

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-9

SOLICITATION/RECOMMENDATION STATEMENT UNDER
SECTION 14(d)(4) OF THE SECURITIES EXCHANGE ACT OF 1934

NRG ENERGY, INC.
(Name of Subject Company)

NRG ENERGY, INC.
(Name of Person(s) Filing Statement)

COMMON STOCK, \$0.01 PAR VALUE
(Title of Class of Securities)

629377-10-2
(CUSIP Number of Class of Securities)

JAMES J. BENDER, ESQ.
SENIOR VICE PRESIDENT & GENERAL COUNSEL
NRG ENERGY, INC.
901 MARQUETTE AVENUE, SUITE 2300
MINNEAPOLIS, MINNESOTA 55402
(612) 373-5300

(Name, address and telephone number of person authorized to receive notice
and communications on behalf of the person(s) filing statement)

COPY TO:

BENJAMIN F. STAPLETON, III, ESQ.
SULLIVAN & CROMWELL
125 BROAD STREET
NEW YORK, NEW YORK 10004
(212) 558-4000

ITEM 1. SUBJECT COMPANY INFORMATION

The name of the subject company is NRG Energy, Inc., a Delaware corporation ("NRG"), and the address of its principal executive offices is 901 Marquette Avenue, Suite 2300, Minneapolis, Minnesota 55402. The telephone number for NRG's principal executive offices is (612) 373-5300.

The title of the class of equity securities to which this Solicitation/Recommendation Statement on Schedule 14D-9 (this "Statement") relates is NRG's common stock, par value \$0.01 per share (the "Common Stock"). As of March 19, 2002, there were 51,084,878 shares of Common Stock issued and outstanding. As of March 19, 2002, there were 10,647,850 shares of Common Stock underlying issued and outstanding equity units and 7,215,249 shares of Common Stock underlying issued and outstanding stock options.

As of March 19, 2002, Xcel Energy Inc. ("Xcel") owned, through a wholly owned subsidiary, 147,604,500 shares of Class A common stock, par value \$0.01 per share, of NRG (the "Class A Common Stock" and, together with the Common Stock, the "Common Shares"), each of which may be converted by Xcel at any time into one share of Common Stock. Xcel does not currently own any shares of Common Stock. Each share of Class A Common Stock entitles its holder to ten votes per share, while each share of Common Stock entitles its holder to one vote per share. As a result, Xcel controls approximately 96.7% of the combined voting power of the Common Shares outstanding as of the date of this Statement.

ITEM 2. IDENTITY AND BACKGROUND OF FILING PERSON

The filing person is the subject company. NRG's name, business address and business telephone number are set forth in Item 1 above.

This Schedule relates to the exchange offer by Xcel being made pursuant to a preliminary prospectus and offer to exchange (the "Offer Document") filed on Schedule TO (the "Schedule TO") and contained in the Registration Statement on Form S-4 (the "Form S-4"), each as filed by Xcel with the Securities and Exchange Commission (the "SEC") on March 13, 2002, to exchange 0.4846 (the "Exchange Ratio") of a share of common stock, par value \$2.50 per share, of Xcel (an "Xcel Share") for each outstanding share of Common Stock validly tendered in the offer and not withdrawn, with cash to be paid in lieu of fractional shares, upon the terms and subject to the conditions set forth in the Offer Document and in the related Letter of Transmittal (which, together with any amendments or supplements to either, constitute the "Offer").

According to the Offer Document, following the consummation of the acquisition of the shares of Common Stock tendered in the Offer, Xcel intends to cause NRG to be merged in a "short-form" merger with a wholly owned subsidiary of Xcel (the "Merger"), thereby causing NRG to become a wholly owned subsidiary of Xcel. At the effective time of the Merger, each issued and then outstanding share of Common Stock (other than such shares held by Xcel and its affiliates or stockholders who properly exercise their appraisal rights in accordance with Section 262 of the Delaware General Corporation Law (the "DGCL")) will be exchanged for Xcel Shares in accordance with the Exchange Ratio, with cash to be paid in lieu of fractional shares.

As set forth in the Offer Document, the Offer is subject to a number of conditions, including:

(a) NRG's stockholders who are not directors or executive officers of Xcel having tendered into the Offer and not withdrawn, as of the expiration of the Offer, enough shares of Common Stock so that, when taken together with the shares of Common Stock that Xcel will hold after its intended conversion of certain shares of Class A Common Stock, Xcel would own at least 90% of the outstanding shares of Common Stock (the "Minimum Condition"). For the Minimum Condition to be satisfied, these NRG stockholders must tender approximately 61% of the publicly held shares of Common Stock that are outstanding as of March 13, 2002. Under the DGCL, Xcel's ownership of at least 90% of the outstanding shares of Common Stock will allow Xcel to merge NRG with its wholly owned subsidiary in a short-form merger without a stockholder vote;

(b) the Form S-4 having been declared effective by the SEC and not subject to any stop order or proceeding seeking a stop order;

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(c) the Xcel Shares to be issued in the Offer and the Merger having been approved for listing on the New York Stock Exchange ("NYSE"), Chicago Stock Exchange and Pacific Exchange; and

(d) the Offer and the Merger having been approved by the SEC under the Public Utility Holding Company Act of 1935, as amended.

Xcel has stated in the Offer Document that it will not waive any of the above conditions.

In addition, as set forth in the Offer Document, Xcel will not be required to accept shares of Common Stock for exchange and may choose to extend the expiration of the Offer or terminate the Offer if any of the following occurs and is continuing, and in Xcel's good faith reasonable judgment, regardless of the circumstances, it would be inadvisable for Xcel to proceed with the Offer:

(a) any governmental authority of competent jurisdiction having issued an injunction, order, decree, judgment or ruling that is in effect, or having promulgated or enacted a statute, rule, regulation or order, which in any such case:

- restrains or prohibits Xcel from making or completing the Offer or the Merger;
- prohibits or restricts Xcel's or any of its affiliates' ownership or operation of any portion of NRG's business or assets, or would substantially deprive Xcel or any of its affiliates of the benefit of ownership of NRG's business or assets, or compels Xcel, or any of its affiliates, to dispose of or hold separate any portion of NRG's business or assets;

- imposes material limitations on Xcel's ability to acquire, hold or exercise full rights of ownership of the Common Shares, including the right to vote the Common Shares; or
- imposes any material limitations on Xcel's ability and/or the ability of its affiliates or subsidiaries to control in any material respect the business and operations of NRG;

(b) any litigation or other legal action is instituted, pending or threatened by or before any court or other governmental authority which seeks to:

- restrain or prohibit Xcel from making or completing the Offer or the Merger or impose on Xcel or any of its affiliates any other restriction, prohibition or limitation referred to in the above paragraph (a) that in Xcel's reasonable judgment is reasonably likely to be successful; or
- impose any liability on Xcel, NRG or their affiliates that, in Xcel's reasonable judgment, is reasonably likely to result in liability material to Xcel and its subsidiaries on a consolidated basis, or NRG and its subsidiaries on a consolidated basis;

(c) (i) any general suspension of, or limitation on prices for, trading in the shares of Common Stock or Xcel Shares on the NYSE; (ii) a declaration of a banking moratorium or any general suspension of payments in respect of banks in the United States; or (iii) in the case of any of the events described in clause (i) or (ii) above existing at the time of the commencement of the Offer, a material acceleration or worsening of that event;

(d) any change, development, effect or circumstance that, in Xcel's reasonable judgment, would reasonably be expected to have a material adverse effect on NRG; or

(e) NRG having filed for bankruptcy or another person having filed a bankruptcy petition against NRG which is not dismissed within two business days.

As set forth in the Offer Document, the conditions to the Offer described in the preceding paragraph are for Xcel's sole benefit and may be waived by Xcel, in whole or in part, at any time and from time to time prior to the expiration of the Offer, in Xcel's sole discretion (subject to Xcel's obligations under the SEC's rules and regulations).

The principal executive office of Xcel is located at 800 Nicollet Mall, Minneapolis, Minnesota 55402. All information set forth in this Statement about Xcel or affiliates of Xcel (other than NRG and its subsidiaries), as well as actions or events respecting any of them, was obtained from reports or statements filed by Xcel with

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the SEC, including, but not limited to, the Offer Document, and NRG has not verified the accuracy or completeness of such information.

ITEM 3. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS

Except as described herein (including the Exhibits hereto), to the knowledge of NRG, as of the date of this Statement there exists no material agreement, arrangement or understanding or any actual or potential material conflict of interest between NRG or its affiliates and (i) NRG's executive officers, directors or affiliates or (ii) Xcel or its executive officers, directors or affiliates. The Board of Directors of NRG (the "NRG Board") established a special committee (the "Special Committee") of the NRG Board, comprised solely of independent directors and authorized by the NRG Board to review and evaluate the terms and conditions of the Offer and to consider whether the Offer is fair to, and in the best interests of, NRG and its stockholders. The members of the Special Committee are Luella Goldberg (Chairman), Pierson Grieve and William Hodder. The NRG Board and the Special Committee were aware of the actual and potential conflicts of interest described in this Item 3 and considered them along with the other matters described below in Item 4, "The Solicitation or Recommendation -- Recommendation and Reasons for Recommendation".

CERTAIN ARRANGEMENTS BETWEEN NRG AND ITS EXECUTIVE OFFICERS, DIRECTORS AND AFFILIATES

Certain agreements, arrangements and understandings between NRG and its directors and executive officers are described in NRG's Proxy Statement for its 2001 Annual Meeting of Stockholders, dated April 26, 2001 (the "Proxy Statement"), in the following sections: "Proposal No. 1 -- Election of Directors -- General Information", "-- Information Concerning the Board of Directors", "-- Beneficial Ownership of Shares of Common Stock and Class A Common Stock", "-- Compensation of Executive Officers", "-- Pension Plan Tables", "-- Employment Agreements -- David H. Peterson Employment Agreement" and "-- Relationships and Related Transactions". These sections of the Proxy Statement are filed as Exhibit 4 hereto.

Four of the nine current directors of NRG are also executive officers of Xcel and two of these four directors also serve on the Board of Directors of Xcel (the "Xcel Board"). In addition, one NRG director is the former Chairman of Xcel. Moreover, many of NRG's executive officers and directors are beneficial owners of Xcel Shares. Based on reasonable inquiry, to the best of NRG's knowledge, however, the directors and executive officers of NRG beneficially own, in the aggregate, less than 1% of the issued and outstanding Xcel Shares. None of the members of the Special Committee own Xcel Shares.

In addition to the arrangements described in the sections of the Proxy Statement noted above, James Bender (Vice President and General Counsel), Leonard Bluhm (Executive Vice President and Chief Financial Officer), Craig Mataczynski (Senior Vice President, North America) and John Noer (Senior Vice President, Worldwide Operations) are participants in NRG's Executive Officer and Key Personnel Severance Plan (the "Plan"). In June and July 2001, NRG executed severance plan agreements with Messrs. Bender, Bluhm, Mataczynski and Noer pursuant to the Plan. Each such agreement remains in effect until the third anniversary of its effective date. Each agreement has an effective date of May 31, 2001, except for the agreement with Mr. Noer, which has an effective date of January 15, 2001. The agreements provide that if the employment of any of Messrs. Bender, Bluhm, Mataczynski or Noer is terminated due to his death or disability, he will receive his base salary and accrued vacation through the date of termination or resignation. Each such agreement further provides that if any of Messrs. Bender, Bluhm, Mataczynski or Noer is terminated for cause, or if he voluntarily resigns without good cause, he will receive his base salary and accrued vacation through the date of termination or resignation, plus all other amounts to which he is entitled under any compensation plans of NRG, at the time such payments are due.

Each such agreement further provides for the payment of severance benefits in the event that any of Messrs. Bender, Bluhm, Mataczynski or Noer is terminated by NRG without cause, or if any of them terminates his employment within three months of a material change or reduction in his job responsibilities with NRG or as a result of a material breach by NRG of the compensation or benefit terms of the agreement. The severance benefits payable include the payment of two times the participant's base salary, plus two times

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the participant's average annual bonus earned over the two full years prior to the date of termination or two times the participant's target annual bonus established for the bonus plan year in which the participant's termination occurs, whichever is greater.

Severance benefits are also payable to each of Messrs. Bender, Bluhm, Mataczynski and Noer if, within six months prior to, or twelve months after, the effective date of a Change in Control (as defined in the Plan) of NRG, his employment with NRG ends as a result of either an involuntary termination of his employment by NRG for reasons other than cause, or by voluntary termination by him for cause. Whether or not a particular transaction constitutes a Change of Control is to be determined by the Board of Directors of NRG, but neither successful completion of the Offer nor consummation of the Merger is expected to constitute a Change of Control. In the event of a Change in Control of NRG, the severance benefits payable include the payment of three times the participant's base salary, plus three times the participant's average annual bonus earned over the two full years prior to the date of termination or three times the participant's target annual bonus established for the bonus plan year in which the participant's termination occurs, whichever is greater.

Under the terms of each such agreement, each of Messrs. Bender, Bluhm, Mataczynski and Noer has agreed not to compete with NRG's business during the course of his employment and for one year after his resignation or termination, unless there has been a Change in Control of NRG. Additionally, each of Messrs. Bender, Bluhm, Mataczynski and Noer have agreed not to disclose any of NRG's confidential and proprietary information. This description of the Plan is qualified in its entirety by reference to the form of the Plan, which is filed as Exhibit 5 hereto and is incorporated herein by reference.

CERTAIN ARRANGEMENTS BETWEEN NRG AND XCEL

Certain agreements, arrangements and understandings between NRG and certain of its subsidiaries, on one hand, and Xcel, on the other hand, are described in the Proxy Statement under "Proposal No. 1 -- Election of Directors -- Relationships and Related Transactions", which is included in Exhibit 4 hereto.

In addition to the arrangements described in the section of the Proxy Statement noted above, NRG issued a \$300 million subordinated convertible note to Xcel on February 28, 2002, which bears interest at a per annum rate equal to 30-day LIBOR plus 0.90%. Payments on unpaid principal, together with interest, are due quarterly in arrears, but NRG will not make any payments of principal or interest on the note so long as NRG has senior indebtedness outstanding. Xcel may, at its option, at any time upon five business days' notice to NRG and so long as the NYSE rules do not require prior approval by NRG's stockholders, cause NRG to convert all (but not less than all) of the note into an aggregate number of shares of Common Stock equal to the sum of the then-outstanding principal amount of the note plus all accrued but unpaid interest, divided by the market price per share of Common Stock on the date specified in Xcel's conversion notice. This market price per share will be determined by an independent committee of the NRG Board that consists of the same directors who are members of the Special Committee, and will be approved by the Finance Committee of the Xcel Board, but will not be less than the average closing price for shares of Common Stock on the NYSE during the five trading day period prior to the date of conversion. According to the Offer Document, Xcel intends to cancel the note if the Offer and Merger are completed, but intends to convert the note to Common Stock if the Offer and Merger are not completed.

NRG reimburses Xcel for certain overhead and administrative costs, including benefits administration, engineering support, accounting and other shared services. Employees of NRG participate in certain employee benefit plans of Xcel. NRG paid Xcel \$12.2 million in 2001 as reimbursement for certain overhead costs and the cost of services provided.

NRG also has an agreement with Utility Engineering Corporation, a wholly owned subsidiary of Xcel, under which Utility Engineering Corporation provides consulting services to NRG from time to time at the request of NRG. NRG paid \$1.4 million to Utility Engineering Corporation for these consulting services in 2001.

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ITEM 4. THE SOLICITATION OR RECOMMENDATION

INABILITY TO TAKE A POSITION

The Special Committee and the NRG Board are unable to take a position with respect to the Offer at this time because the Special Committee needs more time to assess the effect on the long-term value of NRG of the results of operations of NRG for the first two months of 2002 announced by NRG on March 26, 2002 and the impact of that announcement on the market price of Xcel Shares. The Special Committee and the NRG Board expect to be able to make a recommendation at least five business days prior to the scheduled expiration of the Offer on April 10, 2002. Accordingly, holders of shares of Common Stock are urged to defer their decisions as to whether to tender their shares in the Offer until such time as the recommendation of the Special Committee and the NRG Board with respect to the Offer is announced.

ITEM 5. PERSONS/ASSETS RETAINED, EMPLOYED, COMPENSATED OR USED

The Special Committee and NRG engaged Credit Suisse First Boston to act as the Special Committee's financial advisor in connection with the Offer. NRG agreed to pay Credit Suisse First Boston an aggregate financial advisory fee equal to \$4,000,000. NRG also has agreed to reimburse Credit Suisse First Boston for all out-of-pocket expenses incurred in connection with its engagement,

including the fees and expenses of its legal counsel, if any, and any other advisor retained by Credit Suisse First Boston resulting from or arising out of the engagement, and to indemnify Credit Suisse First Boston against liabilities and expenses relating to or arising out of its engagement, including liabilities under the federal securities laws. Credit Suisse First Boston has in the past provided and is currently providing credit to NRG under various credit facilities, for which Credit Suisse First Boston has received, and expects to receive, customary compensation. In the ordinary course of business, Credit Suisse First Boston and its affiliates may actively trade or hold the securities of NRG, Xcel and their respective affiliates for their own account or for the account of customers and, accordingly, may at any time hold a long or short position in such securities.

Neither NRG nor any person acting on its behalf has employed, retained or compensated any other person to make any solicitations or recommendations to stockholders on its behalf concerning the Offer.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY

Based on reasonable inquiry, to the best of NRG's knowledge, no transactions in shares of Common Stock have been effected during the past 60 days by NRG or, to the knowledge of NRG, by any executive officer, director, affiliate or subsidiary of NRG.

ITEM 7. PURPOSES OF THE TRANSACTION AND PLANS OR ANNOUNCEMENTS

Except as set forth in this Statement, NRG is not currently undertaking or engaged in any negotiations in response to the Offer that relate to: (i) a tender offer or other acquisition of NRG's securities by NRG, any subsidiary of NRG or any other person; (ii) an extraordinary transaction, such as a merger, reorganization or liquidation, involving NRG or any subsidiary of NRG; (iii) a purchase, sale or transfer of a material amount of assets of NRG or any subsidiary of NRG; or (iv) any material change in the present dividend rate or policy, or indebtedness or capitalization of NRG. In addition, the NRG Board, a majority of the members of which are currently or formerly affiliated with Xcel, adopted resolutions at a meeting held on March 4, 2002 that prohibit NRG's management from taking certain actions or entering into certain agreements on behalf of NRG without prior NRG Board approval.

Except as set forth in this Statement, there are no transactions, resolutions of the NRG Board, agreements in principle or signed contracts in response to the Offer that relate to one or more of the matters referred to in the preceding paragraph.

ITEM 8. ADDITIONAL INFORMATION

Appraisal Rights. Holders of shares of Common Stock do not have appraisal rights as a result of the Offer, but, as set forth in the Offer Document, they may be entitled to exercise appraisal rights in respect of

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the Merger (if consummated) in accordance with Section 262 of the DGCL. Such holders will be notified of their appraisal rights in accordance with Section 262.

Litigation. As of the date of this Statement, a total of nine stockholder civil actions have been filed in the Court of Chancery of the State of Delaware in and for New Castle County (the "Delaware Actions") and one action has been filed in the District Court of the State of Minnesota in Hennepin County (the "Minnesota Action") alleging that the Offer is in breach of fiduciary duties owed by Xcel and the directors of NRG (the "defendants") to the public stockholders of NRG. The plaintiffs in the Delaware Actions also allege that Xcel has breached fiduciary duties owed to the public stockholders of NRG by failing to disclose material information in written materials related to the Offer. The Delaware Actions have been consolidated into one action (the "Consolidated Action"). The Minnesota Action has been removed by the defendants to the United States District Court for the District of Minnesota, and certain defendants have moved to dismiss that action. The complaints filed in the Consolidated and Minnesota Actions generally request the applicable court to enjoin the Offer and award damages to the plaintiffs.

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EXHIBITS

EXHIBIT
NO.

DESCRIPTION

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1. Letter to Stockholders of NRG, dated March 26, 2002.
 2. Press Release dated March 26, 2002.
 3. Press release, dated March 26, 2002.
 4. Excerpts from Proxy Statement for 2001 Annual Meeting of Stockholders of NRG, dated April 26, 2001.
 5. Form of NRG Executive Officer and Key Personnel Severance Plan (incorporated by reference to NRG's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

NRG ENERGY, INC.

By: /s/ James J. Bender

Name: James J. Bender
Title: Senior Vice President &
General Counsel

Dated: March 26, 2002

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[NRG LOGO]

March 26, 2002

Dear NRG Stockholder:

As you know, Xcel Energy Inc. commenced a tender offer to exchange 0.4846 of a share of Xcel common stock for each outstanding share of NRG's common stock on March 13, 2002. In response to Xcel's announcement of its intention to commence the offer, NRG's Board of Directors established a Special Committee, comprised solely of directors who have no affiliation with Xcel, which was authorized to review and evaluate the terms and conditions of the offer and to consider whether the offer is fair to, and in the best interests of, NRG and its public stockholders. The Special Committee engaged its own legal counsel and financial advisor to assist it in this review and evaluation.

The Special Committee has determined that it is unable to take a position with respect to the offer at this time because it needs more time to assess the effect on the long-term value of NRG of the results of operations of NRG for the first two months of 2002 announced by NRG on March 26, 2002 and the impact of that announcement on the market price of Xcel Shares. The Special Committee and the NRG Board expect to be able to make a recommendation at least five business days prior to the scheduled expiration of the offer on April 10, 2002. Accordingly, NRG recommends that you defer your decision as to whether to tender your NRG shares in the offer until it announces the recommendation of the Special Committee and the NRG Board of Directors with respect to the offer.

Accompanying this letter is NRG's recommendation statement on Schedule 14D-9 with respect to the offer, which contains certain information about NRG, the offer and relationships between NRG and Xcel. The Schedule 14D-9 was also filed with the Securities and Exchange Commission on March 26, 2002. We will notify you as soon as practicable after the Special Committee and the NRG Board of Directors make their recommendation with respect to the offer.

Thank you for your careful consideration of this matter.

Very truly yours,

/s/ James J. Bender
James J. Bender
Senior Vice President & General
Counsel

NRG Energy, Inc (Ticker: NRG, exchange, : New York Stock Exchange) News Release - 3/26/02

NRG ENERGY ANNOUNCES LOSS FOR FIRST TWO MONTHS OF 2002

MINNEAPOLIS, Mar 26, 2002 (BUSINESS WIRE) - NRG Energy, Inc. (NYSE:NRG) today said it recorded a loss of \$29 million, or approximately 14.5 cents per share, for the first two months of 2002.

This includes a \$12.3 million loss resulting from the mark-to-market of derivative transactions in accordance with SFAS-133.

NRG said that this loss is due primarily to four factors: lower demand for power due to the mild weather experienced in the Northeast and South Central regions of the United States; merchant power prices that were significantly below prices of the last several years; increased financing costs associated with acquisitions made in the past few months; and increased financing costs associated with the company's desire to provide added liquidity at the request of rating agencies.

NRG plans to discuss these results during its first quarter earnings conference call, tentatively scheduled for April 24, 2002.

NRG is a leading global energy company engaged primarily in the development, construction, acquisition, ownership and operation of power generation facilities. The company's operations utilize such diverse fuel sources as natural gas, oil, coal and coal seam methane, biomass, landfill gas, and hydro, as well as refuse-derived fuel.

Certain statements in the news release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. Although NRG believes its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct. Factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements above include, among others, the business or investment considerations disclosed from time to time in NRG's Securities and Exchange Commission filings. For more information, review NRG's filings with the Securities and Exchange Commission.

CONTACT: NRG Energy, Inc., Minneapolis
Media Relations:
Lesla Bader, 612/373-6992
or
Investor Relations:
Rick Huckle, 612/313-8900

[NRG Logo]

NEWS
RELEASE

FOR IMMEDIATE RELEASE

NRG ENERGY DEFERS MAKING RECOMMENDATION ON XCEL ENERGY'S TENDER OFFER

MINNEAPOLIS - March [26], 2002 - NRG Energy, Inc. (NYSE:NRG) announced today that it is unable to take a position at this time regarding the tender offer by Xcel Energy Inc. On March 13, 2002, Xcel's commenced a tender offer to exchange 0.4846 of a share of Xcel common stock for each outstanding share of NRG's common stock. NRG therefore recommends that its stockholders defer a decision as to whether to tender their NRG shares in the offer until it announces its recommendation with respect to the offer.

The Special Committee and it engaged its own legal counsel and financial advisor to assist it in this review and evaluation. The Special Committee has determined that it is unable to take a position with respect to the offer at this time because it needs more time to assess the effect on the long-term value of NRG of the results of operations of NRG for the first two months of 2002 announced by NRG on March 26, 2002 and the impact of that announcement on the market price of Xcel Shares. As previously announced, following Xcel's public announcement on February 15, 2002 of its intention to commence a tender offer for NRG's outstanding shares of common stock, a Special Committee of the NRG Board of Directors, comprised solely of directors who have no affiliation with Xcel, was authorized to review and evaluate the terms and conditions of the offer and to consider whether the offer is fair to, and in the best interests of, NRG and its public stockholders.

The Special Committee and the NRG Board expect to be able to make a recommendation at least five business days prior to the scheduled expiration of the offer on April 10, 2002.

Contacts: Investor Relations
 612.313.8900

 Media Relations
 612.373.6992

EXCERPTS FROM PROXY STATEMENT FOR 2001 ANNUAL MEETING OF STOCKHOLDERS OF NRG,
DATED APRIL 26, 2001

PROPOSAL NO. 1 -- ELECTION OF DIRECTORS

GENERAL INFORMATION

The Bylaws of the Company provide that the Board of Directors of the Company is to consist of one or more members, with such number to be determined from time to time by resolution of the Board. The Board of Directors, by resolution, has currently determined this number to be nine. As such, the following nine individuals are the nominees to be elected to the Board of Directors to serve until the Annual Meeting of Stockholders in the year 2002 and until their successors are elected and qualified: David H. Peterson, Pierson M. Grieve, Luella G. Goldberg, William A. Hodder, Wayne H. Brunetti, James J. Howard, Gary R. Johnson, Richard C. Kelly and Edward J. McIntyre. Each of these nominees is currently a director of the Company whose term is scheduled to expire at the Annual Meeting.

Each of the nominees has indicated a willingness to serve. Should any of the nominees become unavailable prior to the Annual Meeting, your proxy will be voted for such person or persons as recommended by a proxy committee appointed by the Board.

Any stockholder may make recommendations for membership on the Board of Directors by sending a written statement of the qualifications of the recommended individual to James J. Bender, Vice President, General Counsel and Corporate Secretary, 901 Marquette Avenue, Suite 2300, Minneapolis, Minnesota, 55402.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

DIRECTOR MEETINGS

In 2000, there were 16 meetings of the Board of Directors of the Company. The Compensation and Audit Committees of the Board of Directors of the Company met 6 and 3 times, respectively, during 2000. Each director attended at least 75% of the meetings of the Board of Directors and committees on which such director served during 2000.

COMMITTEES OF THE NRG ENERGY BOARD OF DIRECTORS

There are two committees of the Board of Directors of the Company whose duties and responsibilities are described below.

NAME OF COMMITTEE AND MEMBERS	FUNCTIONS OF THE COMMITTEE
Compensation Pierson M. Grieve(1) James J. Howard William A. Hodder Richard C. Kelly	- Review the Company's compensation policies - Review the form and amount of compensation paid to the members of the Board of Directors and to key senior executives of the Company - Administer executive annual and long-term incentive plans, as delegated by the Board of Directors
Audit William A. Hodder(1) Pierson M. Grieve Luella G. Goldberg	- Review auditing activities of internal and external Auditors - Review financial reporting, internal controls and accounting policies and practices - Review matters affecting protection and recovery of assets of the Company

(1) Chairperson

For purposes of complying with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 2.9 of the NRG Energy, Inc.

2000 Long-Term Incentive Compensation Plan (the "2000 Plan"), the Board of Directors has established a subcommittee of the Compensation Committee to administer the 2000 Plan (the "Incentive Plan Subcommittee"). The Incentive Plan Subcommittee consists of Pierson M. Grieve and William A. Hodder, each of whom are "outside directors" within the meaning of Section 162(m) of the Code and "non-employee" directors within the meaning of Rule 16b-3 of the Exchange Act. The Incentive Plan Subcommittee did not meet in 2000.

DIRECTOR COMPENSATION

The Company does not award directors who are also employees of the Company or employees of Xcel Energy any separate compensation or other consideration, direct or indirect, for service as a director. During 2000, directors not employed by the Company or Xcel Energy ("Non-Employee Directors") received annual fees of \$30,000 plus \$1,000 for each Board of Directors meeting attended in person, \$800 for each committee meeting attended in person and reasonable travel expenses. Committee chairs received an additional \$200 per meeting attended in person. Non-Employee Directors participating in meetings of the Board of Directors or a committee by telephone received 50% of such meeting fees.

In connection with the Company's initial public offering, each of the Non-Employee Directors received a grant of stock options to purchase 5,000 shares of Common Stock pursuant to the 2000 Plan at an exercise price equal to \$15, the initial public offering price of a share of Common Stock. Such options will vest in four equal annual installments, beginning on the second anniversary of the date of each such grant. The Company expects that it will, on an annual basis, grant stock options to Non-Employee Directors for the purchase of 5,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of such grant, pursuant to the 2000 Plan.

Each of the Non-Employee Directors participates in the Company's Independent Director Deferral Plan (the "Deferral Plan"). The Deferral Plan allows Non-Employee Directors to defer all or a portion of his or her annual fees, meeting fees and other fees paid in connection with service on the Board of Directors to a cash deferral account, a stock unit account or a combination of such accounts. The Deferral Plan provides for a 20% premium on fees deferred into a stock unit account. Fees deferred under the Deferral Plan are paid out in cash upon the retirement of the Non-Employee Director from service on the Company's Board of Directors or upon two payout commencement dates other than retirement, as determined by the Non-Employee Director. Payout of fees deferred under the Deferral Plan are made in installments, with a minimum of two and maximum of ten such installments, or in a lump sum.

Each of the Company's directors has an indemnification agreement that entitles him or her to indemnification for claims asserted against them in their capacity as directors to the fullest extent permitted by Delaware law.

BENEFICIAL OWNERSHIP OF SHARES OF COMMON STOCK
AND CLASS A COMMON STOCK

The following table lists the beneficial ownership of Common Stock and Class A Common Stock owned as of March 15, 2001, by (i) the directors and nominees of the Company, (ii) the executive officers named in the Summary Compensation Table that follows and (iii) all the directors and executive officers of the Company as a group. The following table also lists the beneficial ownership of Common Stock and Class A

Common Stock owned as of March 15, 2001 by each person known by the Company to beneficially own more than five percent (5%) of the outstanding shares of Common Stock and Class A Common Stock.

NAME OF BENEFICIAL OWNER	CLASS OF STOCK	NUMBER OF SHARES BENEFICIALLY OWNED(1)	PERCENT OF CLASS
David H. Peterson.....	Common Stock	150,506(2)	*
Pierson M. Grieve.....	Common Stock	38,100	*
Luella G. Goldberg.....	Common Stock	5,000	*
William A. Hodder.....	Common Stock	15,000	*

Wayne H. Brunetti.....	Common Stock	2,500	*
James J. Howard.....	Common Stock	1,000	*
Gary R. Johnson.....	Common Stock	--	--
Richard C. Kelly.....	Common Stock	1,000	*
Edward J. McIntyre.....	Common Stock	1,000	*
Craig A. Mataczynski.....	Common Stock	27,826(3)	*
John A. Noer.....	Common Stock	600	*
James J. Bender.....	Common Stock	25,750(4)	*
Leonard A. Bluhm.....	Common Stock	45,390(5)	*
Xcel Energy Inc.(6).....	Common Stock	--(7)	--
	Class A Common Stock	147,604,500	100%(8)
Massachusetts Financial Services Company(9).....	Common Stock	2,198,500(10)	6.8%
Directors and executive officers as a group.....	Common Stock	378,762(11)	*

(1) The number of shares beneficially owned by each person or entity is determined under the rules of the Securities and Exchange Commission (the "SEC"), and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, each person or entity is considered the beneficial owner of any shares: (a) to which such person or entity has sole or shared voting power or investment power and (b) that such person or entity has the right to acquire within 60 days through the exercise of stock options or other similar rights. Unless otherwise indicated, each person or entity has sole investment and voting power (or such person shares such powers with his or her spouse) with respect to the shares set forth in the table above.

(2) Includes 144,506 shares subject to options that are exercisable within 60 days.

(3) Includes 25,826 shares subject to options that are exercisable within 60 days.

(4) Includes 24,650 shares subject to options that are exercisable within 60 days and 100 shares owned by Mr. Bender's wife. Mr. Bender disclaims beneficial ownership of the shares owned by his wife.

(5) Includes 43,690 shares subject to options that are exercisable within 60 days.

(6) The address for Xcel Energy Inc. is 800 Nicollet Mall, Suite 3000, Minneapolis, Minnesota, 55402-2023.

(7) Pursuant to an option agreement, which is more fully described below under the heading "Relationships and Related Transactions," Xcel Energy and its affiliates have a continuing option to purchase shares of Common Stock to the extent necessary to maintain or restore an ownership percentage of 80% of the outstanding shares of Common Stock and Class A Common Stock on a combined basis.

(8) Xcel Energy currently owns an approximate 74% interest in the Common Stock and Class A Common Stock of the Company on a combined basis, which represents 96.7% of the total voting power of the Common Stock and Class A Common Stock on a combined basis.

(9) The address for Massachusetts Financial Services Company is 500 Boylston Street, Boston, Massachusetts, 02116.

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(10) Based on the Schedule 13G filed with the SEC on February 12, 2001.

(11) Includes 296,062 shares subject to options that are exercisable within 60 days.

COMPENSATION OF EXECUTIVE OFFICERS

The following tables set forth cash and non-cash compensation for each of the last three fiscal years ended December 31, for the individual who served as the Company's Chief Executive Officer during 2000 and each of the four next most highly compensated executive officers (collectively, the "Named Executive

Officers").

SUMMARY COMPENSATION TABLE

(a)	(b)	ANNUAL COMPENSATION			LONG-TERM COMPENSATION				(i)
		(c)	(d)	(e)	AWARDS		PAYOUTS		
					(f)	(g)	(h)		
NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)(1)	RESTRICTED STOCK AWARDS (\$)	NUMBER OF SECURITIES UNDERLYING OPTIONS AND SARs (#)	LTIP PAYOUTS (\$)	ALL OTHER COMPENSATION (\$)	
David H. Peterson.....	2000	397,340	474,000	28,678	0	120,000	1,212,067	22,923(3)	
Chairman, President &	1999	367,992	192,970	6,131	0	0	155,995	33,201	
Chief Executive Officer	1998	345,826	290,220	4,922	0	0	7,724	17,777	
Craig A. Mataczynski.....	2000	278,340	276,500	6,303	0	60,000	186,250	3,059(4)	
Senior Vice President --	1999	246,250	150,000	4,706	0	0	15,533	15,251	
North America	1998	192,091	118,627	3,871	0	0	2,538	5,832	
John Noer(2).....	2000	259,992	256,750	6,554	0	60,000	0	2,464(5)	
Senior Vice President --	1999	0	0	0	0	0	0	0	
Worldwide Operations	1998	0	0	0	0	0	0	0	
James J. Bender.....	2000	256,242	256,750	7,131	0	60,000	186,636	2,609(6)	
Vice President &	1999	213,746	100,000	6,528	0	0	19,729	6,172	
General Counsel	1998	198,758	108,892	7,331	0	0	4,810	49,491	
Leonard A. Bluhm.....	2000	204,175	202,438	8,508	0	60,000	391,887	2,467(7)	
Executive Vice President									
&	1999	194,590	72,150	5,265	0	0	50,489	12,814	
Chief Financial Officer	1998	189,174	66,500	5,156	0	0	3,172	5,060	

- (1) Represents amounts reimbursed during the fiscal year for the payment of taxes on fringe benefits.
- (2) Mr. Noer was hired on January 1, 2000. Prior to such date, Mr. Noer was employed by NSP.
- (3) Includes \$7,000 of universal life insurance premiums; \$13,478 of imputed income on life insurance; \$1,279 of contributions to the Northern States Power Company Employee Stock Ownership Plan; \$900 of matching contributions to the NSP Retirement Savings Plan; and \$266 of deferred compensation excess. Does not include \$5,789 of incentive pension make-up earned in 1999 and paid in 2000.
- (4) Includes \$384 of term life insurance premiums; \$1,226 of contributions to the Northern States Power Company Employee Stock Ownership Plan; \$900 of matching contributions to the NSP Retirement Savings Plan; and \$549 of deferred compensation excess. Does not include \$4,500 for incentive pension make-up earned in 1999 and paid in 2000.
- (5) Includes \$1,279 of contributions to the Northern States Power Company Employee Stock Ownership Plan; \$900 of matching contributions to the NSP Retirement Savings Plan; and \$2,464 of deferred compensation excess. Does not include \$1,320 for incentive pension make-up earned in 1999 and paid in 2000.
- (6) Includes \$318 of term life insurance premiums; \$1,279 of contributions to the Northern States Power Company Employee Stock Ownership Plan; \$900 of matching contributions to the NSP Retirement Savings Plan; and \$112 of deferred compensation excess. Does not include \$3,000 for incentive pension make-up earned in 1999 and paid in 2000.
- (7) Includes \$288 of term life insurance premiums; \$1,279 of contributions to the Northern States Power Company Employee Stock Ownership Plan; and \$900 of matching contributions to the NSP Retirement Savings Plan. Does not include \$2,165 for incentive pension make-up earned in 1999 and paid in 2000.

PENSION PLAN TABLES

The Company participates in Xcel Energy's noncontributory, defined benefit pension plan. Such plan covers substantially all of the Company's employees. As of January 1, 1999, the pension benefit formula that applies to the Named Executive Officers was changed and each Named Executive Officer, together with

all other affected nonbargaining employees, was given an opportunity to choose between two retirement programs, the traditional program and the pension equity program. Messrs. Peterson, Bluhm and Noer have selected the traditional program and Messrs. Mataczynski and Bender have selected the pension equity program.

Under the traditional program applicable to certain of the Named Executive Officers, the pension benefit is computed by taking the highest average compensation below the integration level times 1.1333% plus the highest average compensation above the integration level times 1.6333%. The result is multiplied by credited service. The integration level is one-third of the social security wage base. The annual compensation used to calculate average compensation is base salary for the year. After an employee has reached 30 years of service, no additional years of service are used in determining the pension benefit under the traditional program. The benefit amounts under the traditional program are computed in the form of a straight-life annuity.

Under the pension equity program applicable to certain of the Named Executive Officers, the formula for determining the pension benefit is average compensation times credited years of service times 10%. The annual compensation used to calculate average compensation is base salary for the year plus bonus compensation paid in that same year. There is no maximum on the number of years of service used to determine the pension benefit. The benefit amounts under the pension equity program are computed in the form of a lump sum.

Both programs feature a cash balance side account, which credits \$1,400 plus interest annually. The opening balance as of January 1, 1999 was \$1,400, multiplied by years of service.

The employment agreement between Mr. Peterson and the Company, a more detailed description of which is set forth below, provides that Mr. Peterson will receive the accumulated value of his pension payments had he begun payments at his earliest retirement eligibility. Additionally, the employment agreement provides that, in the event that Mr. Peterson elects a lump sum payment, the value of his benefits will be calculated based on both his and his spouse's mortality, subject to certain financial performance measures. Such calculation of benefits is different from the single mortality basis used for other employees.

The following table illustrates the approximate retirement benefits payable to employees retiring at the normal retirement age of 65 years under the traditional program applicable to certain of the Named Executive Officers:

AVERAGE COMPENSATION (LAST 4 YEARS)	ESTIMATED ANNUAL BENEFITS FOR YEARS OF SERVICE INDICATED					
	YEARS OF SERVICE					
	5	10	15	20	25	30
\$ 50,000.....	\$ 4,500	\$ 9,000	\$ 13,500	\$ 19,000	\$ 25,000	\$ 31,500
100,000.....	8,500	17,000	25,500	35,000	45,500	56,000
150,000.....	12,500	25,000	38,000	51,500	66,000	80,500
200,000.....	16,500	33,500	50,000	68,000	86,500	105,000
250,000.....	21,000	41,500	62,500	84,000	107,000	129,500
300,000.....	25,000	49,500	74,500	100,500	127,500	154,000
350,000.....	29,000	58,000	87,000	117,000	147,500	178,500
400,000.....	33,000	66,000	99,000	133,000	168,000	203,000
450,000.....	37,000	74,000	111,500	149,500	188,500	227,500
500,000.....	41,000	82,500	123,500	166,000	209,000	252,000
550,000.....	45,500	90,500	136,000	182,000	229,500	276,500
600,000.....	49,500	98,500	148,000	198,500	250,000	301,000
650,000.....	53,500	107,000	160,500	215,000	270,000	325,500
700,000.....	57,500	115,000	172,500	231,000	290,500	350,000
750,000.....	61,500	123,000	185,000	247,500	311,000	374,500
800,000.....	65,500	131,500	197,000	264,000	331,500	399,000
850,000.....	70,000	139,500	209,500	280,000	352,000	423,500
900,000.....	74,000	147,500	221,500	296,500	372,500	448,000
950,000.....	78,000	156,000	234,000	313,000	392,500	472,500
1,000,000.....	82,000	164,000	246,000	329,000	413,000	497,000
1,050,000.....	86,000	172,000	258,500	345,500	433,500	521,500
1,100,000.....	90,000	180,500	270,500	362,000	454,000	546,000
1,150,000.....	94,500	188,500	283,000	378,000	474,500	570,500
1,200,000.....	98,500	196,500	295,000	394,500	495,000	595,000

The following table illustrates the approximate retirement benefits payable to employees retiring at the normal retirement age of 65 years under the pension equity program applicable to certain of the Named Executive Officers if paid in the form of a straight-line annuity:

AVERAGE COMPENSATION (LAST 4 YEARS)	ESTIMATED ANNUAL BENEFITS FOR YEARS OF SERVICE INDICATED					
	YEARS OF SERVICE					
	5	10	15	20	25	30
\$ 50,000.....	\$ 3,500	\$ 7,000	\$ 11,000	\$ 15,500	\$ 20,500	\$ 26,500
100,000.....	6,000	12,000	18,500	25,500	33,000	41,500
150,000.....	8,500	17,000	26,000	35,500	46,000	57,000
200,000.....	11,000	22,000	33,500	45,500	58,500	72,000
250,000.....	13,500	27,000	41,500	56,000	71,000	87,000
300,000.....	16,000	32,500	49,000	66,000	83,500	102,500
350,000.....	18,500	37,500	56,500	76,000	96,500	117,500
400,000.....	21,000	42,500	64,000	86,000	109,000	133,000
450,000.....	23,500	47,500	71,500	96,500	121,500	148,000
500,000.....	26,000	52,500	79,500	106,500	134,500	163,000
550,000.....	28,500	57,500	87,000	116,500	147,000	178,500
600,000.....	31,000	62,500	94,500	127,000	159,500	193,500
650,000.....	33,500	67,500	102,000	137,000	172,500	208,500
700,000.....	36,000	73,000	109,500	147,000	185,000	224,000
750,000.....	39,000	78,000	117,000	157,000	197,500	239,000
800,000.....	41,500	83,000	125,000	167,500	210,500	254,500
850,000.....	44,000	88,000	132,500	177,500	223,000	269,500
900,000.....	46,500	93,000	140,000	187,500	235,500	284,500
950,000.....	49,000	98,000	147,500	197,500	248,500	300,000
1,000,000.....	51,500	103,000	155,000	208,000	261,000	315,000
1,050,000.....	54,000	108,000	163,000	218,000	273,500	330,500
1,100,000.....	56,500	113,500	170,500	228,000	286,500	345,500
1,150,000.....	59,000	118,500	178,000	238,000	299,000	360,500
1,200,000.....	61,500	123,500	185,500	248,500	311,500	376,000

The approximate credited years of service as of December 31, 2000, for the Named Executive Officers were as follows:

Mr. Peterson.....	36.83
Mr. Mataczynski.....	18.42
Mr. Noer.....	31.67
Mr. Bender.....	5.33
Mr. Bluhm.....	29.42

EMPLOYMENT AGREEMENTS

DAVID H. PETERSON EMPLOYMENT AGREEMENT

The Company has entered into an employment agreement with Mr. Peterson which provides that Mr. Peterson will be employed as the Company's highest level executive officer. The term of the agreement expires June 27, 2004. During the term of the agreement, Mr. Peterson's base salary will be reviewed at least annually by the Compensation Committee of the Board of Directors for possible increase. The agreement provides that Mr. Peterson will receive retirement and welfare benefits no less favorable than those provided to

any other officer of the Company. In addition, the agreement provides for participation in a supplemental executive retirement plan such that the aggregate value of the retirement benefits that Mr. Peterson and his spouse will receive at the end of the term of the agreement under all of the Company's defined benefit pension plans and those of the Company's affiliates will not be less than the aggregate value of the benefits he would have received had he

continued, through the end of the term of the agreement, to participate in the NSP Deferred Compensation Plan, the NSP Excess Benefit Plan and the NSP Pension Plan. Such retirement benefits include amounts to compensate Mr. Peterson for the monthly defined benefit payments he would have received during the term of the agreement and prior to the date of his termination of employment if monthly benefit payments had commenced following the month in which he first became eligible for early retirement under the Xcel Energy Pension Plan.

The agreement also provides for certain additional benefits to be paid upon Mr. Peterson's death. If Mr. Peterson's employment is terminated by the Company without cause, or by Mr. Peterson with good reason, in each case as defined in the agreement, Mr. Peterson will continue to receive his salary, bonus at the greater of target bonus or actual bonus for the last plan year prior to termination, incentive compensation with cash replacing equity based awards and benefits under the agreement as if he had remained employed until the end of the term of the agreement and then retired, at which time he will be treated as eligible for retiree welfare benefits and other benefits provided to the retired senior executives. However, if the termination of employment is a result of a change of control, as defined in the Equity Plan, the compensation and benefits will be continued for the longer of 30 months or through the end of the employment period.

In accordance with the terms of the agreement, Mr. Peterson has agreed not to compete with the business of the Company during the period of his employment and for one year after his termination or resignation. Mr. Peterson has also agreed not to solicit any of the Company's customers for any business purpose that competes with the Company's business during the period of his employment or two years after his termination or resignation. Finally, during the period of his employment and for two years after his termination or resignation, Mr. Peterson has agreed not to disclose any of the Company's confidential information to any person not authorized by the Company to receive such confidential information.

RELATIONSHIPS AND RELATED TRANSACTIONS

The Company was initially incorporated in Minnesota in 1989, and was reincorporated in Delaware in 1992, as a wholly owned subsidiary of NSP. The Company became publicly traded on May 31, 2000. In August 2000, NSP merged with NCE to form Xcel Energy. Following the completion in March 2001 of a public offering by the Company of 18.4 million shares of Common Stock (the "March 2001 Offering"), Xcel Energy owns an approximate 74% interest in the Common Stock and Class A Common Stock of the Company on a combined basis, representing 96.7% of the total voting power of the Common Stock and Class A Common Stock on a combined basis. In addition, 4 directors of the Company are executive officers of Xcel Energy.

The Company and Xcel Energy have entered into material transactions and agreements with one another and are expected to enter into material transactions and agreements from time to time in the future. Material agreements and transactions currently existing or currently proposed between the Company and Xcel Energy are described below.

OPERATING AGREEMENTS

The Company has two agreements with Xcel Energy for the purchase of thermal energy. Under the terms of the agreements, Xcel Energy charges the Company for certain incremental costs, including fuel, labor, plant maintenance and auxiliary power, incurred by Xcel Energy to produce thermal energy. The Company paid \$5.5 million in 2000 under these agreements. One of the agreements expires on December 31, 2002, and the other expires on December 31, 2006.

The Company has a renewable 10-year agreement with Xcel Energy, expiring on December 31, 2001, whereby Xcel Energy agrees to purchase refuse-derived fuel for use in certain of its boilers, and the Company

agrees to pay Xcel Energy an incentive fee to use refuse-derived fuel. Under this agreement, the Company received from Xcel Energy \$1.5 million in 2000, and the Company paid to Xcel Energy \$2.8 million in 2000.

The Company has entered into an operation and maintenance agreement with Xcel Energy with respect to its Elk River and Becker facilities, under which the Company receives a base management fee and is reimbursed for costs it incurs.

The operation and maintenance agreement also provides for a management incentive fee payable to the Company, based upon the financial performance of the facilities. The Company earned a total management fee, in addition to reimbursed expenses, of \$2.3 million in 2000. This agreement expires on December 31, 2003.

The Company and Xcel Energy are in the final stages of negotiating an asset purchase agreement for the sale of the Elk River and Becker facilities by Xcel Energy to the Company. Such transaction has been approved by the boards of directors of both the Company and Xcel Energy. Once executed, the asset purchase agreement will be filed by Xcel Energy with the Minnesota Public Utilities Commission for approval. The closing on the transaction may not take place unless and until such approval is obtained.

ADMINISTRATIVE SERVICES AGREEMENT

The Company has entered into an agreement with Xcel Energy to provide for the reimbursement of actual administrative services that each of the companies provide to one another at an at-cost basis plus a 1% fee to cover handling costs, working capital requirements and other miscellaneous costs. Services provided by Xcel Energy to the Company are provided at the Company's request and primarily include services related to benefits administration and engineering support. Employees of the Company participate in certain employee benefit plans of Xcel Energy. The Company paid Xcel Energy \$4.7 million in 2000, as reimbursement for the cost of services provided.

TREECYCLE AGREEMENT

In early 2001, a wholly-owned subsidiary of the Company, NRG Processing Solutions LLC ("NRG PS"), entered into agreements with Xcel Energy to provide for the assignment by Xcel Energy to NRG PS of various leases and contracts with respect to Xcel Energy's Treecycle business unit. The Treecycle operation manages wood waste from Xcel Energy's line-clearance operations in the Minneapolis and St. Paul metropolitan area. In conjunction with this transfer, the Company and Xcel Energy have also entered into a one-year processing agreement whereby NRG PS agreed to process Xcel Energy's wood waste until December 31, 2001, for a minimum fee of \$500,000. Such agreements were approved by the Minnesota Public Utilities Commission in April 2001.

TAX ALLOCATION AGREEMENT

The Company was formerly a member of Xcel Energy's consolidated tax group for United States federal income tax purposes. Following the completion of the March 2001 Offering, Xcel Energy owns equity securities representing less than 80% of the Company's value and, accordingly, the Company is no longer a member of Xcel Energy's consolidated tax group. The responsibility for payment of taxes and the allocation between Xcel Energy and the Company of tax benefits and liabilities was previously governed by a tax sharing agreement between the Company and Xcel Energy. Such tax sharing agreement was replaced by a tax allocation agreement, which became effective as of December 2000, that formalizes the various practices which arose under the previous tax sharing agreement and reflects the change in the Company's status from a wholly-owned subsidiary of Xcel Energy to a majority-owned subsidiary.

OPTION AGREEMENT

The Company has entered into an option agreement with Xcel Energy under which the Company has granted to Xcel Energy and its affiliates a continuing option to purchase additional shares of Common Stock. In the event that the Company issues equity securities, Xcel Energy and its affiliates may exercise options to purchase shares of Common Stock to the extent necessary to maintain or restore an ownership percentage of 80% of the outstanding shares of Common Stock and Class A Common Stock on a combined basis. Such

option agreement expires if and when Xcel Energy and its affiliates beneficially own less than 30% of the outstanding Common Stock and Class A Common Stock on a combined basis.

Following the March 2001 Offering, Xcel Energy's ownership in the Company was reduced to approximately 74% of the outstanding shares of Common Stock and Class A Common Stock on a combined basis. Xcel Energy waived its rights under such option agreement in connection with the March 2001 offering.

REGISTRATION RIGHTS AGREEMENT

The Company has entered into a registration rights agreement with Xcel Energy, under which the Company has agreed to register the shares of Common Stock issuable upon conversion of shares of Class A Common Stock held by Xcel Energy and its affiliates under the following circumstances:

- Demand Rights. Upon the written request of Xcel Energy, the Company will register shares of Common Stock held by Xcel Energy and its affiliates specified in its request for resale under an appropriate registration statement filed and declared effective by the SEC. Xcel Energy may make a demand so long as:
 - it requests registration of shares with an anticipated aggregate offering price of at least \$20 million;
 - it has made no more than four such previous requests;
 - the Company has not completed a registered offering of Common Stock within the last 180 days; and
 - the Chief Executive Officer of the Company has not determined it advisable to delay the offering for a period of up to 180 days, which determination may only be made once every twelve months.
- Piggyback Rights. If at any time the Company registers newly issued shares of Common Stock or registers outstanding shares of Common Stock for resale on behalf of any holder of Common Stock, Xcel Energy and its affiliates may elect to include in such registration any shares of Common Stock it holds. If the offering is an underwritten offering, the managing underwriter may exclude up to 75% of the shares of Xcel Energy and its affiliates if market factors dictate, but only if Xcel Energy and its affiliates is not exercising a demand right, described above, and only if all other shares being sold by other stockholders are excluded first.
- Lockup. In consideration for these registration rights, Xcel Energy and its affiliates agreed not to sell shares of Common Stock for a period of 180 days from the date of the Company's initial public offering.
- Termination. The registration rights agreement will terminate upon the earlier of seven years from the date of the agreement or the date on which all remaining shares of Common Stock held by Xcel Energy and its affiliates, or issuable to Xcel Energy and its affiliates upon conversion of Class A Common Stock, may be sold in any 90-day period in compliance with Rule 144 under the Securities Act.

Xcel Energy waived its rights under such registration rights agreement in connection with the March 2001 Offering.