

Edgar Filing: MIRANT CORP - Form 425

MIRANT CORP  
Form 425  
August 06, 2010

Filed by Mirant Corporation

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934, as amended

Subject Company: Mirant Corporation

(Commission File No. 001-16107)

**Below is a copy of the presentation that was given by Mirant on its Second Quarter 2010 Earnings Results on August 6, 2010**

Dickerson Generating Station  
Mirant Corporation  
Second Quarter 2010 Earnings Results  
August 6, 2010

2

Safe Harbor Statement

Forward-Looking Statements

This presentation may contain statements, estimates or projections that constitute forward-looking statements as defined under applicable securities laws. In some cases, one can identify forward-looking statements by terminology such as will, expect, plan, lead, anticipate, intend, estimate, project, forecast, goal, target, aim, or other comparable terminology. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from Mirant's historical experience and our present expectations or projections. These risks include, but are not limited to, the following:

regulatory initiatives relating to the electric utility industry; (ii) changes in, or changes in the application of, environmental or other regulations that may affect the Company's assets to perform as expected, including due to outages for unscheduled maintenance or repair; (iv) changes in market conditions, including changes in demand, competition in our markets; (v) the expected timing and likelihood of completion of the proposed merger with RRI Energy, including changes in the terms and conditions of required stockholder, governmental and regulatory approvals that may reduce anticipated benefits or costs of the merger; the ability of the parties to arrange debt financing in an amount sufficient to fund the refinancing contemplated in, and the completion of, the Merger Agreement; the diversion of management's time and attention from our ongoing business during the time we are completing the merger; the ability to maintain relationships with employees, customers and suppliers; the ability to integrate successfully the benefits, savings and any other synergies; and the risk that credit ratings of the combined company or its subsidiaries may be different from what we expect; and (vi) those factors contained in our periodic reports filed with the SEC, including in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010. The forward-looking information in this document is given as of this date only, and Mirant assumes no duty to update this information.

#### Non-GAAP Financial Information

The following presentation includes certain non-GAAP financial measures as defined in Regulation G under the Securities Act of 1933. A schedule is attached hereto and is posted on the Company's website at [mirant.com](http://mirant.com) (in the Investor Relations - Presentations section). The non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated in accordance with Generally Accepted Accounting Principles. In addition, the Company has included a more detailed description of the non-GAAP financial measures used in this presentation, together with a discussion of the usefulness and purpose of these measures as Exhibit 15 to the Company's Current Report on Form 8-K furnished to the SEC with its earnings press release.

3

Safe Harbor Statement

Additional Information and Where To Find It

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of a sale of securities. There shall be no sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration under the securities laws of any such jurisdiction. In connection with the proposed merger between RRI Energy and Mirant, on 11/11/2011, RRI Energy filed with the SEC a Registration Statement on Form S-4 that includes a preliminary joint proxy statement of RRI Energy and Mirant.

also constitutes a preliminary prospectus of RRI Energy. On July 6, 2010, RRI Energy amended these materials. These materials and will be further amended. RRI Energy and Mirant will distribute the final joint proxy statement/prospectus to their respective Energy and Mirant urge investors and shareholders to read the registration statement, and any other relevant documents filed with including the preliminary joint proxy statement/prospectus that is a part of the registration statement, and the definitive joint proxy statement/prospectus, when available, because they contain or will contain important information. You may obtain copies of all the SEC

#### Participants in The Merger Solicitation

RRI Energy, Mirant, and their respective directors, executive officers and certain other members of management and employees proxies from RRI Energy and Mirant shareholders in favor of the merger and related matters. Information regarding the person rules of the SEC, be deemed participants in the solicitation of RRI Energy and Mirant shareholders in connection with the proposal contained in the preliminary joint proxy statement/prospectus and will be contained in the definitive joint proxy statement/prospectus becomes available. You can find information about RRI Energy's executive officers and directors in its definitive proxy statement on April 1, 2010. You can find information about Mirant's executive officers and directors in its definitive proxy statement filed March 26, 2010 and supplemented on April 28, 2010. Additional information about RRI Energy's executive officers and directors executive officers and directors can be found in the above-referenced Registration Statement on Form S-4. You can obtain free documents from RRI Energy and Mirant as described above.

regarding

this

transaction,

free

of

charge,

at

the

SEC's

website

([www.sec.gov](http://www.sec.gov)).

You

may

also

obtain

these

documents,

free

of

charge,

from

RRI

Energy's

website

([www.rrienergy.com](http://www.rrienergy.com))

under

the

tab

Investor

Relations

and

then

under

the

heading

Company

Filings.

You

may

also

obtain

these

documents,

free

of

charge,

from

Mirant's

website

([www.mirant.com](http://www.mirant.com))

under

the

tab

Investor

Relations

and

then

under

the

heading

SEC

Filings.

4

GenOn

Energy

Merger Update

Filed Amended S-4 in response to SEC comment letter on July 6, 2010

Entered into agreements with financial institutions

Commitment for \$750 million to \$1.0 billion five-year revolving credit facility



Commercially reasonable efforts to syndicate a \$500 million term loan

Underwrite up to \$1.9 billion of senior unsecured notes

Regulatory approvals

Received New York State Public Service Commission clearance on July 20, 2010

Received Federal Energy Regulatory Commission (FERC) approval on August 2, 2010

Received Hart-Scott-Rodino

second request from the Department of Justice on July 15, 2010

Merger expected to close by the end of 2010

Operational Performance - Cash Generation - Prudent Growth

5

Financial Highlights

(\$millions)

In Q2, change in Adjusted EBITDA principally attributable to

-

Lower realized value of hedges

-

Lower energy gross margins from fuel oil management activities

Higher energy gross margins from Mid-Atlantic generation

For 6 Months, change in Adjusted EBITDA also attributable to

-

Lower energy gross margins from Northeast generation

-

Lower net gains from sales of emissions allowances

Adjusted EBITDA

149

200

311

395

Q2

6 Months

2010

2009

2010

2009

Operational Performance - Cash Generation - Prudent Growth

6

Operations Highlights

Mirant's safety incident rates remain at low levels

Commercial Availability, the percent of maximum achievable energy gross margin that was realized in the period, remains at a high level

Commercial Availability

Safety Incident Rates

Lost Time Incident Rate

Lost Time EEI Top Quartile Benchmark

Recordable Incident Rate

Recordable EEI Top Quartile Benchmark

Operational Performance - Cash Generation - Prudent Growth

7

Market Update Since May

Near term (2010)

Natural gas prices increased and currently trade around \$4.85/mmBtu for the balance of the year

Power prices in PJM increased and heat rates expanded as power rose more than natural gas

Northern Appalachian coal prices increased and trade around \$62/ton

On-peak dark spreads increased while off-peak dark spreads decreased

Longer term (2011

2014)

Natural gas prices decreased and currently trade in a range of \$5.20 to

\$5.80/mmBtu

Power prices in PJM decreased but heat rates expanded as power declined less

than natural gas

Northern Appalachian coal prices were relatively unchanged and are quoted in a

range of \$63

\$75/ton

Dark spreads generally declined

Operational Performance - Cash Generation - Prudent Growth

8

Electricity Markets

Reserve Margins

Forecasted reserve margins incorporate the latest information from each ISO

Eastern markets are forecasted to tighten because little generation is being built

Source: Mirant forecasts

Operational Performance - Cash Generation - Prudent Growth



8%  
12%  
16%  
20%  
24%  
28%  
32%  
36%  
40%  
2010  
2011  
2012  
2013  
2014  
New York East  
N. California  
PJM East  
New England  
PJM RTO (ex. COMED)  
Target Reserve range

9  
Hedge Levels  
Based on Expected Total Generation  
Aggregate  
Baseload  
Coal  
1.

Positions as of July 13, 2010

Shaded boxes represent net additions to prior guidance; empty boxes represent net decreases since prior guidance

2.

2010 represents period between August and December

3.

Power hedges include hedges with both power and natural gas

Operational Performance - Cash Generation - Prudent Growth

0%

20%

40%

60%

80%

100%

Power

Fuel

2010

2011

2012

2013

2014

0%

20%

40%

60%

80%

100%

Power

Fuel

2010

2011

2012

2013

2014

3

3

2

2

10  
Marsh Landing Generating Station

California Energy Commission  
preliminary approval of environmental  
permits issued on July 26, 2010  
Final decision expected on

August 25, 2010

CPUC approval of PPA with PG&E  
issued on July 29, 2010

Project financing to close in Q3

Construction expected to begin in  
late 2010 and to be completed by  
mid-2013

Operational Performance - Cash Generation - Prudent Growth

11  
Financial Results  
(millions, except per share amounts)  
1  
Per share amount for Q2 2010 net loss is based on basic weighted average shares outstanding of 145 million  
Operational Performance - Cash Generation - Prudent Growth  
6 Months

|  |  |
|--|--|
| 2010   |  |
| 2009   |  |
| 2010   |  |
| 2009   |  |
| Net income (loss)                            |  |
| (263)  |  |
| \$   |  |
| 163  |  |
| \$   |  |
| 144  |  |
| \$   |  |
| 543  |  |
| \$   |  |
| Unrealized (gains) losses on derivatives     |  |
| 340  |  |
| 14   |  |
| (12)   |  |
| (240)  |  |
| Bankruptcy charges and legal contingencies   |  |
| -  |  |
| (62)   |  |
| 1  |  |
| (62)   |  |
| Postretirement benefit curtailment gain      |  |
| (37)   |  |
| -  |  |
| (37)   |  |
| -  |  |
| Other  |  |
| 6  |  |
| 16   |  |
| 11   |  |
| 5  |  |
| Adjusted net income                          |  |
| 46   |  |
| 131  |  |
| 107  |  |
| 246  |  |
| Interest, taxes, depreciation & amortization |  |
| 103  |  |
| 69   |  |
| 204  |  |
| 149  |  |
| Adjusted EBITDA                              |  |
| 149  |  |
| \$   |  |
| 200  |  |
| \$   |  |
| 311  |  |
| \$   |  |

395

\$

Diluted weighted average shares outstanding

146

145

146

145

Earnings per share:

Net income (loss)

(1.81)

\$

1

1.12

\$

0.99

\$

3.74

\$

Adjusted net income

0.32

\$

0.90

\$

0.73

\$

1.70

\$

Q2



12  
Realized Gross Margin  
(millions)  
Operational Performance - Cash Generation - Prudent Growth  
Q2 2010  
Q2 2009  
YTD 2010

YTD 2009

Energy

96

71

206

182

Contracted & Capacity

138

137

280

271

Realized Value of Hedges

78

152

147

260

Total Realized Gross Margin

312

360

633

713

\$312

\$360

\$633

\$713

\$0

\$100

\$200

\$300

\$400

\$500

\$600

\$700

\$800

13  
Adjusted Free Cash Flow  
(millions, except per share amounts)  
2010  
2009  
2010  
2009

Net cash provided by (used in) operating activities

(152)

\$

113

\$

150

\$

384

\$

Bankruptcy claim payments

-

-

-

1

Emission allowance sales proceeds

1

2

3

17

Capitalized interest

(3)

(31)

(3)

(33)

Adjusted net cash provided by (used in) operating activities

(154)

84

150

369

Capital expenditures, excluding capitalized interest

(72)

(176)

(157)

(345)

Adjusted free cash flow

(226)

(92)

(7)

24

MD Healthy Air Act capital expenditures

29

126

77

248

Marsh Landing capital expenditures and working capital

2

-

2

-

Adjusted free cash flow (w/o MD HAA & Marsh Landing)

(195)

\$

34

\$

72

\$

272

\$

Diluted weighted average shares outstanding

146

145

146

145

Adjusted free cash flow per share (w/o MD HAA & Marsh Landing)

(1.34)

\$

0.23

\$

0.49

\$

1.88

\$

6 Months

Q2

Operational Performance - Cash Generation - Prudent Growth

14  
Consolidated Debt and Liquidity  
(millions)  
Debt  
\$ 2,562  
Cash and cash equivalents  
Mirant Corporation

1,388

\$

Mirant Americas Generation

-

Mirant North America

272

Mirant Mid-Atlantic

159

Other

30

Total cash and cash equivalents

1,849

Less restricted and reserved

(11)

Available cash & cash equivalents

1,838

Revolver & LC availability

662

Total available liquidity

2,500

\$

June 30, 2010

Operational Performance - Cash Generation - Prudent Growth



15

Capital Expenditures  
(millions)

Maryland Healthy Air Act spending prior to 2010 totaled approximately \$1.405 billion

Normalized maintenance CapEx

of \$50 million to \$60 million per year

Other environmental expenditures include the remaining \$33 million deposited in escrow

for control of small  
dust

particles

as

part

of

the

Potomac

River agreement

Operational Performance - Cash Generation - Prudent Growth

2010

1

2011

Environmental

Maryland Healthy Air Act

269

\$

-

\$

Other

10

33

Maintenance

103

45

Construction

Marsh Landing Generating Station

47

185

Other

30

42

Other

18

11

Total Capital Expenditures<sup>2</sup>

477

\$

316

\$

1

Includes

actuals

for

January

through

June

2

Excludes capitalized interest unrelated to the Marsh Landing project financing

Forecast

16

Takeaways

Creation of GenOn

Energy will deliver significant value to stockholders

Hedging cushioned Mirant in Q2 2010 from the effects of relatively low commodity prices

Eastern markets are forecasted to tighten because little generation is

being built

Mirant continues to make progress to permit, finance and commence construction of its Marsh Landing generating facility later in 2010  
Operational Performance - Cash Generation - Prudent Growth

Appendix

18

Federal NOL Status

Mirant's estimated Federal NOL balance at December 31, 2009 was \$2.7 billion

An ownership change

requires Mirant to reset the limitation that determines

how much annual taxable income may be offset by its NOLs

in future years

An ownership change occurs if there is an increase of more than 50 percentage points in the ownership of Mirant stock held by large Mirant shareholders from the date of a previous ownership change

New limitation depends on Mirant stock value on the ownership change date and an interest rate determined by the IRS

We expect that Mirant will experience an ownership change for federal

income tax purposes on the closing date of the proposed merger with RRI Energy

RRI Energy has advised us that they expect RRI Energy to experience an ownership change on the closing date of the merger as well

Operational Performance - Cash Generation - Prudent Growth

19

Federal NOL Status (Cont.)

Assuming the shares of Mirant and RRI Energy are at or near current prices on the closing date of the proposed merger, Mirant expects that

The combined company, GenOn

Energy, will be unable to use any pre merger NOLs for the first 5 years following the merger



Thereafter, assuming sufficient taxable income, GenOn will be able to use approximately \$100MM \$125MM per year of pre merger NOLs until such NOLs expire

Based on current commodity price forecasts, Mirant expects that GenOn Energy will pay only federal Alternative Minimum Tax and certain state income taxes

during the 5 years immediately following the merger

Mirant's Board of Directors has extended its stockholder rights plan and the plan was approved at its 2010 Annual Meeting of Stockholders held on May 6, 2010

There is no assurance that the stockholder rights plan will prevent an ownership change prior to the closing date of the proposed merger

Operational Performance - Cash Generation - Prudent Growth

20

Additional Hedge Information

1

Projected as of July 13, 2010

2

Power hedges include hedges with both power and natural gas

3

Realized Value of Hedges are nominal values and do not include certain adjustments required under fair value accounting

(\$millions)

Q2

2010

Q2

2009

YTD

2010

YTD

2009

2010

2011

2012

2013

2014

Power

2

91

\$

194

\$

175

\$

323

\$

333

\$

221

\$

172

\$

176

\$

169

\$

Fuel

(13)

(42)

(28)

(63)

(51)

(33)

(35)

(10)

(1)

Realized Value of Hedges

78

\$

152

\$

147

\$

260

\$

282

\$

188

\$

137

\$

166

\$

168

\$

Projected

1,3

Actual

Operational Performance - Cash Generation - Prudent Growth

Aug-Dec 2010

2011

2012

2013

2.41

\$

2.79

\$

3.32

\$

3.28

\$

Average contract price of hedged coal before delivery

(\$/mmBtu)

21  
Quarterly Generation by Dispatch Type  
Operational Performance - Cash Generation - Prudent Growth  
Net MW  
Net MWh  
Generated  
EAF (%) (1)

Net Capacity  
 Factor (%)  
 Net MW  
 Net MWh  
 Generated  
 EAF (%) (1)  
 Net Capacity  
 Factor (%)  
 Baseload  
 MidAtlantic  
 2,729  
 3,061,916  
 70.9  
 51.3  
 2,765  
 3,441,013  
 84.3  
 57.0  
 Northeast  
 238  
 355,283  
 88.8  
 70.2  
 238  
 333,034  
 84.7  
 65.8  
 California  
 0  
 0  
 0  
 0  
 Total Baseload  
 2,967  
 3,417,199  
 72.3  
 52.7  
 3,003  
 3,774,047  
 84.3  
 57.7  
 Intermediate  
 MidAtlantic  
 1,400  
 277,198  
 51.7  
 9.3  
 1,400  
 34,807  
 37.5

1.2  
Northeast  
2,265  
49,278  
80.6  
1.0  
2,265  
37,562  
70.1  
0.8  
California  
2,191  
88,587  
94.1  
1.9  
2,191  
213,600  
78.4  
4.5  
Total Intermediate  
5,856  
415,063  
79.0  
3.3  
5,856  
285,969  
65.6  
2.3  
Peaking  
MidAtlantic  
1,065  
63,694  
88.9  
2.6  
1,065  
4,505  
93.7  
0.2  
Northeast  
32  
941  
85.4  
1.4  
32  
63  
98.3  
0.1  
California  
156  
(433)

98.3  
0.0  
156  
271  
75.3  
0.1  
Total Peaking  
1,253  
64,202  
89.9  
2.3  
1,253  
4,839  
91.6  
0.2  
Total Mirant  
10,076  
3,896,464  
78.4  
17.7  
10,112  
4,064,855  
74.5  
18.4

(1) Equivalent Availability Factor -

the total hours a unit is available in a period minus the sum of all full and partial outage equivalent hours, expressed as a percent of all hours in a period.

Generation by Dispatch Type

Second Quarter 2010

Second Quarter 2009



22

Year to Date Generation by Dispatch Type

Operational Performance - Cash Generation - Prudent Growth

Net MW

Net MWh

Generated

EAF (%) (1)

Net Capacity  
 Factor (%)  
 Net MW  
 Net MWh  
 Generated  
 EAF (%) (1)  
 Net Capacity  
 Factor (%)  
 Baseload  
 MidAtlantic  
 2,729  
 7,034,084  
 77.4  
 59.3  
 2,765  
 7,167,376  
 83.6  
 59.7  
 Northeast  
 238  
 719,693  
 92.6  
 70.6  
 238  
 698,244  
 89.6  
 68.5  
 California  
 0  
 0  
 0  
 0  
 Total Baseload  
 2,967  
 7,753,777  
 78.6  
 60.2  
 3,003  
 7,865,620  
 84.0  
 60.4  
 Intermediate  
 MidAtlantic  
 1,400  
 331,890  
 44.6  
 5.5  
 1,400  
 139,181  
 36.0

2.3  
Northeast  
2,265  
58,154  
86.7  
0.6  
2,265  
571,590  
83.0  
5.8  
California  
2,191  
211,853  
88.6  
2.2  
2,191  
389,246  
80.0  
4.1  
Total Intermediate  
5,856  
601,897  
77.5  
2.4  
5,856  
1,100,017  
70.8  
4.3  
Peaking  
MidAtlantic  
1,065  
70,054  
90.7  
1.4  
1,065  
35,512  
92.6  
0.7  
Northeast  
32  
1,327  
89.0  
1.0  
32  
369  
98.1  
0.3  
California  
156  
(588)

97.2  
0.0  
156  
502  
83.9  
0.1  
Total Peaking  
1,253  
70,793  
91.4  
1.2  
1,253  
36,383  
91.7  
0.6  
Total Mirant  
10,076  
8,426,467  
79.7  
19.1  
10,112  
9,002,020  
77.5  
20.4

(1) Equivalent Availability Factor -  
the total hours a unit is available in a period minus the sum of all full and partial outage equivalent hours,  
expressed as a percent of all hours in a period.

Generation by Dispatch Type  
YTD 2010  
YTD 2009

23  
Equivalent Forced Outage Rate (EFOR)  
EFOR =  
Forced Outage Hours  
Forced Outage Hours + Service Hours  
2010  
2009

2010

2009

Mid-Atlantic Baseload Coal

7%

10%

6%

10%

Q2

YTD

Operational Performance - Cash Generation - Prudent Growth

24  
Mirant Operations  
10,076 MW  
Power plants sized by capacity  
Canal  
Pittsburgh  
Contra

Costa  
Chalk Point  
Morgantown  
Dickerson  
Potomac River  
Dickerson  
Potomac River  
Northeast  
3,054 MW  
Mid Atlantic  
5,256 MW  
Contra  
Costa  
Dickerson  
Potomac River  
Dickerson  
Potomac River  
Northeast  
3,054 MW  
Contra  
Costa  
Dickerson  
Potomac River  
Dickerson  
Potomac River  
Northeast  
3,054 MW  
Kendall  
California  
2,347 MW  
Bowline  
Martha s Vineyard  
Potrero  
Capacity by Fuel Type  
Operational Performance - Cash Generation - Prudent Growth  
Coal  
29%  
Gas  
24%  
Oil  
10%  
Dual  
37%



25  
Development Opportunities

Potential  
to  
add  
2,500

3,500  
MWs  
of  
capacity  
Entered into ten-year Power Purchase Agreement with  
PG&E for new 760 MW Marsh Landing Generating Station  
California  
Northeast  
Mid Atlantic  
Boston  
N.Y.C.  
Washington, DC

Potential to add 1,000  
1,500 MWs  
of capacity

Potential to add 4,000  
5,000 MWs  
of capacity  
Pittsburgh  
Dickerson  
Bowline  
Chalk Point  
Morgantown  
Canal  
San Francisco  
Contra  
Costa  
Operational Performance - Cash Generation - Prudent Growth  
Lovett

26  
Share Count  
(millions)  
Operational Performance - Cash Generation - Prudent Growth  
Weighted average shares outstanding -  
basic  
145

145  
145  
145  
Effect of dilutive securities  
1  
0  
1  
0  
Weighted average shares outstanding -  
diluted  
146  
145  
146  
145  
Shares outstanding at quarter end -  
basic  
145  
145  
145  
145  
Effect of dilutive securities  
1  
0  
1  
0  
Shares outstanding at end of quarter -  
diluted  
146  
145  
146  
145  
Three  
Three  
Six  
Six  
Months Ending  
June 30, 2009  
Months Ending  
Months Ending  
Months Ending  
June 30, 2010  
June 30, 2009  
June 30, 2010

27

Regulation G Reconciliation

Operational Performance - Cash Generation - Prudent Growth

(in millions except per share)

Net Income (Loss)

(263)

\$

(1.81)  
 \$  
 163  
 \$  
 1.12  
 \$  
 Unrealized losses  
 340  
 2.34  
 14  
 0.10  
 Bankruptcy charges and legal contingencies  
 -  
 -  
 (62)  
 (0.43)  
 Severance and bonus plan for dispositions  
 -  
 -  
 13  
 0.09  
 Postretirement benefit curtailment gain  
 (37)  
 (0.25)  
 -  
 -  
 Other  
 6  
 0.04  
 3  
 0.02  
 Adjusted Net Income  
 46  
 \$  
 0.32  
 \$  
 131  
 \$  
 0.90  
 \$  
 Provision for income taxes  
 1  
 -  
 Interest expense, net  
 49  
 33  
 Depreciation and amortization  
 53  
 36  
 Adjusted EBITDA

149

\$

200

\$

June 30, 2010

June 30, 2009

1

Per share amounts for 2010 are based on basic weighted average shares outstanding of 145 million, for all amounts except adjusted net income which is based on diluted weighted average shares outstanding of 146 million. Per share amounts for 2009 are based on diluted weighted average shares outstanding of 145 million.

Table 1

Net Income (Loss) to Adjusted Net Income and Adjusted EBITDA

Quarter Ending

Quarter Ending

Per

Share

1

Per

Share

1

28

Regulation G Reconciliation

Operational Performance - Cash Generation - Prudent Growth

(in millions except per share)

Per

Share

1



|  |  |
|--|--|
| Per  |  |
| Share  |  |
| 1  |  |
| Net Income   |  |
| 144  |  |
| \$   |  |
| 0.99   |  |
| \$   |  |
| 543  |  |
| \$   |  |
| 3.74   |  |
| \$   |  |
| Unrealized gains                                   |  |
| (12)   |  |
| (0.08)   |  |
| (240)  |  |
| (1.65)   |  |
| Bankruptcy charges and legal contingencies         |  |
| 1  |  |
| -  |  |
| (62)   |  |
| (0.43)   |  |
| Severance and bonus plan for dispositions          |  |
| -  |  |
| -  |  |
| 13   |  |
| 0.09   |  |
| Lower of cost or market inventory adjustments, net |  |
| 6  |  |
| 0.04   |  |
| (11)   |  |
| (0.07)   |  |
| Postretirement benefit curtailment gain            |  |
| (37)   |  |
| (0.25)   |  |
| -  |  |
| -  |  |
| Other  |  |
| 5  |  |
| 0.03   |  |
| 3  |  |
| 0.02   |  |
| Adjusted Net Income                                |  |
| 107  |  |
| \$   |  |
| 0.73   |  |
| \$   |  |
| 246  |  |
| \$   |  |
| 1.70   |  |

\$  
Provision for income taxes  
1  
8  
Interest expense, net  
99  
69  
Depreciation and amortization  
104  
72  
Adjusted EBITDA  
311

\$  
395  
\$  
1  
Per  
share  
amounts  
for  
2010  
are  
based  
on  
diluted  
weighted  
average  
shares  
outstanding  
of  
146  
million.

Per  
share  
amounts  
for 2009 are based on diluted weighted average shares outstanding of 145 million.

Table 2

Net Income to Adjusted Net Income and Adjusted EBITDA

Year to Date

Year to Date

June 30, 2010

June 30, 2009

29  
Regulation G Reconciliation  
(in millions )  
Mid-  
Atlantic  
Northeast  
California

Other  
Operations  
Eliminations  
Total  
Net Income (Loss)

(233)

\$

(12)

\$

4

\$

(22)

\$

-

\$

(263)

\$

Unrealized losses

317

10

-

13

-

340

Lower of cost or market inventory adjustments, net

(4)

-

-

7

-

3

Postretirement benefit curtailment gain

-

-

-

(37)

-

(37)

Merger-related costs

-

-

-

3

-

3

Adjusted Net Income (Loss)

80

\$

(2)

\$

4

\$

(36)

\$

-

\$

46

\$

Provision for income taxes

-

-

-

1

-

1

Interest expense, net

-

1

-  
48  
-  
49  
Depreciation and amortization  
36  
6  
7  
4  
-  
53

Adjusted EBITDA

116  
\$  
5  
\$  
11  
\$  
17  
\$  
-  
\$  
149  
\$

Table 3

Adjusted Net Income (Loss) and Adjusted EBITDA

Quarter Ending June 30, 2010

Operational Performance - Cash Generation - Prudent Growth

30  
Regulation G Reconciliation  
(in millions )  
Mid-  
Atlantic  
Northeast  
California

|  |  |
|--|--|
| Other  |  |
| Operations   |  |
| Eliminations                                       |  |
| Total  |  |
| Net Income (Loss)                                  |  |
| 206  |  |
| \$   |  |
| (14)   |  |
| \$   |  |
| 6  |  |
| \$   |  |
| (54)   |  |
| \$   |  |
| -  |  |
| \$   |  |
| 144  |  |
| \$   |  |
| Unrealized losses (gains)                          |  |
| (29)   |  |
|  |  |
| 14   |  |
| -  |  |
|  |  |
| 3  |  |
| -  |  |
|  |  |
| (12)   |  |
| Bankruptcy charges and legal contingencies         |  |
| -  |  |
| -  |  |
| -  |  |
|  |  |
| 1  |  |
| -  |  |
|  |  |
| 1  |  |
| Lower of cost or market inventory adjustments, net |  |
| 1  |  |
| -  |  |
| -  |  |



5

-

6

Postretirement benefit curtailment gain

-

-

-

(37)

-

(37)

Merger-related costs

-

-

-

5

-

5

Adjusted Net Income (Loss)

178

\$

-

\$

6

\$

(77)

\$

-

\$

107

\$

Provision for income taxes

-

-

-  
1  
-  
1  
Interest expense, net  
1  
1  
-  
97  
-  
99  
Depreciation and amortization  
69  
12  
15  
8  
-  
104

Adjusted EBITDA

248  
\$  
13  
\$  
21  
\$  
29  
\$  
-  
\$  
311  
\$

Table 4

Adjusted Net Income (Loss) and Adjusted EBITDA  
Year to Date June 30, 2010

Operational Performance - Cash Generation - Prudent Growth

31  
Regulation G Reconciliation  
(in millions )  
Mid-  
Atlantic  
Northeast  
California

Other  
Operations  
Eliminations  
Total  
Net Income

133

\$

5

\$

-

\$

25

\$

-

\$

163

\$

Unrealized losses (gains)

-

(20)

-

34

-

14

Bankruptcy charges and legal contingencies

-

-

-

(62)

-

(62)

Severance and bonus plan for dispositions

-

-

-

13

-

13

Lovett shut down costs

-

2

-

-

-

2

Lower of cost or market inventory adjustments, net

3

-

-

(2)

-

1

Adjusted Net Income (Loss)

136

\$

(13)

\$

-

\$

8

\$

-

\$

131

\$

Interest expense, net

1

-

-  
32  
-  
33  
Depreciation and amortization  
24  
5  
5  
2  
-  
36

Adjusted EBITDA

161  
\$  
(8)  
\$  
5  
\$  
42  
\$  
-  
\$  
200  
\$

Table 5  
Adjusted Net Income (Loss) and Adjusted EBITDA  
Quarter Ending June 30, 2009  
Operational Performance - Cash Generation - Prudent Growth

32  
Regulation G Reconciliation  
(in millions )  
Mid-  
Atlantic  
Northeast  
California



Other  
Operations  
Eliminations  
Total  
Net Income (Loss)  
518  
\$  
35  
\$  
3  
\$  
(14)  
\$  
1  
\$  
543  
\$  
Unrealized losses (gains)  
(243)  
  
(46)  
  
-  
  
49  
  
-  
  
(240)  
  
Bankruptcy charges and legal contingencies  
-  
  
-  
  
-  
  
(62)  
  
-  
  
(62)  
  
Severance and bonus plan for dispositions  
-  
  
-  
  
-

13

-

13

Lovett shut down costs

-

3

-

-

-

3

Lower of cost or market inventory adjustments, net

7

(1)

1

(18)

-

(11)

Adjusted Net Income (Loss)

282

\$

(9)

\$

4

\$

(32)

\$

1

\$

246

\$

Provision for income taxes

-

-

-  
8  
-  
8  
Interest expense, net  
2  
-  
1  
66  
-  
69  
Depreciation and amortization  
48  
9  
10  
5  
-  
72

Adjusted EBITDA

332  
\$  
-  
\$  
15  
\$  
47  
\$  
1  
\$  
395  
\$

Table 6  
Adjusted Net Income (Loss) and Adjusted EBITDA  
Year to Date June 30, 2009

Operational Performance - Cash Generation - Prudent Growth

33  
Regulation G Reconciliation  
(in millions)  
Mid-Atlantic  
Northeast  
California  
Other

Operations  
Eliminations  
Total  
Energy  
78  
\$  
4  
\$  
-  
\$  
14  
\$  
-  
\$  
96  
\$  
Contracted & capacity  
85  
  
24  
  
29  
  
-  
  
-  
  
138  
  
Incremental realized value of hedges  
74  
  
4  
  
-  
  
-  
  
-  
  
78  
  
Realized gross margin  
237  
  
32  
  
29  
  
14

-  
312  
Unrealized gross margin  
(317)  
(10)  
-  
(13)  
-  
(340)  
Gross margin  
(80)  
\$  
22  
\$  
29  
\$  
1  
\$  
-  
\$  
(28)  
\$  
(in millions)  
Mid-Atlantic  
Northeast  
California  
Other  
Operations  
Eliminations  
Total  
Energy  
19  
\$  
3  
\$  
-  
\$  
49  
\$  
-  
\$

71

\$

Contracted & capacity

86

22

29

-

-

137

Incremental realized value of hedges

152

-

-

-

-

152

Realized gross margin

257

25

29

49

-

360

Unrealized gross margin

-

20

-

(34)



-

(14)

Gross margin

257

\$

45

\$

29

\$

15

\$

-

\$

346

\$

Gross Margin

Quarter Ending June 30, 2010

Table 7

Quarter Ending June 30, 2009

Operational Performance - Cash Generation - Prudent Growth

34  
Regulation G Reconciliation  
(in millions)  
Mid-Atlantic  
Northeast  
California  
Other

Operations  
Eliminations  
Total  
Energy  
170  
\$  
1  
\$  
-  
\$  
35  
\$  
-  
\$  
206  
\$  
Contracted & capacity  
174  
  
47  
  
59  
  
-  
  
-  
  
280  
  
Incremental realized value of hedges  
131  
  
16  
  
-  
  
-  
  
-  
  
147  
  
Realized gross margin  
475  
  
64  
  
59  
  
35

-  
633  
Unrealized gross margin  
29  
  
(14)  
-  
  
(3)  
-  
  
12  
  
Gross margin  
504  
\$  
50  
\$  
59  
\$  
32  
\$  
-  
\$  
645  
\$  
(in millions)  
Mid-Atlantic  
Northeast  
California  
Other  
Operations  
Eliminations  
Total  
Energy  
91  
\$  
18  
\$  
-  
\$  
76  
\$  
(3)  
\$

182

\$

Contracted & capacity

171

44

56

-

-

271

Incremental realized value of hedges

259

1

-

-

-

260

Realized gross margin

521

63

56

76

(3)

713

Unrealized gross margin

243

46

-

(49)

-

240

Gross margin

764

\$

109

\$

56

\$

27

\$

(3)

\$

953

\$

Table 8

Gross Margin

Year to Date June 30, 2010

Year to Date June 30, 2009

Operational Performance - Cash Generation - Prudent Growth

35  
Regulation G Reconciliation  
(in millions)  
Gross margin  
(28)  
\$  
346

\$  
Unrealized gross margin  
340  
  
14  
  
Lower of cost or market inventory adjustments, net  
3  
  
1  
  
Adjusted gross margin  
315  
  
361  
  
Operations and maintenance expenses  
(132)  
  
(114)  
  
Bankruptcy charges and legal contingencies  
-  
  
(62)  
  
Severance and bonus plan for dispositions  
-  
  
13  
  
Merger-related costs  
3  
  
-  
  
Postretirement benefit curtailment gain  
(37)  
  
-  
  
Lovett shutdown costs  
-  
  
2  
  
Adjusted operations and maintenance expenses  
(166)  
  
(161)



Gain on sales of emissions allowances, net

1

2

Other income (expense), net

(1)

(2)

Adjusted EBITDA

149

\$

200

\$

Table 9

Gross Margin to Adjusted EBITDA

Quarter Ending

Quarter Ending

June 30, 2010

June 30, 2009

Operational Performance - Cash Generation - Prudent Growth

36  
Regulation G Reconciliation  
(in millions)  
Gross margin  
645  
\$  
953

\$  
Unrealized gross margin  
(12)  
  
(240)  
  
Lower of cost or market inventory adjustments, net  
6  
  
(11)  
  
Adjusted gross margin  
639  
  
702  
  
Operations and maintenance expenses  
(298)  
  
(276)  
  
Bankruptcy charges and legal contingencies  
-  
  
(62)  
  
Severance and bonus plan for dispositions  
-  
  
13  
  
Merger-related costs  
5  
  
-  
  
Postretirement benefit curtailment gain  
(37)  
  
-  
  
Lovett shutdown costs  
-  
  
3  
  
Adjusted operations and maintenance expenses  
(330)  
  
(322)

Gain on sales of emissions allowances, net

3

17

Other expense, net

(1)

(2)

Adjusted EBITDA

311

\$

395

\$

Table 10

Gross Margin to Adjusted EBITDA

Year to Date

Year to Date

June 30, 2010

June 30, 2009

Operational Performance - Cash Generation - Prudent Growth