

# NINA Development of STP 3&4 – Making Progress



Nuclear Innovation North America LLC

February 26, 2010

# Safe Harbor



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# Agenda



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## ➤ Recent Developments

- CPS ownership clarification

## ➤ Key and Ongoing Items

- Financing
- EPC Process
- PPAs
- Permitting/NRC

## ➤ Project Summary

- Merit
- Pipeline
- Ownership Structure



## **Recent Developments**

- CPS ownership clarification

# CPS Transaction Overview- Proposed Terms



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## Key Summary of Proposed Terms

**Ownership:** CPS to retain 7.625% interest in STP 3&4 for life of the plant

**Acquisition:** NINA would acquire 42.375% of STP 3&4 from CPS for:

- \$40mm payable two weeks after receipt of conditional DOE loan guarantee;
- \$40mm additional payable six months after the first payment;
- An undertaking to fund 100% of the project development but only if NRG wishes to pursue the project

**Donation:** \$2.5mm per year, for four years to energy-related community initiatives in San Antonio

**Litigation:** All litigation would be dismissed against all parties with prejudice; any future disputes would be handled in Travis County Court, or, if foreign partners are involved, in federal court

**Management Control:** NRG/NINA



Agreement remains subject to documentation

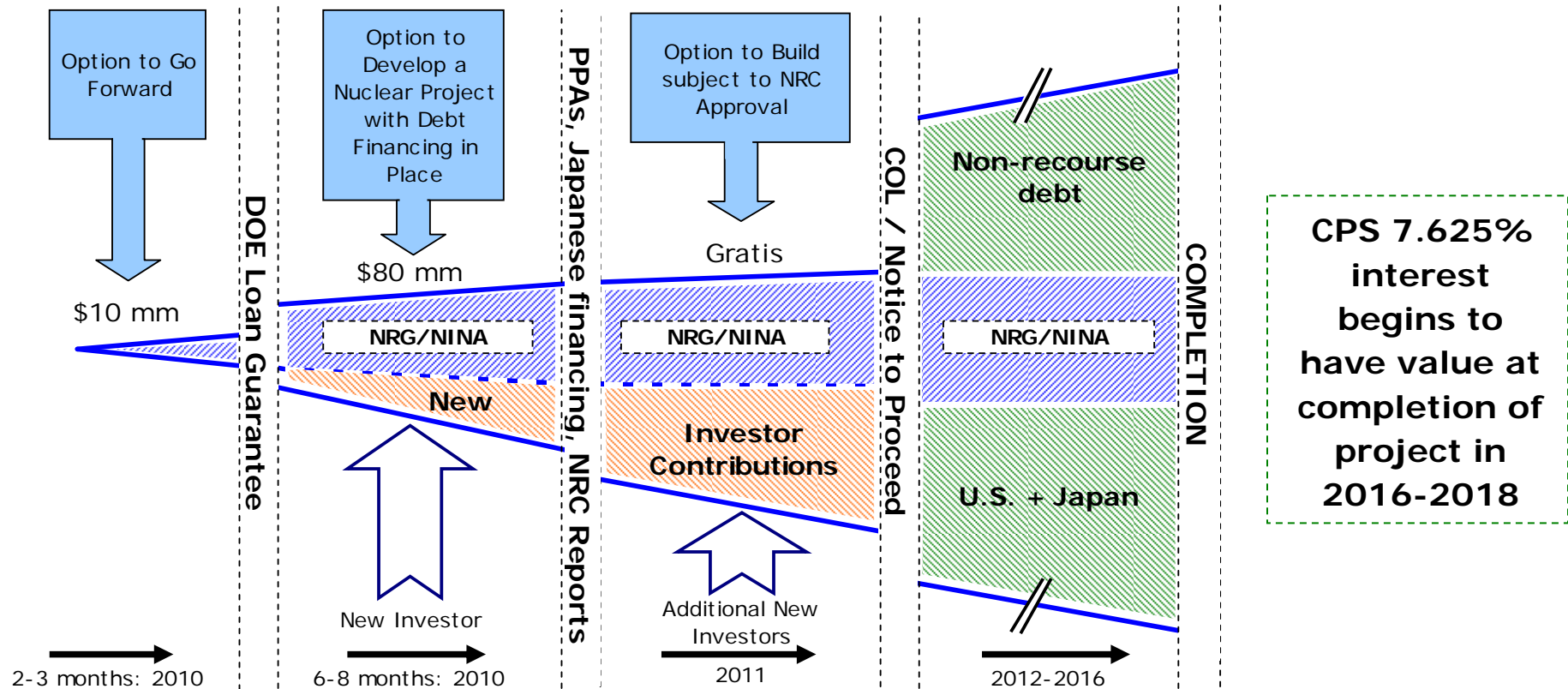


# Analyzing the Proposed Deal



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For NRG, a sequence of affordable options in an increasingly valuable nuclear opportunity



Failure to achieve key milestones at each stage of the project will cause reevaluation of the project



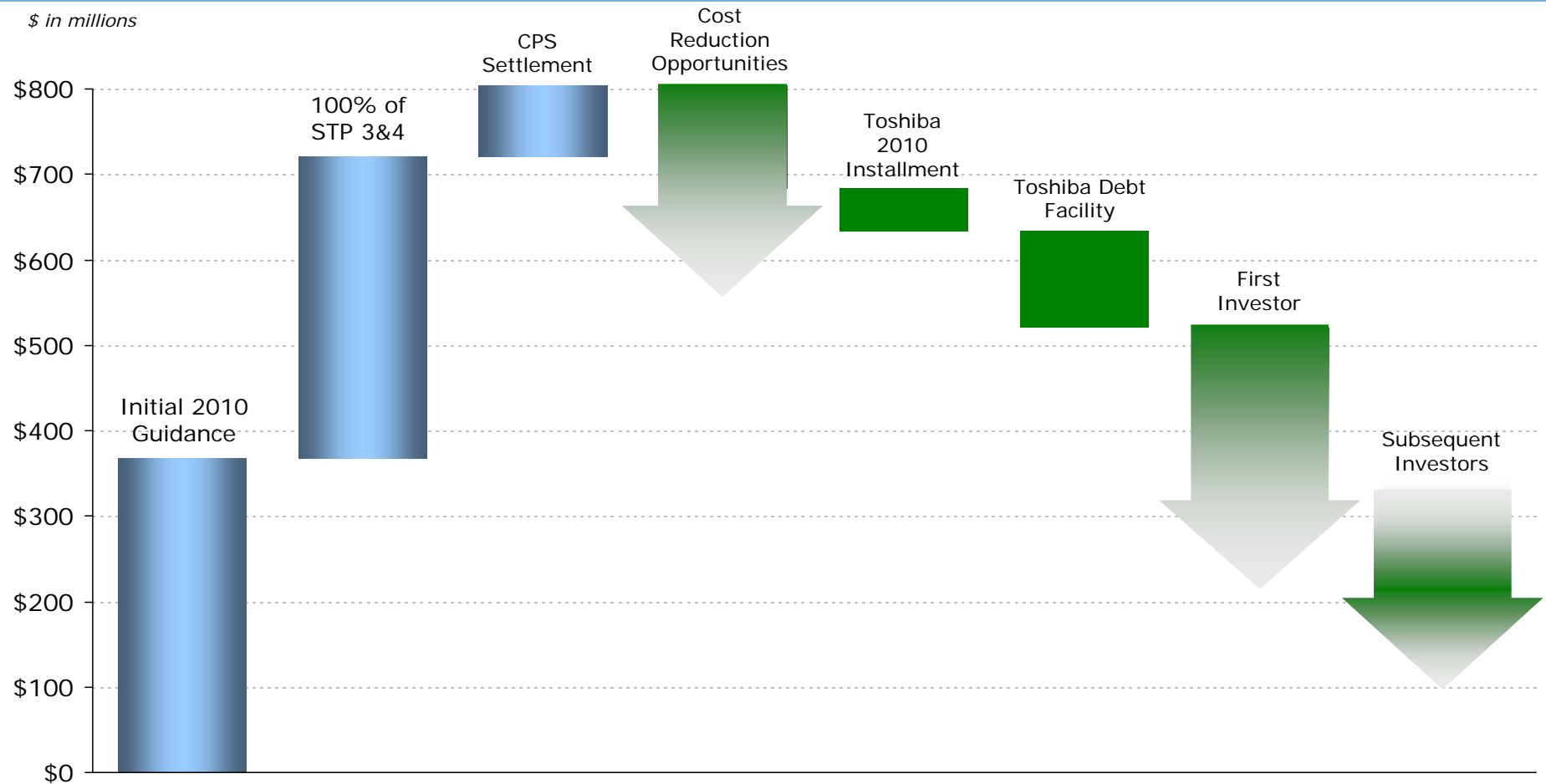
Risk commensurate with increased likelihood of reward



# STP 3&4 – 2010 Planned Project Spend



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We will work to reduce 2010 cash spend to initial levels



## **Key and Ongoing Items**

- Financing
- EPC Process
- PPAs
- Permitting/NRC



# STP 3&4 Financing Status



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## U.S. DOE Loan Discussions

- Conditional award negotiations in full swing
  - Due diligence nearly complete
  - Negotiation of documents continues
- Upon completion of terms, STP 3&4 application enters credit review board process
  - Typically takes 6-10 weeks
- NINA goal of commitment targeted second quarter 2010

## Japanese Support

- Amended Rule proposed in Sept. 2009 should allow for Japanese loan support once DOE considers public comments and Amended Rule becomes effective
- Momentum behind Japanese financing support has significantly increased
  - Agencies have begun due diligence
  - Japanese agencies will be adding staff to support evaluation of STP 3&4
- Recently issued letters of support to the DOE, NINA and Toshiba
  - Letters state intent to support the project up to Japanese content
  - Japanese content estimated at ~\$4 billion
- Timing of commitment will lag DOE
  - Likely in the second half of 2010

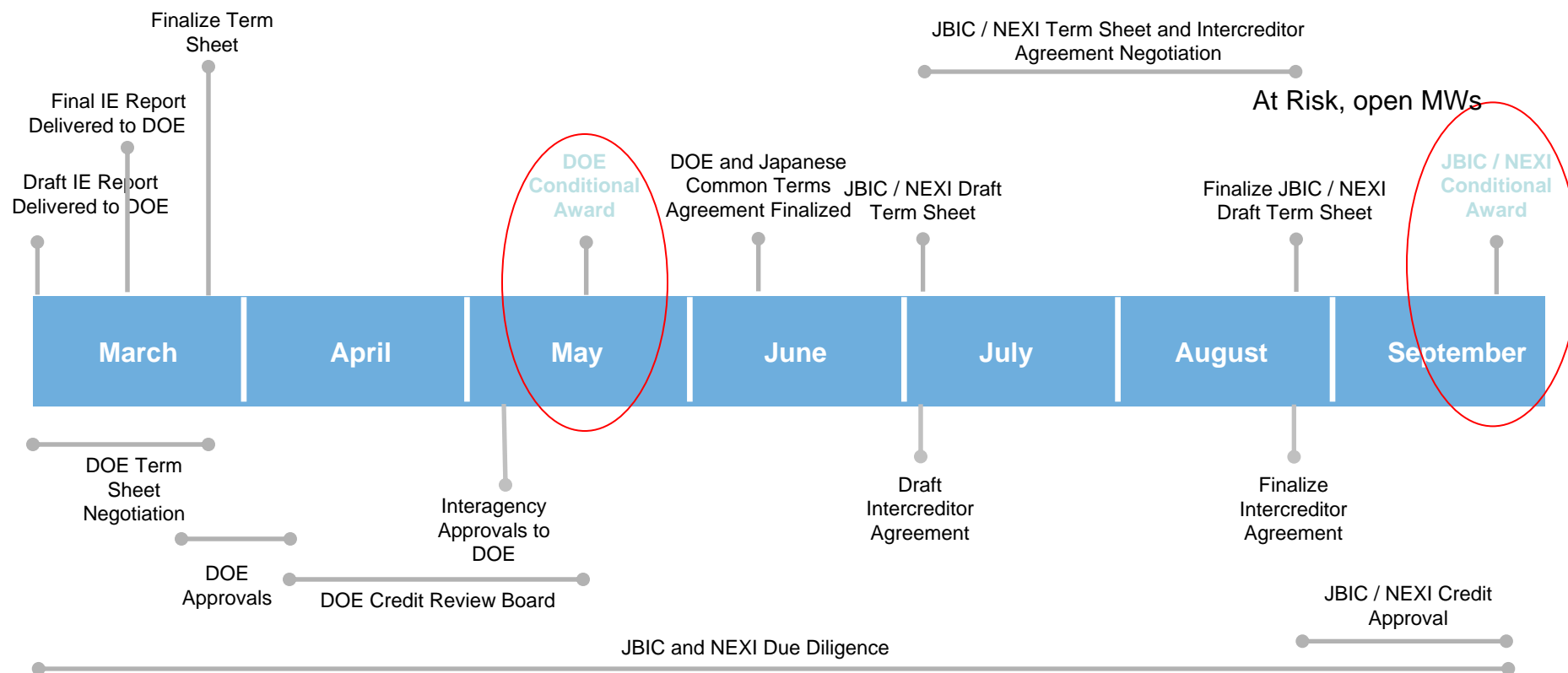
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Financing is progressing well in both U.S. and Japan

# Near-Term Financing Goals



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NINA's goal is to have DOE and Japanese conditional loan commitments in the near term

# STP 3&4 Financing Key Assumptions



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	60% Project Ownership	80% Project Ownership	100% Project Ownership
<b>Loan Amount (U.S. / Japan)</b>	\$5.0B / \$1.2B	\$5.5B / \$2.8B	\$6.2B / \$3.7B
<b>Loan Tenor (U.S. / Japan) (Includes Construction Period)</b>	30 yrs / 23 yrs	30 yrs / 23 yrs	30 yrs / 23 yrs
<b>Assumed Pricing (U.S. / Japan)</b>	T+37.5 bps / L+75 bps	T+37.5 bps / L+75 bps	T+37.5 bps / L+75 bps
<b>Upfront Cost (U.S. and Japan)</b>	2.5%	2.5%	2.5%
<b>Loan Amortization</b>	Mortgage Style	Mortgage Style	Mortgage Style

NINA anticipates adequate debt funding regardless of its ultimate ownership position

# EPC Revised Estimate Status



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- **TSB/Fluor are contractually required to deliver the following by January 2010:**
  - Detailed estimate for the EPC scope of the STP 3&4 Project
  - Guaranteed Output Curve
  - Guaranteed Not to Exceed Schedule – Full Notice to Proceed (“FNTP”) to Substantial Completion
  - Mutually Agreed Fixed Price Methodology – contractual agreement on how line items will be calculated/estimated for the Fixed Price
- **Mid-2009, STPNOC received initial estimates from TSB and Fluor**
  - Since the initial estimate relied on 2008 commodity pricing and had not been reviewed in detail, it was too high
  - This was not unexpected, and all parties agreed that the estimate had opportunities for reduction
- **Since that time, Toshiba, Fluor and the owners have worked diligently to drive the estimate back into an acceptable range**
  - All parties are currently reviewing the Fluor estimate and have identified a number of reductions in quantities, unit rates, material unit cost, and construction management
  - Toshiba has provided an updated estimate of equipment cost that has closed the gap significantly

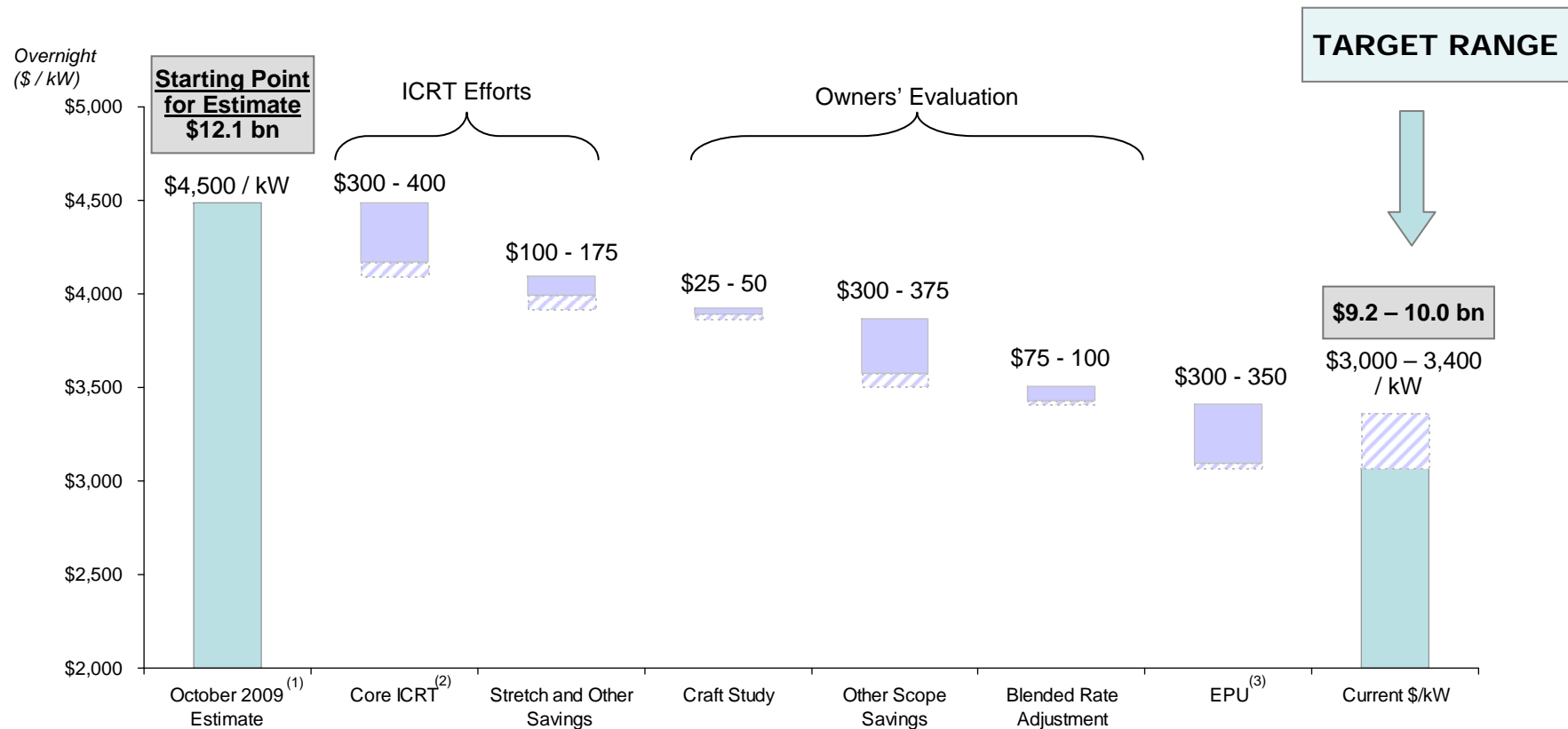
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The EPC estimating process is on track, and we expect the initial estimate will result in a viable project

# Updated EPC Cost Estimate (Continued)



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Note: \$ figures represent 100% of Project Costs. All \$ / kW costs are rounded.

(1) \$/kW calculated on a gross MW basis of 2,700.

(2) Innovation Cost Reduction Team composed of Owners, Owners' Agent STPNOC, Owners' Engineer as well as Outside Consultants.

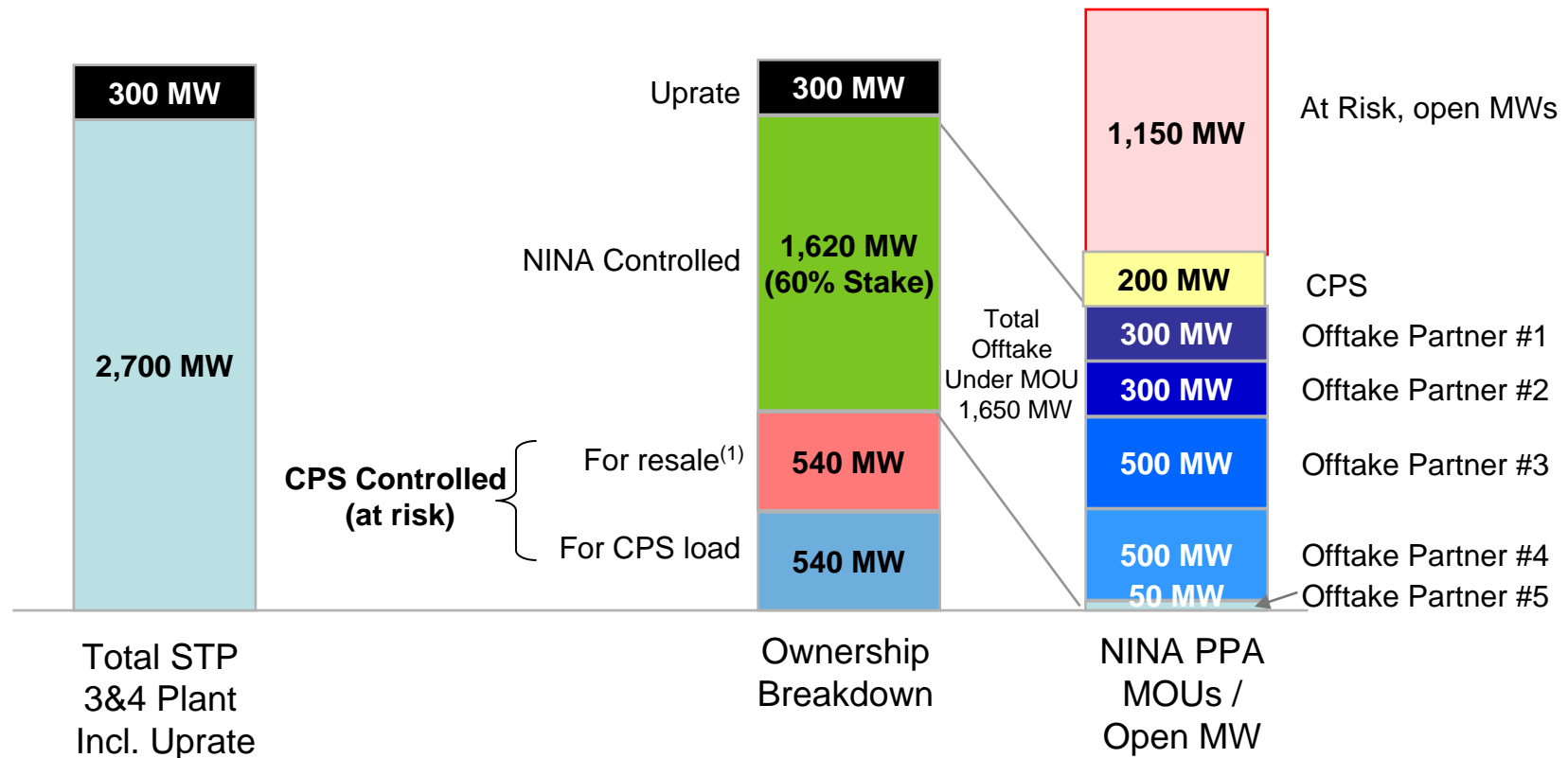
(3) EPU impact based on gross MW's of uprate and estimated cost from Toshiba.

The owners, Fluor and Toshiba are confident that a number below \$10 billion is achievable

# PPA Cover



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(1) Assumes NINA owns 60% of the plant and CPS retains 20% ownership of STP 3&4 for load serving purposes and must decide what to do with remaining 20%.

Change in CPS position and potential uprate will require multiple additional PPA counterparties

# Power Purchase Agreement Situation Overview



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## Key Considerations for PPA off-takers:

- ✓ Mitigate price volatility
- ✓ Competitive prices vs. other regional electricity providers
- ✓ Eliminates impact of CO2 legislation

	#1	#2	#3	#4	#5	CPS & Uprate
Targeted MW	300 MW	300 MW	500 MW	500 MW	50 MW	200 MW
% of Total <sup>(1)</sup>	10%	10%	20%	20%	2%	7.6%
Credit Rating	High Investment Grade	High Investment Grade	High Investment Grade	Investment Grade	High Investment Grade	--
Term (Type)	40 Years	Life of License	30 or 40 Years	20 Years	40 Years	--

Note: Several MOUs are annual, and are in discussion for extension.

(1) Based on a Gross MW output of 3,000 including an uprate.

## Other MOUs under active consideration in preliminary phases:

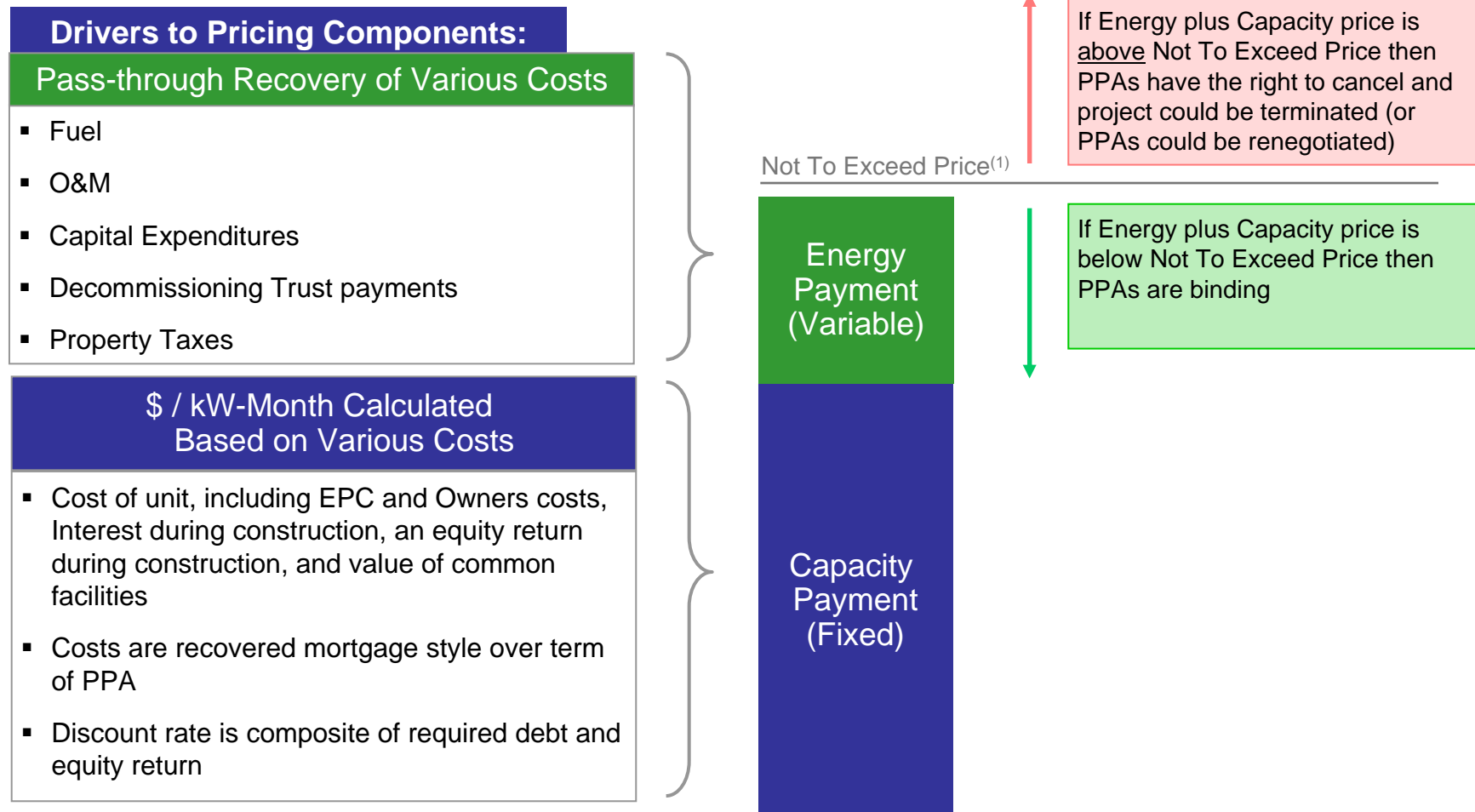
Counterparty	MW Under Consideration	Anticipated Date	Comments
#6	150-500	Q1 2010	• Early stage negotiation

NINA Continues to Strengthen PPA Cover

# PPA Pricing/ Not to Exceed Concept



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(1) Not To Exceed Price will be set in the PPA contract with each PPA counterparty.

NINA's approach to PPAs is essentially cost plus, but counterparties have the right to walk away if costs are prohibitive 16

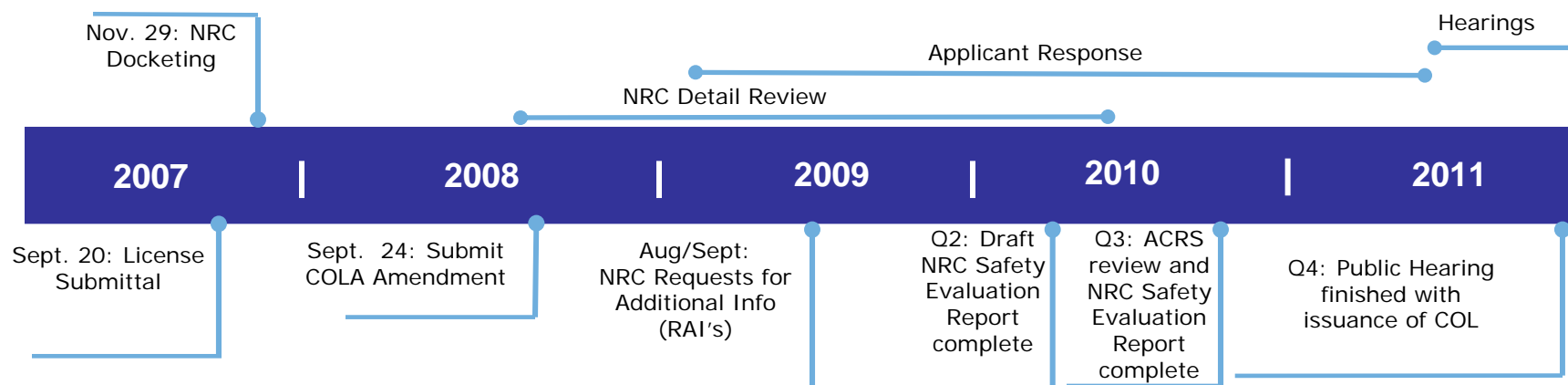


# Proven and NRC Pre-Certified Technology Enhances Path for STP 3&4 Licensing Schedule



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## Anticipated Timeline and Process for Licensing



- The NRC published a revised schedule for STP 3&4 on February 11, 2009
- The new schedule is consistent with NINA's previously anticipated build schedule
  - Early 2012 COL, with favorable hearing schedule
  - Leading to Full Notice to Proceed in mid 2012

Licensing aspects of the project remain on schedule

# Schedule – Near-Term Milestones



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- ☒ Safety Review Phase 1 End – 9/18/09
  - Completed on schedule
  - Means all requests for additional information issued
- ☐ Safety Evaluation Report with open items – 4/22/10
  - On track
  - NRC documentation of safety review
- ☐ Draft Environmental Impact Statement Issued – 3/31/10
  - On track

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License Review Enters the Home Stretch in 2010 and the first half of 2011. Then the Project Will Enter Hearings



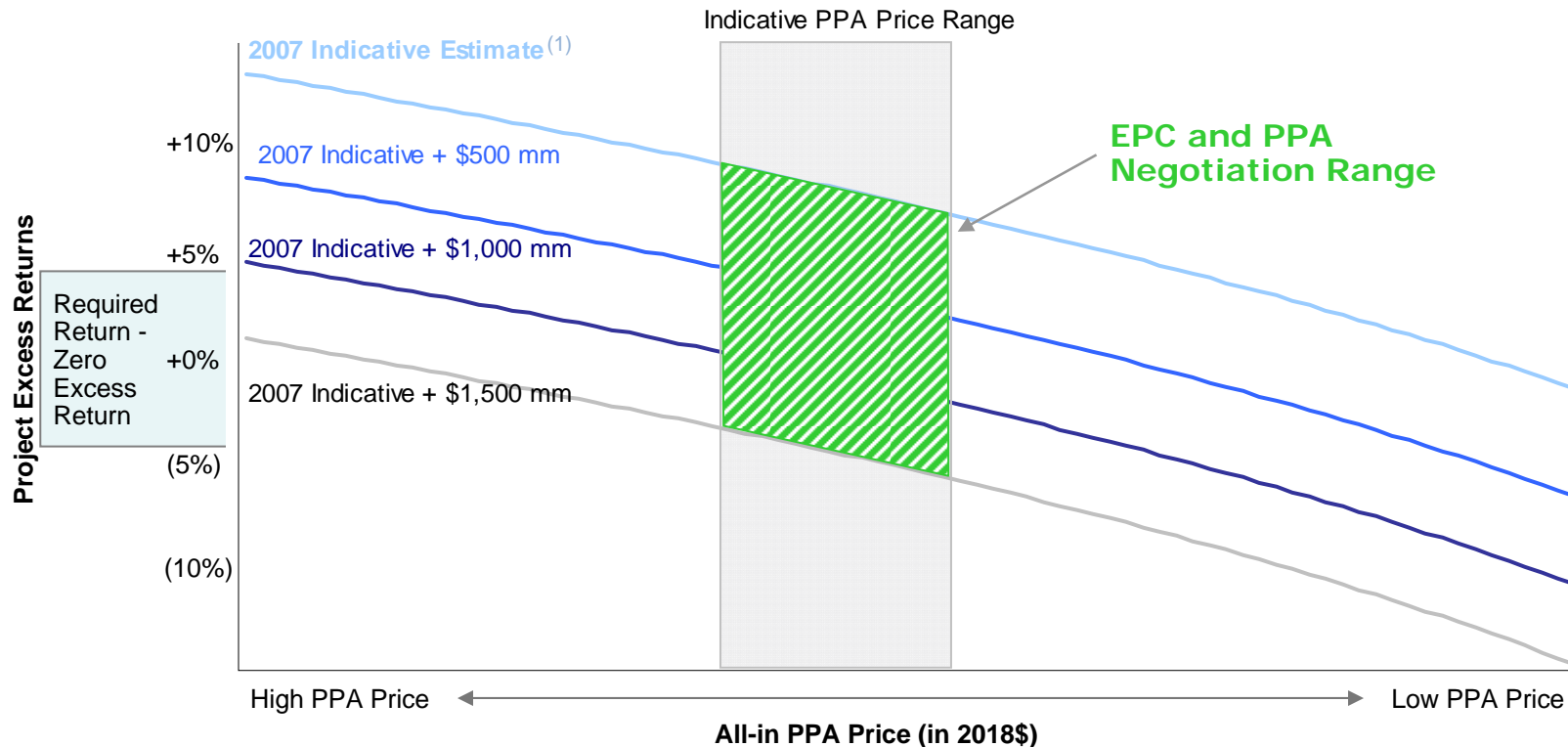
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# Project Summary

# Summary Project Viability



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(1) Assumes a \$3,150 / kW overnight EPC estimate based on 2,700 MW.

At Current PPA Price Talk, the Project Earns Attractive Returns  
Over a Wide Range of EPC Cost Escalation Scenarios

# STP 3&4: Targeted Milestones for the Leading Nuclear Project in US



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2010 Milestones			
Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> <li>☑ Clarification of CPS Position</li> <li>☑ EPC Cost Estimate</li> </ul>	<ul style="list-style-type: none"> <li>☐ Draft Environmental Impact Statement</li> <li>☐ Draft Safety Evaluation report from NRC</li> <li>☐ DOE Loan Commitment</li> <li>☐ New Investor Announcement</li> </ul>	<ul style="list-style-type: none"> <li>☐ Finalized Safety Evaluation Report</li> <li>☐ Japanese Loan Commitment</li> <li>☐ Anchor Tenant PPA under Binding Contract</li> </ul>	<ul style="list-style-type: none"> <li>☐ 2<sup>nd</sup> Anchor Tenant PPA Under Binding Contract</li> <li>☐ EPC Cost Estimate</li> </ul>

- ☑ Only Project Using a Certified Design
- ☑ One of Five Lead Projects for Review at the NRC
- ☑ One of Four Projects in DOE Loan Negotiations
- ☑ Only Project in Substantive Discussions for Japanese Co-Financing
- ☑ One of Three Projects with Fully Negotiated and Signed EPC
- ☑ Best Site for New Nuclear in the United States

Back on Track/Focused on Loan Guarantee

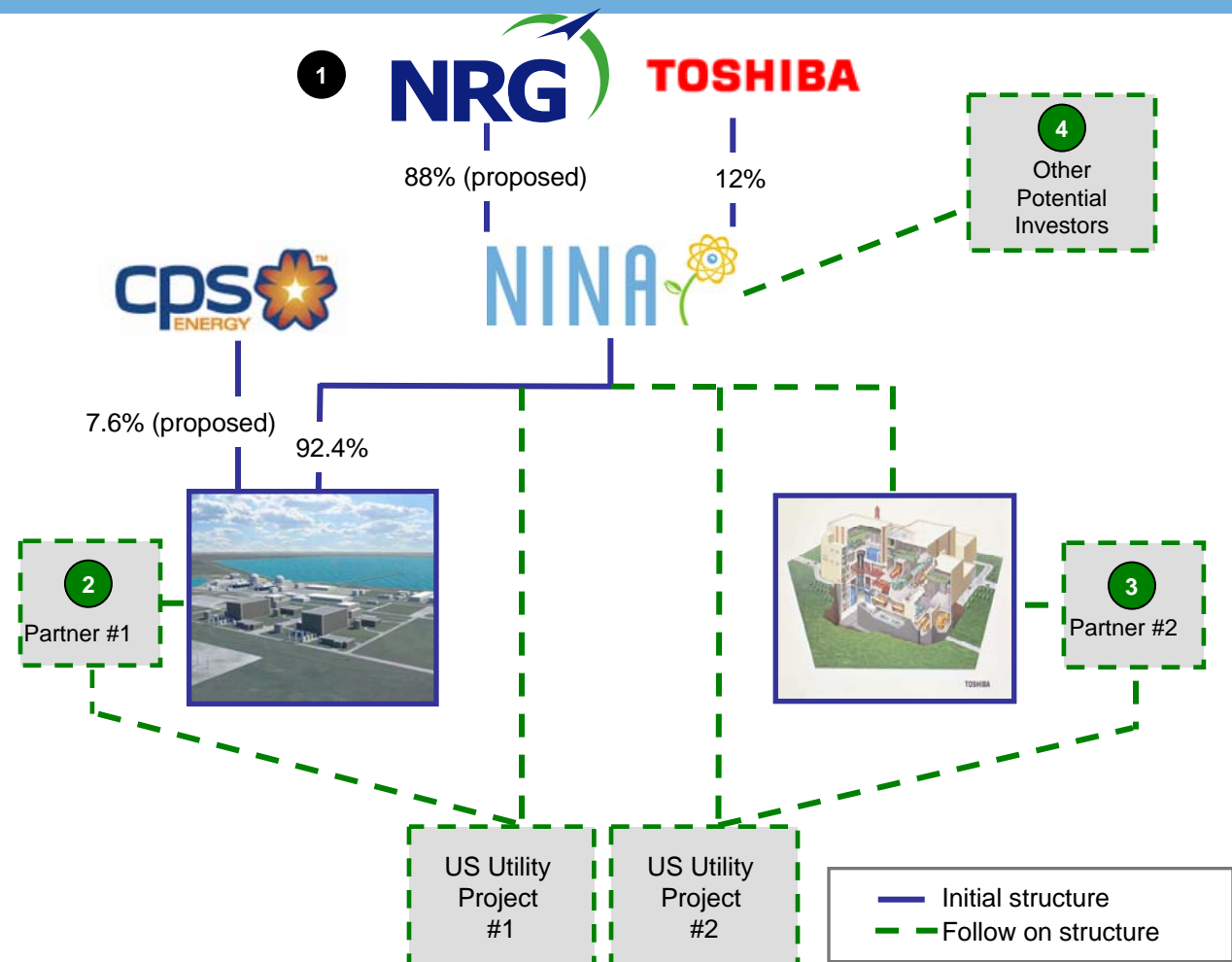
# The NRG First Mover Nuclear Advantage: NINA's Multi-Unit ABWR Strategic Step Structure



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## Long-Term Strategy

- 1 NRG contributes its STP 3&4 interest and development rights and Toshiba contributes \$50 million cash upon Nuclear Innovation North America closing with an additional 5 annual installments, totaling \$300 million
- 2 Leverage assets and expertise of Nuclear Innovation North America into a participation interest in another ABWR project
- 3 Nuclear Innovation North America and partners begin additional 2 unit nuclear site developments
- 4 Additional third party investors can be added to fund cash requirements



Note: Current ownership of STP 1&2 (44% NRG, 40% San Antonio and 16% Austin) remains unaffected by the development of STP 3&4 and the creation of Nuclear Innovation North America.

Focus on advancing and leveraging the ABWR design



NINA

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