NRG ENERGY, INC.
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On July 8, 2009, NRG Energy, Inc. (NRG) hosted a conference call regarding the NRG Board of Director s rejection of Exelon Corporation s revised unsolicited proposal. The slides that were presented and a transcript of the presentation are included below.

PRESENTATION

Operator
Good day, ladies and gentlemen, and welcome to the NRG Energy conference call to discuss Exelon s revised unsolicited proposal and upcoming annual stockholders meeting. At this time, all participants are in listen-only mode. We will be facilitating a question-and-answer session towards the end of this conference. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes. I would now like to turn the presentation over to your host for today s call, Ms. Nahla Azmy, Vice President of Investor Relations. Please proceed.

Nahla Azmy
Good morning and welcome to our conference call to discuss Exelon s revised unsolicited proposal and our upcoming annual stockholder meeting. This call is being broadcast live over the phone and from our website at www.nrgenergy.com. You can access the call presentation and press release furnished with the SEC through a link on the Investor Relations page of our website. A replay of the call will be posted on our website.
This call, including the formal presentation and question-and-answer session, will be limited to one hour. In the interest of time, we ask that you please limit yourself to one question with just one follow-up.
And now for the obligatory Safe Harbor statement. During the course of this morning s presentation, management will reiterate forward-looking statements made in today s press release regarding future events and financial performance. These forward-looking statements are subject to material risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. We caution you to consider the important risk factors contained in our press release and other filings with the SEC that could cause actual results to differ materially from those in the forward-looking statements in the press release and conference call.
In addition, please note that the date of this conference call is July 8, 2009 and any forward-looking statements that we make today are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update these statements as a result of future events except as required by law.
During this morning s call, we will refer to both GAAP and non-GAAP financial measures of the Company s operating and financial results. For complete information regarding our non-GAAP financial information, the most directly comparable GAAP measures and a quantitative reconciliation of those figures, please refer to today s press release and this presentation.
In addition, we will be discussing Exelon Corporation s outstanding exchange offer and the solicitation of proxies for our 2009 annual meeting. Today s discussion does not constitute any offer to sell or the solicitation of an offer to buy any securities or a solicitation or proxy of any stockholder of NRG Energy nor is this a substitute for the exchange offer documents or proxy materials currently on file with the SEC. For important additional information regarding the exchange offer and the proxy statements, please see today s news releases and the Form 8-K.
Now with that, it is my pleasure to turn this over to David Crane, NRG s President and Chief Executive Officer. David?

David Crane

Good morning, everyone. We appreciate everyone taking the time to listen in on this unusual conference call. I am joined today by Bob Flexon, our Chief Financial Officer, who will be handling part of the presentation. I am also joined by three additional senior executives of NRG who are responsible for important parts of the Company s business and will be available to answer any specific questions that you might have in their area Mauricio Gutierrez, who runs the Company s commercial operations; Steve Corneli who is responsible for the Company s approach to climate change legislation; and I think a new person for many of the people who have known us for a long time, Jason Few who is responsible for the retail business of Reliant Energy since they have come onboard NRG.

Our presentation today, which, as Nahla said, is available on our website and which we are going to be referring to, is divided into two interrelated, but distinct parts. First, we wish to outline and explain the Board s response to Exelon s revised offer of July 2. That part of the presentation will be handled by me. Then we have a midyear business update that will be presented by Bob.

Just one point in advance of Bob s business update, obviously, it is out of the ordinary for NRG to provide this type of information between quarterly calls. In normal times under ordinary circumstances, this would be precisely the type of information that we would provide you on our second-quarter call at the end of July. But obviously these are not normal or ordinary times for NRG or its shareholders.

On July 21, the shareholders of NRG are going to make decisions on the size and makeup of NRG s Board of Directors, which could have far-reaching consequences for the future of the Company and the value of your shareholdings. It is important to the management of NRG and to our Board of Directors that the NRG shareholders make those decisions with the best information possible. For that reason, while it will not be possible for us today to give you all of the information that we normally give on a second-quarter call, Bob is going to present to you the most current information possible about the performance and prospects of your company.

Now getting into the presentation on slide 4. First, I want to summarize our Board s response, which was delivered to Exelon in a letter addressed to John Rowe this morning. And I think that there are three noteworthy elements both in Exelon s revised offer and concurrently in the Board s response to that offer.

First, there is the modest size of the bump itself relative to the value gap that existed last October and which only widened significantly over the past eight months due primarily to positive actions taken by NRG while Exelon has stood still.

Second, there is the fact that Exelon predicated its increase overwhelmingly on a very, very substantial level of cost synergies identified by their consultants. The level of these synergies is so great that we will be the first to admit that we were surprised. We had not previously conceived of such a level being achievable out of NRG s own business or out of the combination.

Third and somewhat conversely to the second point, because Exelon s increased offer is driven by increased synergies, it means, and Exelon is quite explicit about this in their presentation, that Exelon has ascribed an irrationally low price not only to NRG s core value proposition, but also to NRG s several growth initiatives that have progressed so successfully over the past eight months. Growth initiatives, which, as I have mentioned before, have differentiated NRG from both Exelon and the rest of the sector.

Now on slide 5, before we get into the fundamental economic view, for those on the phone who subscribe to the market has perfect knowledge philosophy, we would note that notwithstanding Exelon s herculean attempt to characterize their revised offer as a 44% high premium deal by developing an all new approach to indicative premium, the actual premium to the NRG share price at the close of business on the night before the revised offer was a far more pedestrian 7.9%. Suffice it to say that we don t think their

approach, which is to calculate their offer against our peer group s performance, is nearly as relevant as calculating their offer against our own performance.

But turning to slide 6, everyone knows the markets are volatile and more important to us are the fundamentals and particularly the cash. As we have said repeatedly over the last six years, we have always managed the business for cash and that is the main reason or the main approach to valuing Exelon s revised offer and slide 6 presents the crux of the valuation issue.

This was the main cause of our Board s objection to the Exelon offer in October. It was the main cause of our objection in February and it remains the main cause of our objection to their revised offer now. No matter what future year is important to you, Exelon s revised offer is dramatically unfair to NRG shareholders from the point of view of free cash flow contribution and free cash flow accretion dilution. Indeed, acceptance of this offer will result in severe double-digit free cash flow dilution to NRG shareholders for years to come.

On slide 7, by another basic, but nonetheless fundamental valuation metric, which is discount to replacement cost, Exelon s revised offer comes closer to compensating NRG fully for our baseload fleet in Texas than their previous one, but based on their own public estimation of what our baseload fleet in Texas is worth. But at 0.545, they stand to get the 18,000 MW balance of the NRG generating fleet for free.

Another way of thinking about this is that the NRG, which existed before we bought Texas Genco in early 2006, which was the beginning of our expansion into Texas, at that time, our Company had an enterprise value in the $6 billion to $7 billion range, which Exelon would be getting for free at the current price of their proposal.

So in summary, by these two measures and by several other valuation measures considered by our Board of Directors, 0.545, while a measurable and welcome improvement over 0.485, falls far short of compensating NRG shareholders for the core value of their company.

Having addressed the true value of where NRG is now, let s talk about the considerable additional value of where NRG is going. As demonstrated on slide 8, NRG has growth prospects, the depth, range and most importantly the value of which are unrivaled within the power industry. Exelon s revised offer of July 2 includes a breakthrough of sorts in that, for the first time, Exelon explicitly ascribes value to some of these growth initiatives. The problem is that the value that they ascribe is extremely low. From our point of view, explicably low. As you can see at the bottom of the slide, $1.10 per NRG share for everything, including Reliant Retail.

While we don t have the time today to provide a point-by-point explanation of all of the shareholder value embedded in each of NRG s many growth initiatives, let me hit a couple of high points. First and foremost, Reliant Retail, which Exelon says is worth $1 per NRG share. Today, NRG is announcing that based on significant part on the more than $200 million of EBITDA that Reliant has generated in the two months that we have owned it, we are projecting that Reliant will contribute at least $400 million to NRG s adjusted EBITDA over the last eight months of 2009.

While we listened last week to the Exelon economist who said that Reliant was worth $1 a share essentially because that is what we paid for it, it s hard for us to believe that most people will believe that a retail franchise that can produce over $1 per NRG share in its first eight months of operation under NRG is worth only $1 per NRG share in total.

The way we believe that the market should value Reliant under NRG ownership, and again I am looking at slide 9, is a retail electricity business integrated as to its supply with physical generation in the same region where its principal load is more valuable than a stand-alone retail business. This, in essence, is what John Rowe said on his call last week and we agree with him.

Reliant, in the two months we have owned it, has been substantially integrated with our wholesale supply already, but not totally. As such, being conservative, we believe a lower multiple in the range of 5x should be applied to Reliant s earnings until we can demonstrate to the market full integration. This leads to the $4.50 per share incremental value of Reliant to NRG shareholders, which we believe they should be fully compensated for by Exelon.

When the business becomes fully integrated, which we expect to occur before the end of 2009, we believe Reliant s financial performance is worthy of at least a 6x multiple, suggesting that there is further upside for NRG shareholders in this area in the not-too-distant future.

Slide 10, turning to nuclear. The differences of opinion with respect to the value of nuclear development that has been expressed between Exelon and NRG is extreme. But as we mentioned in our letter response to Mr. Rowe this morning, if Exelon really thinks nuclear development has no value, then why have they spent tens of millions of dollars over the past two years developing a greenfield nuclear project just down the road from our STP plant in Victoria County.

In our mind, there is considerable option value in being at or near the front of the queue at the NRC; at being the lead project in the COLA process for the ABWR technology, which is the technology, which Exelon itself recently embraced after pursuing the ESBWR for the better part of two years; that being one of the four final projects in the DoE loan guarantee; at having coveted production slots for ultra-heavy forgings at Japan Steel Works; and most of all, at having an existing nuclear site originally designed for four units with a skilled management team and workforce and hundreds of millions of dollars of common facilities already in place. To Exelon, in particular, this position in the nuclear renaissance is worth several dollars per NRG share.

What all this expansion means to us is financial growth. On slide 11, and what we re showing here is that this financial growth will build on our track record of past growth. Recall that NRG was a $600 million of EBITDA company in 2004. Everything we are doing now is designed to contribute significantly to the Company s financial performance, not only in the long term, but also as we are demonstrating today with our announcement about 2009 EBITDA in the short to medium term. Even our nuclear development program, through the sell-down of equity interest, the sale of intellectual property and development know-how and supply chain initiatives, has the ability to contribute EBITDA well before the first new nuclear units come online in 2016, 2017.

Now I don t want to sound like a broken record, but this is growth that NRG shareholders should be paid for and they should be paid for much more than $1.10 per NRG share.

Now on slide 12, having discussed NRG s own extrinsic and intrinsic growth, let s move on to discuss the new feature of Exelon s revised offer $3.2 billion of cost synergies, potentially worth over $9 a share.

Before we dive into this, let me make this perfectly clear. Let me make perfectly clear NRG s position. We support value whenever and wherever it can be found and that applies to combination cost synergies as much to any other form of financial value. Our viewpoint is that synergies, like other forms of value, have to be realistically attainable and in the case of combination synergies, they also need to be equitably shared between the parties. These are the two points, which I would like to address on slides 12 and 13.

With respect to combination cost synergies, the annual savings levels identified by Exelon s consultants appear on slide 12. While we would very like to have these consultants demonstrate to us this level of saving, it is not clear to us, at this point in time, how such a high level of saving is achieved out of a combination with NRG.

In the case of both corporate/IT and trading, two of the bigger areas of savings, the amount claimed by Exelon as a saving exceeds NRG s total spend in this area. In the case of fossil operations where the Exelon consultants believe it is possible to reduce our headcount by 350, we would note that their assumed fully loaded cost per such an employee of $225,000 is actually 74% higher than our actual

average fully loaded cost per O&M employee. So what we are saying is that while we are not foreclosing the possibility that Exelon s synergy number is attainable, we have some reason to be skeptical.

And with that, let me go into the second part of the synergy equation. It s our belief that combination cost synergies, the burden of which always falls disproportionately on the acquired company, should be shared equitably. Exelon proposes to share cost synergies with NRG shareholders ratably. Meaning NRG shareholders would realize only 18% of the benefit of any synergies achieved. If Exelon were to agree to share 50% of the projected synergies with the target company, as is more commonly done in these types of transactions, that would allow them to increase their offer to NRG by another $3.50 per NRG share. That is demonstrated on slide 13.

Now finally and moving on to slide 14, I want to address one aspect of the transaction risk. As all of you know from our previous communication, NRG s Board of Directors has plenty of reason to be skeptical about the certainty of Exelon s revised offer, which, like the original offer, continues to lack committed debt financing or assurances from the rating agency that Exelon s credit rating requirements will be satisfied, among other conditions. There continues to be no word from Exelon about breakup fees or downside protection on their fixed exchange ratio offer. But of all the many conditions and shortcomings in their offer, we remain particularly focused on Exelon s requirement to issue additional equity.

Exelon last week conceded that they need to issue a $1.1 billion of equity-linked instruments in connection with this transaction, but that number assumes that Exelon is able to raise $1.6 billion of additional funds through asset sales. As most of the asset sales would be of NRG assets, we are obviously intimately familiar with the complicated web of partnership agreements, offtake contracts and financing arrangements that surround the most valuable of the assets on the Exelon for-sale list. And suffice it to say that selling all of these assets for fair value under normal circumstances would take considerable time and skill.

In this market environment, as a for seller with a de facto time deadline imposed by the rating agencies, the results of a sales process are likely to be suboptimal. Raising a considerable concern on our part that Exelon will need to offer much more than $1.1 billion in equity to cover either a delay or a shortfall in proceeds from asset sales.

Slide 15, in summary, speaking on behalf of NRG s Board of Directors, we are pleased that Exelon has increased its offer and we are intrigued at the possibilities of significantly larger combination synergies. But Exelon s continued unwillingness to reflect the value of NRG s core business or NRG s unique growth prospects in its revised offer gives us concern that they ever will offer NRG shareholders fair value for their NRG shares and fair protection against the considerable transaction risk inherent in their proposed combination.

If they were to recognize simply the full and fair value of our growth initiatives, additional details of which we have provided well, which Bob will be providing today we will sit down with them to understand and quantify the true synergies and to explain to them the fully embedded value of our business, not all of which is yet readily apparent to them or to the market.

Now speaking on my own behalf to all of the NRG shareholders who are contemplating their vote in the upcoming proxy contest, let me say the following. Obviously it took eight months for Exelon to improve their offer and they did so with obvious reluctance only last week at the 11th hour because it became abundantly clear to them that if they didn t improve their offer, they were headed for a loss in the proxy contest on July 21. Their increase very clearly was a welcome step in the right direction, but there still is a lot of distance to cover both in terms of the price and the terms of the offer. If you vote Exelon s slate onto the NRG Board on July 21, my personal prediction is that Exelon s movement in the right direction toward a full, fair and reasonable offer for NRG will end on that day. With that, I turn it over to Bob Flexon.

Bob Flexon

Good morning, everyone. As David commented, with the annual meeting quickly approaching, we felt it appropriate to provide our shareholders an update on our business performance and plans for 2009 ahead of our normally scheduled second-quarter call.

I will began on slide 17 and provide an overview of our operating performance, our commercial and retail operations, including integration progress and our financial outlook and plans for the balance of the year. While additional detail on these items will be covered in more detail, the key themes, our top decile operating performance remains the goal. This includes safety, as well as plant operating performance. Bringing retail into the NRG portfolio is underway with noteworthy progress integrating the wholesale supply and risk management functions within the retail business. And finally, the combination of excellent performance from our retail business, our wholesale operations and the effectiveness of our hedging program leads the way for today s announced increase in 2009 adjusted EBITDA guidance by $325 million to $2.5 billion. This in turn seals our ability to commit and execute on an increased share repurchase plan totaling $500 million during 2009.

Additional operating performance is provided on slide 18. Our safety performance for the year is well inside top quartile performance, but, as stated a moment ago, top decile performance remains the goal. Our baseload plant operations are on pace for record reliability in 2009 with the Texas-base load fleet having an exceptional year. Cedar Bayou 4, our new combined cycle plant, reached commercial operating date, or COD, on June 25, just in time to meet the surging power demand. Since COD, the net capacity and equivalent availability factors have been 83% and 99% respectively, vailable to meet a surging demand for the power in ERCOT during the recent heat wave. FORNRG 2.0, our performance improvement initiative launched at the beginning of 2009 following our successful conclusion of FORNRG 1.0, has gotten off to a quick start. The 2009 component of the overall goal was a 20 basis point improvement over our 2008 baseline return on invested capital. That component of the goal was achieved by June 30, 2009, six months ahead of target through a multitude of improvements that will continue over the remainder of the year.

Slide 19 provides additional color on nuclear operating performance at STP 1 and 2. STP continues to distinguish itself as best-in-class, demonstrating industry leadership in areas such as safety, capacity factors, reliability and megawatt hours generated.

Moving on to slide 20, our Comm Ops and risk teams are focused on integrating the retail supply function into Comm Ops and matching the retail generation portfolios. We continued executing strategic hedges for our baseload generation recently, adding 3.5 terawatt hours of power equivalent hedges in 2010 at levels significantly above current market prices, which can be seen on the hedge position graph at the top left.

ERCOT load recovered significantly in June, down just 0.5% on a weather-normalized basis versus June of 2008. This compared to the first five months of the year in ERCOT that was down approximately 4% versus 2008. PJM year-over-year on a weather-normalized demand continues to be 3% to 4% below prior-year levels.

Our gas portfolio, including Cedar Bayou 4, was nearly 100% committed during the highest priced days in late June, which in turn have continued to push up forward heat rates reflecting the sound fundamentals within the Texas market.

During the first two months of NRG ownership, Reliant s retail business covered on slide 21 performed significantly above plan delivering over $200 million in adjusted EBITDA during the months of May and

June. These results were fueled by continued downward gas prices above normal weather, renewed focus on acquisition and retention and effective hedging. Market conditions at our current level of execution should enable the retail business to deliver in excess of $400 million in adjusted EBITDA for the eighth months in 2009 of NRG ownership.

Reliant has relaunched the C&I business segment and continues to maintain a number one ERCOT share. This is significant given more than 7.8 terawatt hours of annualized load that was not bid from October 08 through March of 09. Since May 1, in concert with our mass business price moves and full channel execution, acquisitions of new customers were up 25% in June. Despite higher than normal heat, which leads to higher overall bills, Reliant achieved a 10% reduction in churn during June versus May. This is a very strong and very positive trend that we remain focused on.

Additionally, NRG s generation assets, risk and supply management capabilities have allowed Reliant to more effectively hedge and stabilize customer pricing despite underlying commodity moves. Lowering prices through the summer months in Texas demonstrates our commitment to the long-term viability of this business. NRG acquired a strong retail brand and a very experienced competitive retail team. Removing the middleman, the financial counterparties affords Reliant collateral efficiency, which is being passed on to our customers. All of these improvements culminate a much stronger Reliant and NRG.

Slide 22 provides the updated financial outlook for the year. Adjusted EBITDA guidance for 2009 is being increased by the $325 million to $2.5 billion driven by the $400 million adjusted EBITDA contribution from Reliant for the eight months of ownership. This was partially offset by a $75 million reduction in the wholesale business EBITDA due to higher than anticipated costs. $2.5 billion of adjusted EBITDA will be an all-time record for the Company.

Included in cash from operations, but excluded from recurring free cash flow, is the anticipated retail collateral NRG will post later in 2009 as the retail ringfence is removed and the Merrill Lynch credit sleeve is terminated. Funding in this collateral will be sourced from the proceeds of the $700 million bond offering that occurred on June 2, 2009. Removal of the ringfence will allow the free flow of cash from the retail subsidiary to the parent facilitating and contributing towards the Company s capital allocation program. Based on the July 7 closing stock price of $22.08, this translates to recurring free cash flow yield of 23% or $5.13 per share.

Slide 23 provides additional financial information for 2009. In addition to the record adjusted EBITDA outlook, liquidity at June 30 exceeded $4 billion, also an all-time high for NRG. This $1 billion increase since the first quarter was driven by the $700 million bond offering, the net proceeds from the sale of MIBRAG and cash from operations. These cash inflows were partially offset by the purchase of Reliant during the second quarter.

Finally, this combination of higher earnings and cash flows, along with a record liquidity level, leads to today s other announcement that our share buyback commitment for 2009 is being increased from the existing $330 million to $500 million. Our plan is to complete these repurchases by year-end; although this is dependent on having open trading windows.

My last slide on page 24 provides a comparative view of various EBITDA multiples. Prior to guidance being increased, our trading multiple was six times. Adjusted for the guidance change, the multiple compresses down to 5.2 times, well below the peer average of 8.3 times and the composite sell side analyst view of 7.2 times. As you can see on the bottom right-hand portion of the slide, using these various multiples with our revised outlook highlights the undervalued nature of our equity, supporting our action to expand our 2009 share repurchase program. At this point, I will turn it back to David for concluding remarks.

David Crane

Thank you, Bob. Looking at slide 26, the last slide, the conclusion slide, the Company s track record of improved financial performance as measured by adjusted EBITDA and cash flow from operations over the past six years, what I would tell you about this, the power generation business, and for those of you who have known me for the last several years even before I came to NRG, would know I ve been saying this for a long time it is a capital-intensive, cyclical, commodity-driven business. Having experiences up close to the previous industry downcycle at the beginning of this decade, we set out to build the new NRG on a business model that would work through both up cycles and down cycles.

Today, as Bob has discussed and this slide demonstrates, with $2.5 billion in EBITDA for 2009, in the midst of the worst down cycle that any of us will ever experience hopefully, I think we show the full extent of our success in this regard. We not only have built the Company to survive the downturn, we have built one that will prosper. Lacy, on that note, we would be happy to open send the floor back to you for some questions and answers.

QUESTION AND ANSWER

Operator
(Operator Instructions). Anthony Crowdell, Jefferies.

Anthony Crowdell
Good morning. Just a question on the increase in EBITDA, it is a pickup of about $325 million. I think roughly $150 million of that pickup was related to Reliant. Is that correct at all? So can I assume the other $175 million from synergies or plant performance is recurring?

Bob Flexon
Well, I think the way you should look at the guidance is that we had guidance out there of 2.175 and that was just the wholesale business. Reliant is increasing it by $400 million and then on the wholesale side, it is coming in by 75. So you get the net increase of $325 million to the $2.5 billion.

Anthony Crowdell
You d attribute some of the increase to plant performance, strong at STP. You are saying though that mainly the pickup was Reliant, so we can assume that that would be recurring?

Bob Flexon
That is right and on the wholesale side, we have certainly strong operating performance. We had slight uptick in some unexpected costs at the gross margin level side. But net net, the overall improvement is on the retail side and I would look at it as recurring.

Anthony Crowdell
Great, thank you.

Operator
[Neel Mishra].

Neel Mishra
Given the strong results from the retail unit year to date, are you considering raising the normalized EBITDA run rate guidance above $200 million? Besides the stickiness in pricing, are you seeing dynamics that are specific to this year?

David Crane

Neel, I think our run rate midcycle was $250 million, not $200 million, which we already raised once since we owned it. I guess what we would say is it s a brave new world out there and we have only owned Reliant Retail for two months and we are a very conservative company. So we are not prepared to say that the midcycle performance of the business is more than $250 million. I think at the time, which I mentioned would probably be at the end of the year, that we could declare that the business was absolutely fully integrated. At that time, we would be in a better position to have a sense of what the midcycle run rate is. But for now, we are sticking with the $250 million. We are sticking with that story, Neel.

Neel Mishra
Okay. And then can you briefly discuss your opinions as to the positives and negatives that Exelon s investment grade balance sheet would provide you now that the credit markets have normalized a little bit more? Does NRG still take the view that a generation company should stay a notch below investment grade?

David Crane
Well, let me start on that, Neel, and then I will hand it over to Bob to provide you with more detail. My basic view of investment grade in the merchant generation business is that at least one of the rating agencies has previously stated that they think that the competitive power generation business is fundamentally a BB business and I take them at their word on that.
I am sure that there is a level of investment grade balance sheet where the low cost of the capital and the ability to trade without posting any sort of collateral makes it easy, but I will tell you that I don t think that that is investment grade rating in BBB land. I think that is an investment grade rating in A or AA land.
And what concerns me, and I have seen this time and time again in my 20 years in this industry, I would tell you that I think the worst, absolute worst position to be in in this industry in terms of trying to maximize value to your shareholders is to be BBB- because when you are BBB-, you are not working for your shareholders anymore, you are working for the rating agencies because you cannot afford even a single notch downgrade. And we have seen that story and I don t want to be part of that story. But that is just my point of view. Bob Flexon?

Bob Flexon
Neel, I would just add to that that if you re going to be sub-investment grade, you just certainly need a liquidity structure that supports that what you want to do around your hedging program. For us, the first lien structure provides really an unlimited credit facility. It gives us the ability to do long-term hedges without posting any collateral, not worried about any collateral calls or the like. It is more volumetric driven. So the fact that we have that really removes any obstacles that we have in conducting the business.
And when we talk about growth and new project and new project development, we do that away from the balance sheet anyway and we do that typically on the heels of an investment-grade offtake agreement. So I don t see any benefit for us given the structure that we have employed here at NRG.

Neel Mishra
Okay, thank you.

Operator
Lasan Johong, RBC Capital Markets.

Lasan Johong
Thank you. Couple quick questions. David, do you have a target ratio in mind? If 0.545 is not appropriate, is there a number that you think is in your mind you don t have to say it, but do you have a number in mind?

David Crane
Well, I would say that I have a point of view I am a member of the Board of Directors of NRG. I am one of 14 members and so yes, I have a point of view and I won t say it, but I am one of 14 votes on that question. I think what we have done today is we have outlined several different factors, very easily quantified factors that should cause Exelon that really gives Exelon a handle to make a substantial increase in the 0.545 that they currently have on the table.
John Rowe has said repeatedly, and I have to tell you, one thing that I admire about John is that throughout this process, he has been very direct about what he says. There has been no artifice, no head faking. He tells people what he thinks and he has said it to you. He s is all about value. Well, today, we have handed him various roadmaps, the value that would lead to a substantial increase over the 0.545. So we hope he will take one of those roads.

Lasan Johong
Do you think that there is a valid argument in what John is saying that both stocks are undervalued and that both stocks undervaluation has to be taken into consideration?

David Crane
Well, I would say that, to a point, in the sense that we have never argued that, in the 40s, Exelon s stock is an inflated currency, but I would say that, for investors, if they think that Exelon s stock is significantly undervalued, it is a highly liquid currency, they are free to go out and buy it on their own. So you have to look at the value of the combination and I think that is what is interesting about what they said about synergies.
I would also say that the price that has been put on the table for NRG is significantly below the mark. There is a lot of room for movement, which I think overrides the fact that their stock may be a decent deal at 48 or whatever they are trading at.

Lasan Johong
Okay. A quick question for you, Robert. 2011 EBITDA, if you remove hedges and go with the forward curve, do you have an estimate of what that number looks like?

Bob Flexon

I do not.

Lasan Johong
Okay, thank you.

Operator
(Operator Instructions). Brian Russo, Ladenburg Thalmann.

Brian Russo
Could you just maybe update us on any progress related to additional equity selldowns at NINA?

Bob Flexon
Well, Brian, thanks for asking that question. I will tell you that the progress with nuclear selldown at NINA is highly dependent on the outcome of the Exelon situation and this is why. As we have made pretty clear, essentially what we re looking to do is sell down a 20% stake and we are somewhat receptive to whether we sell it down at the NINA level or at the STP 3 and 4 level.
When you are selling a 20% stake to somebody, they have a very strong interest in knowing who the majority partner is going to be in the project. So I would say that there is a lot of interest in that 20% stake, but at this point this close to the July 21 proxy contest, to be frank, I think most of the potential partners are sitting on the sidelines waiting to see what happens with Exelon.

Brian Russo
Okay, thank you. Then just back on the Reliant Retail contribution of $400 million this year, should we assume ongoing contribution is more like $250 million and the improvement in 09 is more related to maybe some outsized margin per megawatt hour early on in this year, as well as some favorable weather in June in ERCOT?

David Crane
Brian, Bob is going to answer that question, but there was one other point I should have made about the nuclear selldown. I would say that if the Exelon situation clarifies itself this month, we are highly confident that we would be in a position to finalize the selldown before the end of 2009, ideally before the end of the third quarter. But with each day that passes, that becomes more difficult. Anyway, on your question about the Reliant contribution.

Bob Flexon
Brian. I think the way you think about it over the next several years, when we came up with the $250 million run rate, we looked out five to six years and looked at the curve on gas and the impact on the supply side of meeting the load. And that is kind of an average number, but I think when you think more of the prompt years, we will exceed that $400 million EBITDA number in 2009. And given the forward curve and where the markets look in 2010, I would expect we would be above the $250 million in 2010. When you look at the back end of the curve, it maybe

averages down to that level, but that is kind of the way we look at it right now. In the prompt couple of years, you will see performance above that run rate level.

Brian Russo
Okay, great. Thank you.

Operator
Andrew Weisel, Macquarie Capital.

Angie Storozynski
This is actually Angie Storozynski. Two questions. We are hearing some question marks about your nuclear CapEx and how you actually value the CapEx per kW when you compare it to the FPL and to many other companies that actually showed their estimates of how much it is going to cost and that s Exelon s implied gap in your financing for this business. How could you address this issue?

David Crane
Okay. Nahla, the slide on that is in the voluminous appendices, are they not? I know that we hit you all with a very long presentation today, but there are several pages on the nuclear in the appendices. And the first thing I would say to you is what constantly confuses a lot of people, and evidently Exelon in this case, is making an apples-to-apples comparison. And so you have to be clear, when you re talking about our project, you are talking about overnight costs, like in the case of FPL, I know that when you look at their full number, they include the cost of transmission, they are talking in 2017 dollars and things like that. So actually if you look at the numbers, if you compare them, they are not that different from each other.
The second thing I would mention is we have estimated in the past that there are several hundred million dollars of common facilities at our site. So if Exelon working in the neighboring county of Victoria at a greenfield site is trying to compare our estimate to theirs, then maybe they are missing that.
The third thing I would tell you is that we are the only one of the people who are looking to build a plant who are looking to build a plant that has been built before, it has been built on time and on budget in Japan and the builder of that, in this case Toshiba, has absolute full specific detail about amount of labor required, amount of materials required and full construction design drawings. And so we think our estimate for the technology we are building is actually the most accurate.
And Angie, let me up the ante a bit. We would say that our number, which appears on page 31, is $3200 per kW. That was an estimate that was done, I think, 18 months ago. We believe when we redo that estimate, it will come down because of the movement in copper and steel prices and the like. So that would be my response on that. I know I got going on that, Angie. Was there another aspect of that nuclear question or do you want to move on to your second question?

Angie Storozynski
No, no, just one thing. You are going to finance or you are planning to finance this newbuild through a JV, so not on your balance sheet. Now assuming that you are acquired by Exelon and

now you are an investment-grade company, how would it help this development from a financing perspective if it is still a JV?

David Crane
Yes, to be frank, most of the financing costs, it doesn t matter if you are Exelon or the Southern Company or Duke or Florida Power and Light, most of the financial cost for any new nuclear plant is going to be based off the federal loan guarantee numbers. So you would have to ask them why them owning us would lead to a lower financing cost for a nuclear plant because we have estimated, and we don t know exactly yet because the government has to tell us this, but we are talking about a cost of debt funding for this project that would be only slightly above US treasuries because of the federal loan guarantee. So I would be at a loss as to explain to you why they think that their balance sheet is an advantage when it comes to financing the nuclear plant.

Angie Storozynski
Now the last question about the wind development, there is clearly discrepancy in views as to where the new wind farms will be built. Are they going to concentrate in Texas, are they going to concentrate in the Midwest? Any comment on this issue?

David Crane
Well, Mauricio is the expert on this. I would just say that in terms of one of the things for those of us who have been in the fossil fuel fired business, development business for a long time as you are trying to project future supply and demand, of course you are looking at what is in the construction queue and before that what is in the development queue. And the good thing about combining cycle plants was they took two to three years to build. So you had pretty good foresight, four or five years into the future.
Wind is a little tougher because the plants get built within a year. So you have to look all the way back to who is filing for interconnection permits. And I would tell you before Mauricio starts talking that the number of interconnection permits being filed in Texas is way down while those in the Midwest is massively up. But that is just one indicator from a developer s perspective. Mauricio, you want to talk about it from the market s perspective?

Mauricio Gutierrez
Sure. Angie, we have provided some detail on slide 42 on the appendix where we compare some of the comments that Exelon made in their last presentation versus our perspective. We believe that the wind resources in the Midwest are vast and there are transmission projects that have made significant progress to bring those resources into load [sensors] primarily in the Midwest and West of PJM. So we have outlined a number of reasons why we believe our perspective in terms of wind development in the Midwest versus wind development in Texas to comply with the renewable energy standard requirements is not going to happen just in one place, but I think it is going to happen where the wind resources exist and that is in the Midwest.

Angie Storozynski
Okay, thank you.

Operator

Terran Miller, Knight Libertas.

Terran Miller
Good morning, David. Just a quick question, it seems that you would like Exelon to raise their bid before you open up to due diligence and they would like to engage in some level of due diligence to justify raising their bid. So my question is, simplistically, why is it a problem to try to engage them in some conversation now if the end goal is to maximize shareholder value?

David Crane
I would tell you, first of all, I think we are engaging in a conversation right now. The letter we sent today is an engagement of a conversation. In a hostile takeover offer where if I were to have a personal phone call with John Rowe, it would have to be filed with the SEC the next day. This is all being done in the fishbowl here. So this is a conversation we are having.
In terms of our point of view on what you are saying, and actually if you would notice, they didn t really make a big demand about doing due diligence in their investor presentation last week, but you would have to ask them. From our perspective, we are trying to see if they are willing to be fair. When we see $1 per share for Reliant Retail, there is just not a lot there to get you excited that there is going to be a dialogue with two reasonable parties trying to reach a win-win situation for both group of shareholders. That is the basis for the Board s decision today. And by the way, in terms of your comment about optimizing shareholder value, I think and I hope you will agree that we are demonstrating today, as we have done everyday, that we are optimizing shareholder value pretty well here at NRG.

Terran Miller
Thank you.

Operator
Scott Pearl, Seneca Capital.

Matt Mylam
It is actually [Matt Mylam]. Just to follow up on Lasan s question, is it possible to give us some color or direction on EBITDA for 2011 as it compares to the 2009 guidance as it is an important number to the accretion/dilution of the proposed deal? Understanding that the market will be what it will be, but looking at disclosures, it looks like 2011 has been hedged at a lower level on a $1 per megawatt hour basis than 09. So is it maybe possible you can give us some color how much lower 2011 EBITDA or how much lower hedges have been in 11 versus 09 and if it has been gas or power that was hedged? Lastly, how do 2011 hedge prices compare to 2012?

Bob Flexon
We disclosed that in our 10-K, Matt, where we actually put out the hedge prices and generally speaking, these are gas hedges and for 2011 I don t have the numbers in front of me but it is in at around $7 in terms of what the hedge gas price is. And if you look at the earnings profile

over the next five years or so, 2011 is the low point on the wholesale portfolio. So that is not unexpected and it is attributed to those hedges.
In terms of how much it is, you really have to take a look at the difference between 2009, which I think the hedge numbers is over $8 and then you can take a look at the level that we are hedged, which is about 70% in 2011, then you can just work the math from their to give you a good ballpark on what that cost would be, what the difference would be.

Matt Mylam
Got you. Heat rates in ERCOT have improved quite a bit since the 12/31 heat rate curve I think you guys use. So is it fair to assume that on a dollar per megawatt hour basis, it has actually improved in 2011 given the heat rate improvement in gas?

Bob Flexon
Yes, that is right because right now the heat rate position in 2011 is very much open and as that continues to strengthen, you will get uplift from that. Right now, when we talk about the dip, we re really just comparing where the proxy for power being gas, where that has been hedged at. The heat rate is floating.

Mauricio Gutierrez
Yes, keep in mind that on our disclosure on the 10-K, we use the heat rate as of December 31 and the heat rates have increased significantly not only because of the strong [peering] prices that we are seeing in Texas, but the lack of generation that we are expecting given the credit environment. The fundamentals in that market are reflected in the increase in heat rates that we have seen over the past couple of months.

Mauricio Gutierrez
So when you see the heat rate sensitivity that we had on slide 20 as well, when you see the heat rate movement in 2011 as it moves a quarter a point, that is a $66 million impact. So I think you got the components there to be able to come up with the difference.

Bob Flexon
Matt, on this front you didn t really ask about this but you asked close enough, so I will answer the question you didn t ask. Our early indications of electricity demand in ERCOT relative to the other parts of the country, particularly the industrial Midwest, is that we ve started to see substantial signs of recovery in June, even on a weather-adjusted basis. I know that everyone knows that it has been scorching hot down in the Gulf Coast and that is good for business when you are in the business we are in. But even if you adjust for weather, I think we saw a statistically meaningful improvement in June relative to the spring months. Now, that is just one month, but it is a welcome sign.

Matt Mylam
Great, thanks.

Operator
[Michael Boat], Wells Fargo Securities.

Michael Boat
I just had a quick question. I was wondering if you could comment on what you are seeing or assuming for bad debt expense at the retail business.

David Crane
Jason, would you like to answer that question?

Jason Few
Sure. One of the good things about the Texas market is it seems to be holding up a lot better than other markets around the country and so we are not seeing significant changes in our bad debt experience in the retail business. Although we continue to plan for potential impacts from a bad debt perspective, but today, the retail business is less than 2% on a bad debt expense basis.

David Crane
And historically compared to what is that in normal times?

Jason Few
It is right in line with what we have seen in previous years.

Michael Boat
Is that less than 2% of revenue?

Jason Few
Yes.

Michael Boat
And then just a follow-up on that, I think First Choice was talking about the regulators in Texas looking at some regulatory policies to prevent I guess customers can hop around pretty easily and leave a rep with some unpaid bills. Is there any progress on that?

Jason Few

Yes, there is no regulation that allows a customer to leave a rep with an unpaid bill. Customers are accountable for those bills. There was legislation to accelerate the actual time in which a customer can switch away, but that in no way impacts their obligation to pay their bill.

Michael Boat
Okay.

Jason Few
And/or termination penalties if they have that on the residential side.

Michael Boat
Okay, thank you.

David Crane
Lacy, I think we have time for one more question.

Operator
Anthony Crowdell, Jefferies.

Anthony Crowdell
Just a follow-up, I wanted to understand the procedure. If NRG shareholders do vote in the Exelon Board members, they still have like I guess, I would say, a second vote or they still get to approve the transaction, so there would be two separate votes for NRG shareholders, is that correct?

David Crane
Anthony, I think you have to clarify your question. My understanding of this I mean the shareholders themselves, they have essentially two votes at the shareholder meeting. One, there are four class III nominees against the four class III Directors on the Board and then a second vote increases the size of the Board from 14 to 19 and then they have got five candidates for those things. So those two votes, you do it at the same time, my understanding. But that is not your question is it?

Bob Flexon
I think, Anthony, your question is if there is a transaction that is going to be consummated, would the NRG shareholders have to vote on it.

Anthony Crowdell

Yes, that is it.

Bob Flexon
Yes, they would.

Anthony Crowdell
So they are going to have a Board vote or they get like two votes for the Board and then if a transaction is consummated, they do get another vote to approve that transaction?

David Crane
That would be down the line. Right now, the vote is simply now around Board seats. There is no vote on transaction at this point in time.

Anthony Crowdell
Thank you.

David Crane
Okay, operator, well, we want to thank everyone who participated in the call and we appreciate your interest in NRG. Thank you.

Operator
Thank you for your participation in today s conference. This concludes your presentation. You may now disconnect. Good day, everyone.