 until 1990. He also held various positions from 1975 until 1988 with AMAX, Inc., including Corporate Vice President, Operations Analysis and Senior Vice President, Finance and Administration, Metals and Mining. He was employed by Arthur Young from 1970 to 1975 as Staff/Senior Accountant.

The Board recommends a vote FOR the election to the Board of each of the foregoing nominees. Proxies solicited by the Board will be voted FOR each of the nominees unless a contrary vote is specified.

Directors Continuing in Office

Information regarding NRG's directors continuing in office is provided below.

Class I Directors (Terms expire in 2007)

David Crane

Age 47
Nuclear Oversight Committee

Mr. Crane has served as the President, Chief Executive Officer and a director of NRG since December 2003. Prior to joining NRG, Mr. Crane served as Chief Executive Officer of International Power plc, a UK-domiciled wholesale power generation company, from January 2003 to November 2003, and as Chief Operating Officer from March 2000 through December 2002. Mr. Crane was Senior Vice President Global Power New York at Lehman Brothers Inc., an investment banking firm, from January 1999 to February 2000, and was Senior Vice President Global Power Group, Asia (Hong Kong) at Lehman Brothers from June 1996 to January 1999.

Stephen L. Cropper

Age 56

Compensation Committee

Commercial Operations Oversight Committee (Chair)

Nuclear Oversight Committee

Mr. Cropper has been a director of NRG since December 2003, pursuant to the NRG plan of reorganization. Mr. Cropper spent 25 years with The Williams Companies Inc., an energy company, before retiring in 1998 as President and Chief Executive Officer of Williams Energy Services LLC. Mr. Cropper is a director of Berry Petroleum Company, Sunoco Logistics Partners L.P., Rental Car Finance Corporation, a subsidiary of Dollar Thrifty Automotive Group, Inc. and QuikTrip Corporation.

Maureen Miskovic

Age 48

Commercial Operations Oversight Committee

Ms. Miskovic has been a director of NRG since September 2005. She currently serves as Chief Operating Officer of the Eurasia Group, a research and consulting firm focusing on political-risk analysis and industry research for global markets, where she oversees the firm's continued expansion and serves as chief advisor for the company's poli