

Investor Presentation

# NRG Energy, Inc.

(NYSE: NRG)

September 18, 2014

Wolfe Research Power & Gas Leaders Conference



# Safe Harbor



## **Forward Looking Statements**

In addition to historical information, the information presented in this presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. These statements involve estimates, expectations, projections, goals, assumptions, known and unknown risks and uncertainties and can typically be identified by terminology such as “may,” “should,” “could,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “expect,” “intend,” “seek,” “plan,” “think,” “anticipate,” “estimate,” “predict,” “target,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such forward-looking statements include, but are not limited to, statements about the Company’s future revenues, income, indebtedness, capital structure, plans, expectations, objectives, projected financial performance and/or business results and other future events, and views of economic and market conditions.

Although NRG believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Factors that could cause actual results to differ materially from those contemplated above include, among others, general economic conditions, hazards customary in the power industry, weather conditions, competition in wholesale power markets, the volatility of energy and fuel prices, failure of customers to perform under contracts, changes in the wholesale power markets, changes in government regulation of markets and of environmental emissions, the condition of capital markets generally, our ability to access capital markets, unanticipated outages at our generation facilities, adverse results in current and future litigation, failure to identify or successfully implement acquisitions and repowerings, our ability to implement value enhancing improvements to plant operations and companywide processes, our ability to obtain federal loan guarantees, the inability to maintain or create successful partnering relationships, our ability to operate our businesses efficiently, our ability to retain retail customers, our ability to realize value through our commercial operations strategy and the creation of NRG Yield, the ability to successfully integrate the businesses of acquired companies, the ability to realize anticipated benefits of acquisitions (including expected cost savings and other synergies) or the risk that anticipated benefits may take longer to realize than expected, and our ability to pay dividends and initiate share repurchases under our Capital Allocation Plan, which may be made from time to time subject to market conditions and other factors, including as permitted by United States securities laws. Furthermore, any common stock dividend is subject to available capital and market conditions.

NRG undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The adjusted EBITDA and free cash flow guidance are estimates as of August 7, 2014. These estimates are based on assumptions believed to be reasonable as of that date. NRG disclaims any current intention to update such guidance, except as required by law. The foregoing review of factors that could cause NRG’s actual results to differ materially from those contemplated in the forward-looking statements included in this Earnings Presentation should be considered in connection with information regarding risks and uncertainties that may affect NRG’s future results included in NRG’s filings with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

# NRG Energy Overview



## Key Information

Ticker: **NRG (NYSE)**

Market Capitalization<sup>1</sup>: ~\$10.3 BN

Net Generation Capacity<sup>2</sup>: ~53 GW

Competitive Retail Customers: ~2.9 MM

## LTM Financial Highlights<sup>3</sup>

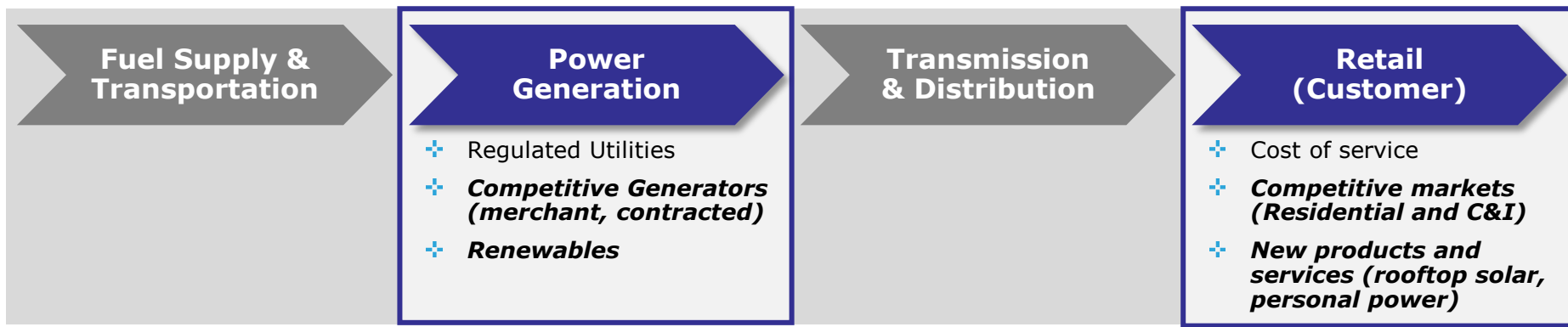
Revenues: **\$13.4 BN**

Adjusted EBITDA: **\$3.2 BN**

Adjusted Cash From Operations: **\$2.0 BN**

Free Cash Flow Before Growth: **\$1.4 BN**

## NRG in the Power Sector Value Chain



**The nrg**  
**Difference:**

- + Largest competitive power generation portfolio with fuel and geographic diversity
- + Leading retail energy platform across competitive markets that provides foundation for high growth distributed businesses – including NRG Home Solar
- + National leader in clean energy sector with ~4,300 MW<sup>4</sup> of utility-scale renewable generation projects; Focused effort to reduce carbon footprint
- + Competitive cost of capital through majority ownership of **NRG YIELD**<sup>SM</sup>
- + Strong free cash flow coupled with long history of balanced capital allocation

<sup>1</sup> As of 9/9/2014; Assumes ~337.7 MM shares outstanding

<sup>2</sup> Net operating capacity as of 6/30/2014 (excludes capacity attributable to non-controlling interests, NRG Thermal MW<sub>T</sub>, and NRG Yield's recently closed acquisition of Alta Wind)

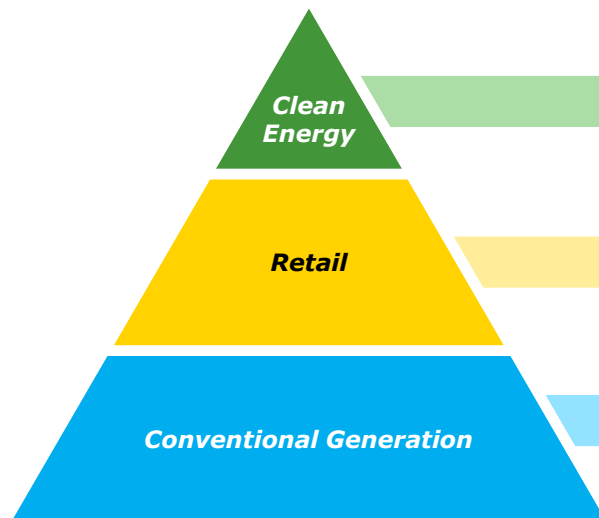
<sup>3</sup> Per NRG Energy filings as of 6/30/2014 and 12/31/2013

<sup>4</sup> Total solar and wind capacity as of 8/12/2014; Includes NRG Yield

# NRG: Premium Competitive Energy Business Platform

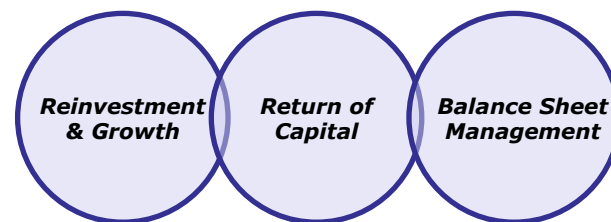


Competitive Energy Business Model...



Augmented by Balanced  
Capital Allocation

...Organized Around the  
"NRG Group of Companies"



**Annual Dividend:** \$0.56/share (~1.8% yield)<sup>1</sup>

**2014 Free Cash Flow Yield:** 12% – 14%<sup>1,2</sup>

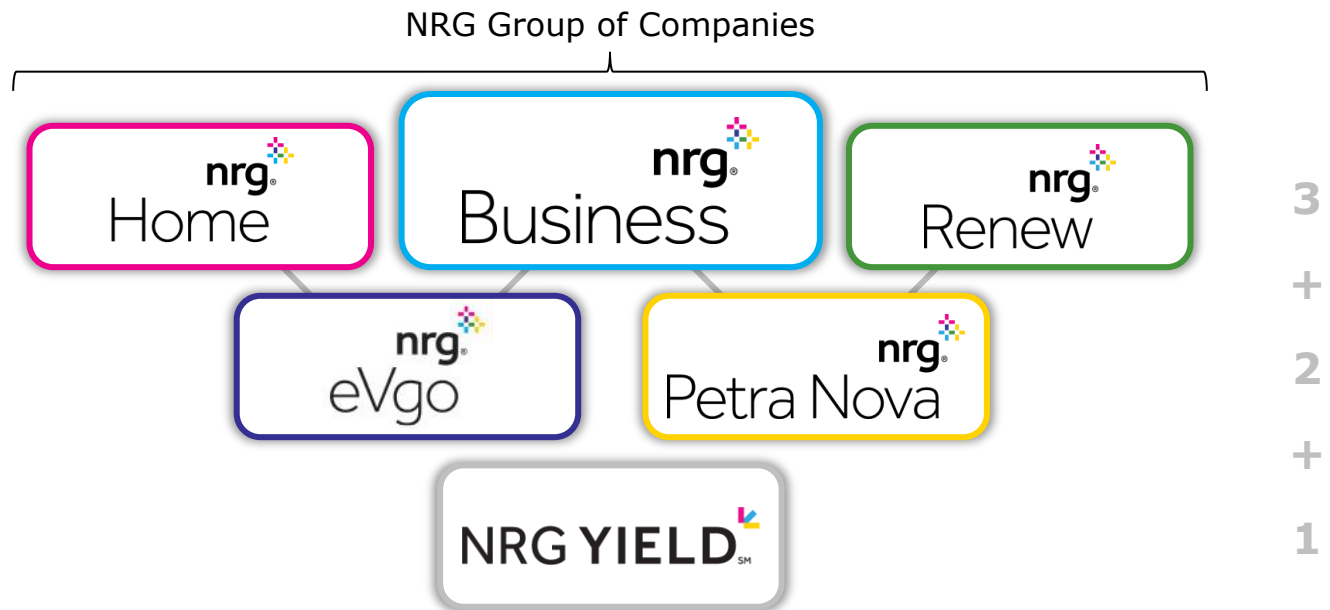


★ A Diversified Competitive Energy Company Positioned for  
Future Growth, While Generating Significant Free Cash Flow ★

<sup>1</sup> As of 9/9/2014; Assumes ~337.7 MM shares outstanding

<sup>2</sup> Based on 2014 Free Cash Flow Before Growth guidance as previously disclosed during NRG's 2nd Quarter 2014 Results Presentation on 8/7/2014

# Business Alignment Recognizes Several Distinct Value Propositions



## nrg Home

- ✦ Leading retail energy platform with ~2.8 million residential customers
- ✦ Smart energy management, home solutions, and personal power
- ✦ Rapidly growing residential solar business

## nrg Business

- ✦ Largest US competitive generation portfolio with over 50 GW of capacity<sup>1</sup>
- ✦ Full suite of energy management services and retail energy supply for commercial and industrial customers
- ✦ Unique range of on-site generation offerings through dGen business

## nrg Renew

- ✦ Leading renewable development and operations platform
- ✦ Commercialized renewable microgrid solutions and green B2B initiatives
- ✦ Innovative focus on sustainable and distributed energy future



Creating the Foundation for Future Growth,  
Value Creation, and Value Recognition



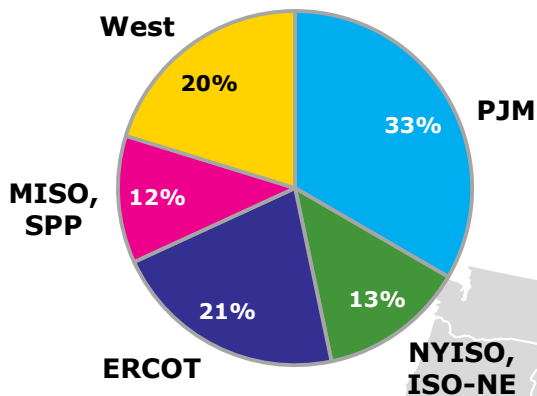
# NRG Business: Leading Competitive Generation Portfolio



*NRG's Competitive Generation Footprint Benefits from Scale and Diversity ...*

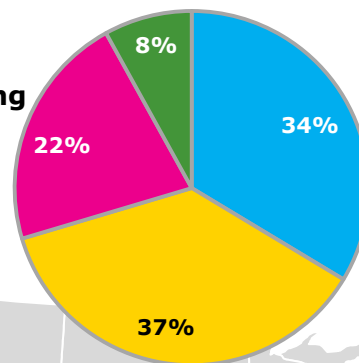
## Locational Diversity

By Capacity



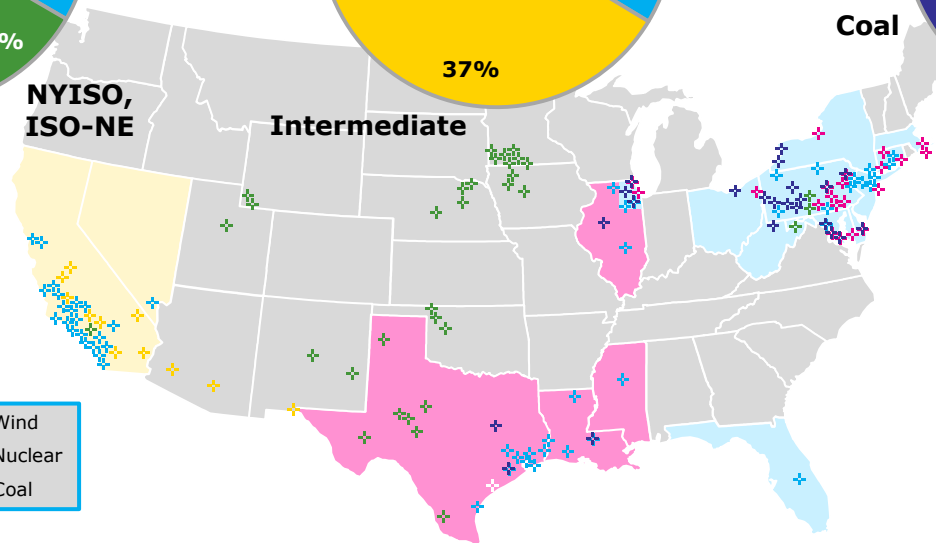
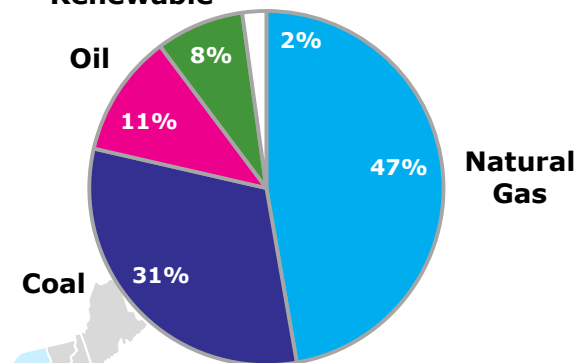
## Merit Order Diversity<sup>1</sup>

### Intermittent



## Fuel Diversity<sup>1</sup>

### Renewable Nuclear



**~ 54,000 MW**



★ ... And Provides Foundation for Strong Results, While Supporting Development of Next Generation Competitive Energy Services ★

# Midwest Generation: Investing in the Future

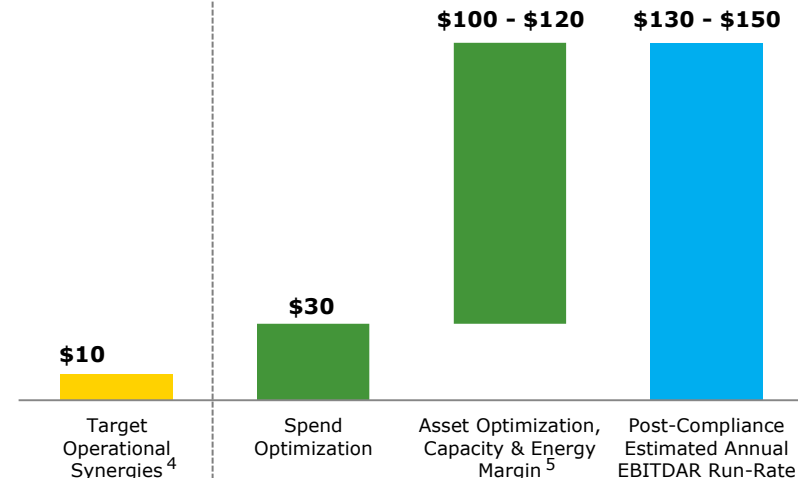


## NRG's Optimization Plan...

Facility	Capacity	Anticipated Actions
Powerton	1,538	<ul style="list-style-type: none"> <li>Continue to operate on PRB coal</li> <li>Planned DSI and ESP upgrades<sup>1</sup></li> </ul>
Joliet	1,326	<ul style="list-style-type: none"> <li>Planned conversion to natural gas</li> <li>Expected 2016 COD</li> </ul>
Waukegan	681	<ul style="list-style-type: none"> <li>Continue to operate on PRB coal</li> <li>Planned DSI and ESP upgrades</li> </ul>
Will County	761	<ul style="list-style-type: none"> <li>Retire Unit 3 in April 2015 (251 MW)</li> <li>Testing Unit 4 for MATS compliance; no additional capex requirement</li> </ul>
<b>Environmental Benefits</b>		<ul style="list-style-type: none"> <li>60% reduction in annual CO<sub>2</sub></li> <li>90% reduction in annual SO<sub>2</sub></li> <li>65% reduction in annual NO<sub>x</sub></li> </ul>

## ...Significantly Enhances the Value of MWG

(\$ millions)



Investment	\$ MM
Compliance Plan <sup>2</sup>	\$545
PV of Lease Obligation <sup>3</sup>	\$224
<b>Total</b>	<b>\$769</b>

**Implied EV/EBITDAR  
Multiple of ~5.5x**



Continuing to Execute on Long Term Value Creation



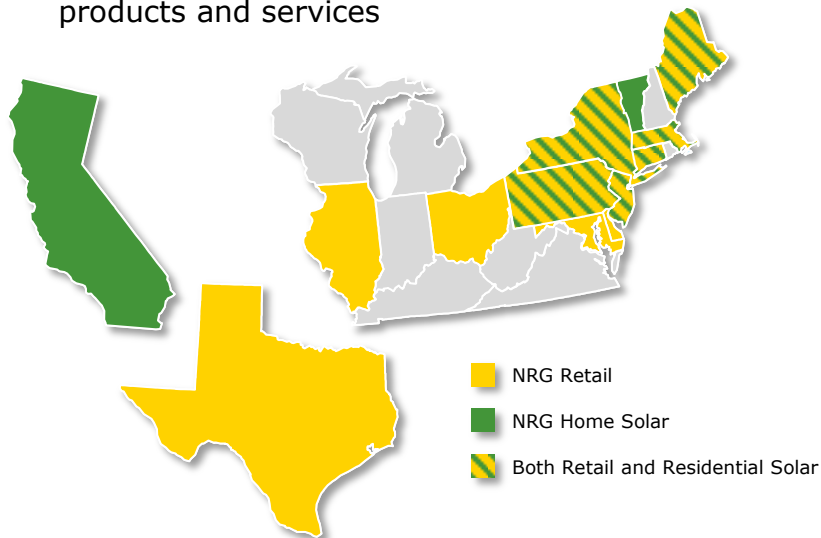
<sup>1</sup> DSI – Direct Sorbent Injection; ESP – Electrostatic Precipitator; <sup>2</sup> Excludes Interest During Construction (IDC)  
<sup>3</sup> Represents the present value of Midwest Generation operating lease payments (10% discount rate) as of 6/30/2014  
<sup>4</sup> Based on initial synergy guidance provided on 1/7/2014  
<sup>5</sup> Based on forward curves

# NRG Home: Powering the Individual at Home & On-the-Go with Clean Energy

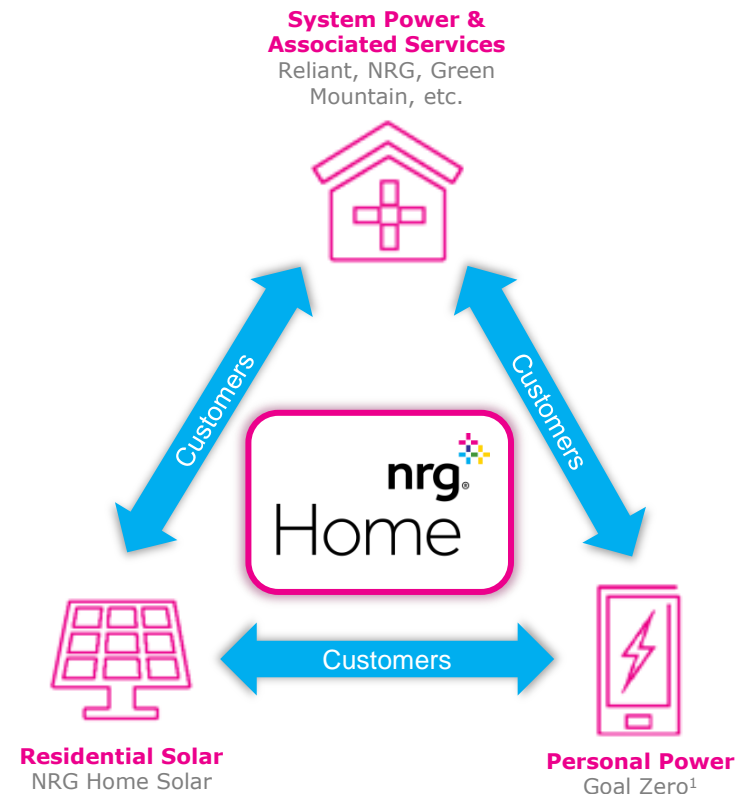


## Establishing NRG Home...

- ✦ ~2.8 million customers in Texas and the Northeast
- ✦ Leveraging industry-leading **integrated wholesale / retail** energy model
- ✦ Best-in-class, **vertically-integrated** residential solar platform through customer life cycle
- ✦ Key relationships with **major big box retailers** provide advantaged sales platform
- ✦ Ability to cross-sell NRG's full suite of consumer products and services



## ...to Position for Growth

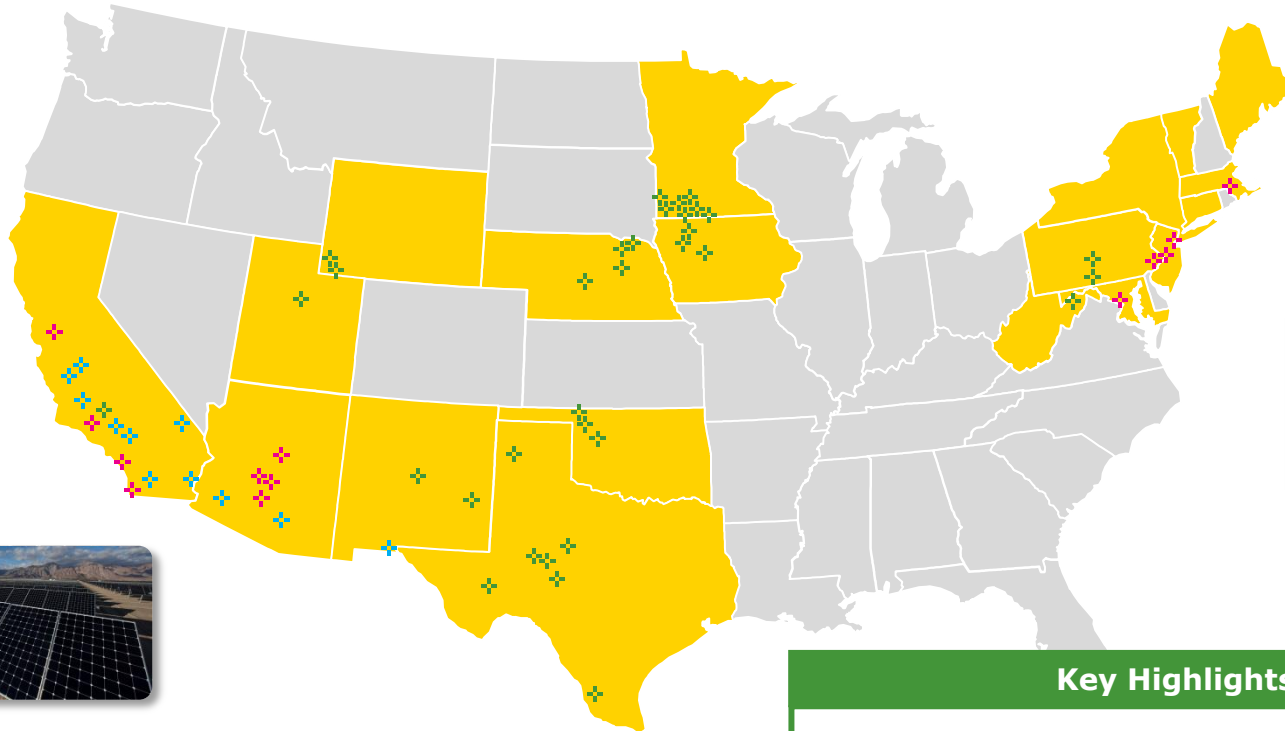


NRG's Leading Retail Platform Provides a Strong Foundation for Growth Inside the Home





# NRG Renew: Industry-Leading Clean Energy Platform



- Utility-Scale Solar
- Distributed Solar<sup>2</sup>
- Utility-Scale Wind

## Key Highlights

- NRG is the **3<sup>rd</sup> largest** US-based renewables operator and developer
- ~4,300 MW** of wind and solar capacity in operation and under construction<sup>1</sup>
- Burgeoning **distributed solar** business and focus on B2B sustainability partnerships



Leading Renewables Platform Contributing Significant Contracted EBITDA and Growth



<sup>1</sup> Total capacity, including capacity owned by minority interest partners, as of 8/12/2014

<sup>2</sup> Represents major distributed solar portfolios

# WA Parish Project: Value Proposition



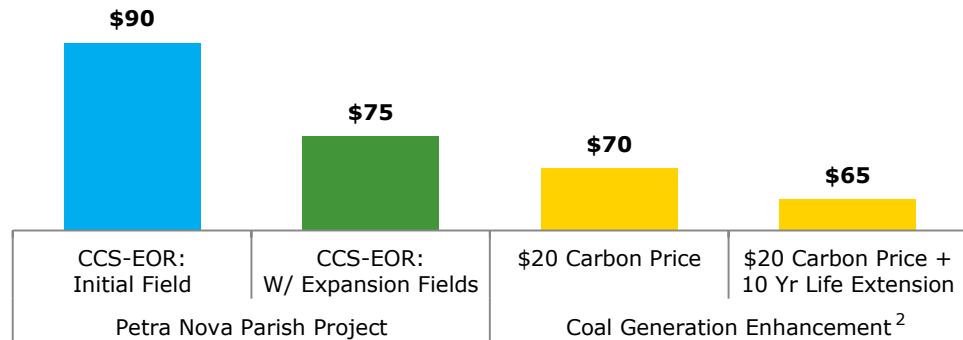
**Commodity Diversification  
Through Oil / Natural Gas Price  
Arbitrage**

**Carbon Price Hedge**

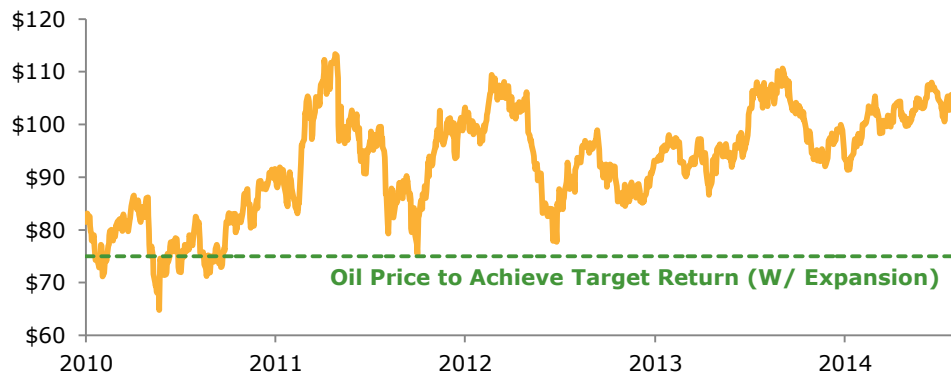
**Enhance Value and Useful Life  
of Coal Fleet**

**Fight Climate Change While  
Preserving Critical System Fuel  
Diversity**

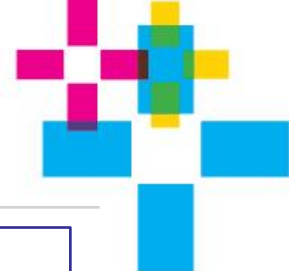
## Illustrative Oil Price for Target Return<sup>1</sup> (\$/bbl)



## Historical WTI Crude Oil Prices (\$/bbl)<sup>1,3</sup>



## A Premier Dividend Growth Company



<b>Ticker:</b> NYLD (NYSE)	<b>Market Cap<sup>1</sup>:</b> ~\$4.0 BN
<b>Estimated Dividend Yield<sup>1</sup>:</b> ~2.9%	<b>Target Dividend Growth<sup>2</sup>:</b> 15% - 18%
<b>Project Pipeline Capacity:</b> ~2.1 GW	<b>NRG Energy Ownership Stake:</b> 55.3%

### Conventional



- ❖ 4 Facilities with 1,460 net MW
- ❖ 100% Contracted
- ❖ ~13 year average remaining PPA life<sup>4</sup>

### Renewable<sup>3</sup>



- ❖ 19 solar and wind facilities with 1,401 net MW
- ❖ 100% Contracted
- ❖ ~21 year average remaining PPA life<sup>4</sup>

### Thermal

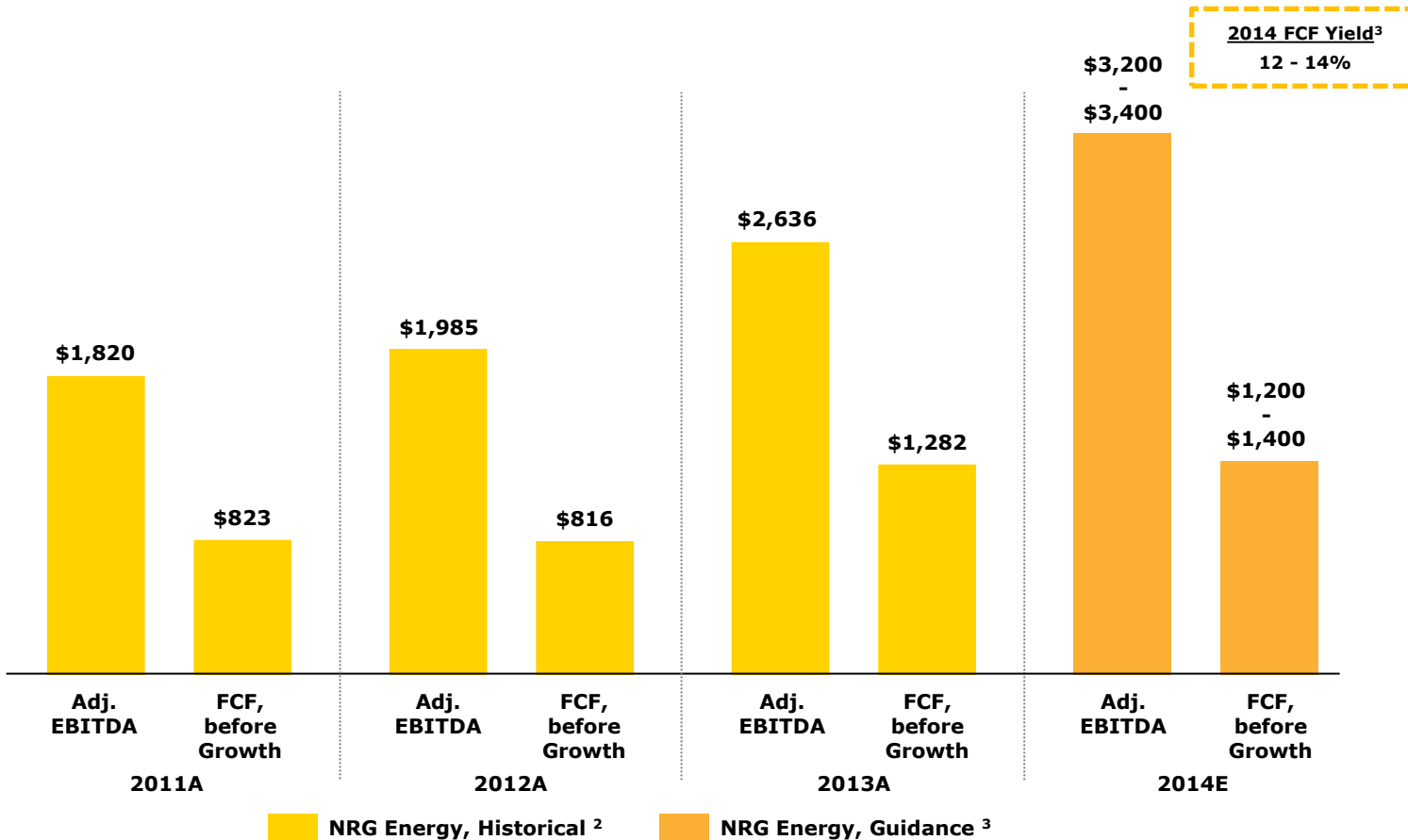


- ❖ 1.35 GW<sub>T</sub> capacity and 123 MW of generating capacity
- ❖ 690 customers
- ❖ Primarily long-term contracts or regulated rates

# Financial Highlights: EBITDA<sup>1</sup> and Free Cash Flow



**Strong Financial Performance and Robust Free Cash Flow Today...**



★ ...Provides the Necessary Capital for Long-Term Value Creation ★

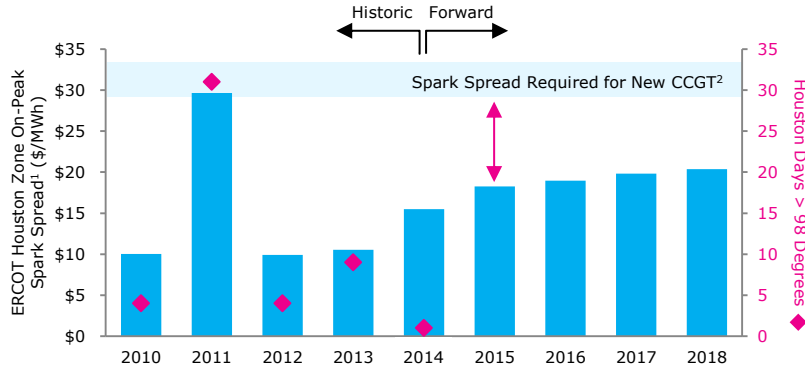
<sup>1</sup> 2012A, 2013A, and 2014E Adjusted EBITDA based on NRG's revised methodology, as more fully described in NRG's 4Q12 earnings presentation on 2/27/2013  
<sup>2</sup> 2011A from NRG's 4Q11 earnings presentation on 2/28/2012; 2012A from NRG's 4Q12 earnings presentation on 2/27/2013; 2013A from NRG's 4Q13 earnings presentation on 2/28/2014  
<sup>3</sup> Based on guidance previously disclosed in NRG's 2<sup>nd</sup> Quarter 2014 Results Presentation on 8/7/2014; Market data as of 9/9/2014; Assumes ~337.7 MM shares outstanding



# Appendix

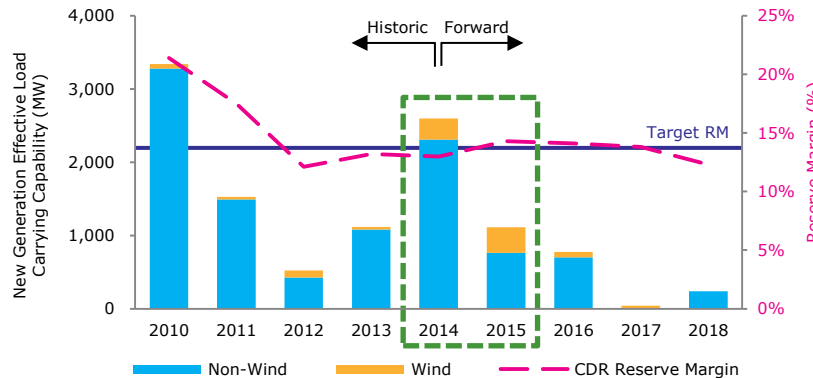
# Market Update (2Q Earnings Presentation)

## ERCOT: Mild Summer Weather Impacts Spot and Forward Prices



Source: ERCOT, NOAA, NRG estimates

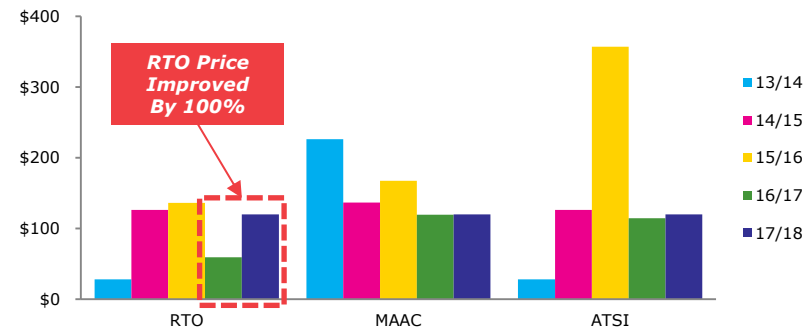
### New Builds Driven By Potential Capacity Market and PTC Extension



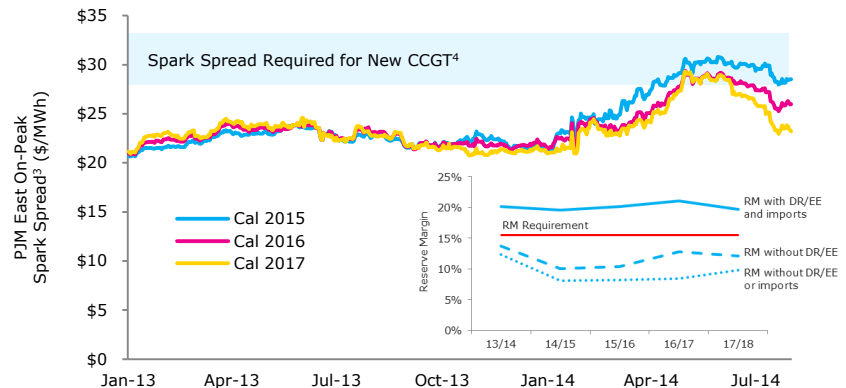
Source: ERCOT CDR  
Note: 2014 new build includes a mix of both completed and planned projects as per the May 2014 CDR

## PJM: Strong Capacity Results Support Asset Optimization Plan

(\$/MW-day)



Capacity<sup>5</sup>: 6.4 GW 9.9 GW 1.1 GW



Source: PJM, NRG estimates



NRG Continues to Benefit From Regional Diversification

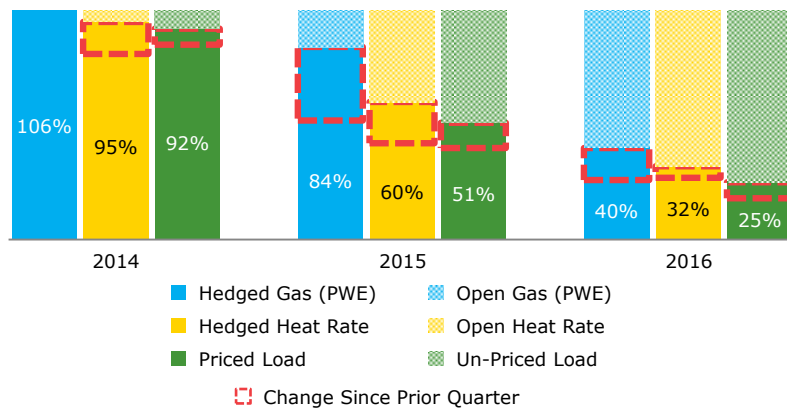


<sup>1</sup> 2010 – 2013 spark spreads calculated using actual DA settles vs. 7 heat rate x Houston Ship Channel gas; 2014 spark spreads are a combination of YTD actual DA settles and balance of year forwards; 2015 – 2018 spark spreads based on forward on-peak power prices vs. 7 heat rate x Houston Ship Channel gas; <sup>2</sup> CCGT CONE range calculated based on overnight capital cost in the range of \$800/kW to \$900/kW; Spark Spreads = (On-peak power - 7 heat rate x Houston Ship Channel gas); <sup>3</sup> Spark spreads based on forward on-peak power prices vs. 7 heat rate x TETCO M3 gas; <sup>4</sup> CCGT CONE range is calculated based on overnight capital cost of \$1,100/kW, net of capacity and ancillary revenue; Spark Spreads = (On-peak power - 7 heat rate x TETCO M3 gas); <sup>5</sup> Represents installed capacity (ICAP) as of 6/30/2014

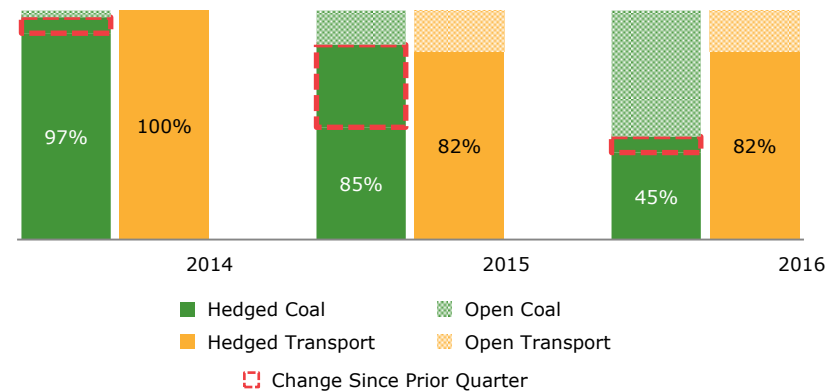
# Commercial Operations



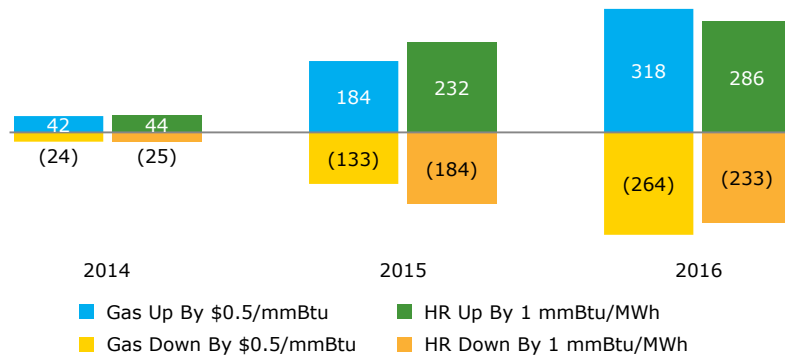
## Coal and Nuclear Generation and Retail Hedge Position<sup>1,2</sup>



## PJM: Strong Capacity Results Support Asset Optimization Plan



## Coal and Nuclear Generation Sensitivity to Gas Price and Heat Rate<sup>1,3</sup>



## 2017/2018 PJM Auction Results

Zone	% Capacity Cleared <sup>5</sup>
MAAC	98%
ATSI	100%
RTO	93%
<b>Total</b>	<b>96%</b>



<sup>1</sup> Portfolio as of 7/17/2014; <sup>2</sup> Retail Priced Load includes Term load, Hedged Month-to-month load, and Indexed load

<sup>3</sup> Price sensitivity reflects gross margin change from \$0.5/MMBtu gas price, 1 mmBtu/MWh heat rate move

<sup>4</sup> Coal position excludes existing coal inventory

<sup>5</sup> Represents the amount of cleared UCAP capacity compared to total available UCAP capacity; Excludes assets retiring prior to the 2017/2018 planning year

# Reactivation of Select Facilities



	Facility	Capacity	Details
2013 Announcements	Avon Lake <i>PJM – ATSI</i>	732 MW	<ul style="list-style-type: none"> <li>❖ Cleared 2016/17 &amp; 2017/18 PJM capacity auctions</li> <li>❖ Gas addition to existing coal units</li> <li>❖ Summer 2016 COD</li> </ul>
	New Castle <i>PJM – ATSI</i>	330 MW	<ul style="list-style-type: none"> <li>❖ Cleared 2016/17 &amp; 2017/18 PJM capacity auctions</li> <li>❖ Gas addition to existing coal units</li> <li>❖ Summer 2016 COD</li> </ul>
	Dunkirk Unit 2 <i>NY – RoS</i>	75 MW	<ul style="list-style-type: none"> <li>❖ Unit slated for mothball May 2013</li> <li>❖ Achieved new reliability contract with National Grid for 6/2013 through 6/2015</li> </ul>
2014 Announcements	Portland Oil <i>PJM – MAAC</i>	401 MW	<ul style="list-style-type: none"> <li>❖ Cleared 2017/18 PJM capacity auction</li> <li>❖ Retired June 2014</li> <li>❖ Ultra Low Sulfur Diesel (ULSD) conversion of existing coal units</li> <li>❖ Summer 2016 COD</li> </ul>
	Shawville Gas <i>PJM – MAAC</i>	597 MW	<ul style="list-style-type: none"> <li>❖ Cleared 2017/18 PJM capacity auction</li> <li>❖ Slated to retire April 2015</li> <li>❖ Gas addition to existing coal units</li> <li>❖ Summer 2016 COD</li> </ul>
	Dunkirk Units 2-4 <i>NY – RoS</i>	435 MW	<ul style="list-style-type: none"> <li>❖ Gas addition project of Dunkirk units 2-4</li> <li>❖ NY PSC approved term sheet with National Grid in June 2014</li> <li>❖ 10-year agreement starting Fall 2015</li> </ul>





# 2014 Guidance Overview



(\$ millions)	Guidance 8/7/2014	Guidance 5/6/2014
Wholesale <sup>1,2</sup>	\$2,200 – \$2,320	\$2,315 – \$2,440
Retail	\$600 – \$675	\$600 – \$675
NRG Yield <sup>1</sup>	\$410	\$292
<b>Adjusted EBITDA</b>	<b>\$3,200 – \$3,400</b>	<b>\$3,200 – \$3,400</b>
<b>Free Cash Flow before Growth</b>	<b>\$1,200 – \$1,400</b>	<b>\$1,200 – \$1,400</b>





# NRG Yield Drop-Down Update

	Project	Technology	Net MW	COD	Off-Take
<b>Dropped Down 6/30/2014</b>  <i>Run-Rate Adj. EBITDA: \$100 MM</i>  <i>Run-Rate CAFD: \$30 MM</i>	El Segundo	CCGT	550	2013	10-year tolling agreement with SCE <sup>1</sup>
	TA High Desert	PV	20	2013	20-year PPA with SCE
	RA Kansas South	PV	20	2013	20-year PPA with PG&E <sup>1</sup>
<b>Expected to Be Offered By YE 2014</b>  <i>Run-Rate Adj. EBITDA: \$120 MM</i>  <i>Run-Rate CAFD: \$35 MM</i>	Walnut Creek	CT	500	2013	10-year PPA with SCE
	Tapestry	Wind	204	2008 – 2011	20-year PPA with various off-takers
	Laredo Ridge	Wind	81	2011	20-year PPA with NPPD <sup>1</sup>
<b>Expected to Be Offered Post-2014</b>  <i>Run-Rate Adj. EBITDA: \$215 MM</i>  <i>Run-Rate CAFD: \$100 MM</i>	CVSR <sup>2</sup>	PV	128	2013	25-year PPA with PG&E
	Agua Caliente <sup>3</sup>	PV	148	2014	25-year PPA with PG&E
	Ivanpah <sup>4</sup>	Solar Thermal	193	2013	20-25-year PPAs with PG&E and SCE
	Other NYLD-Eligible Assets	Wind	816	Various	Various long-term contracts

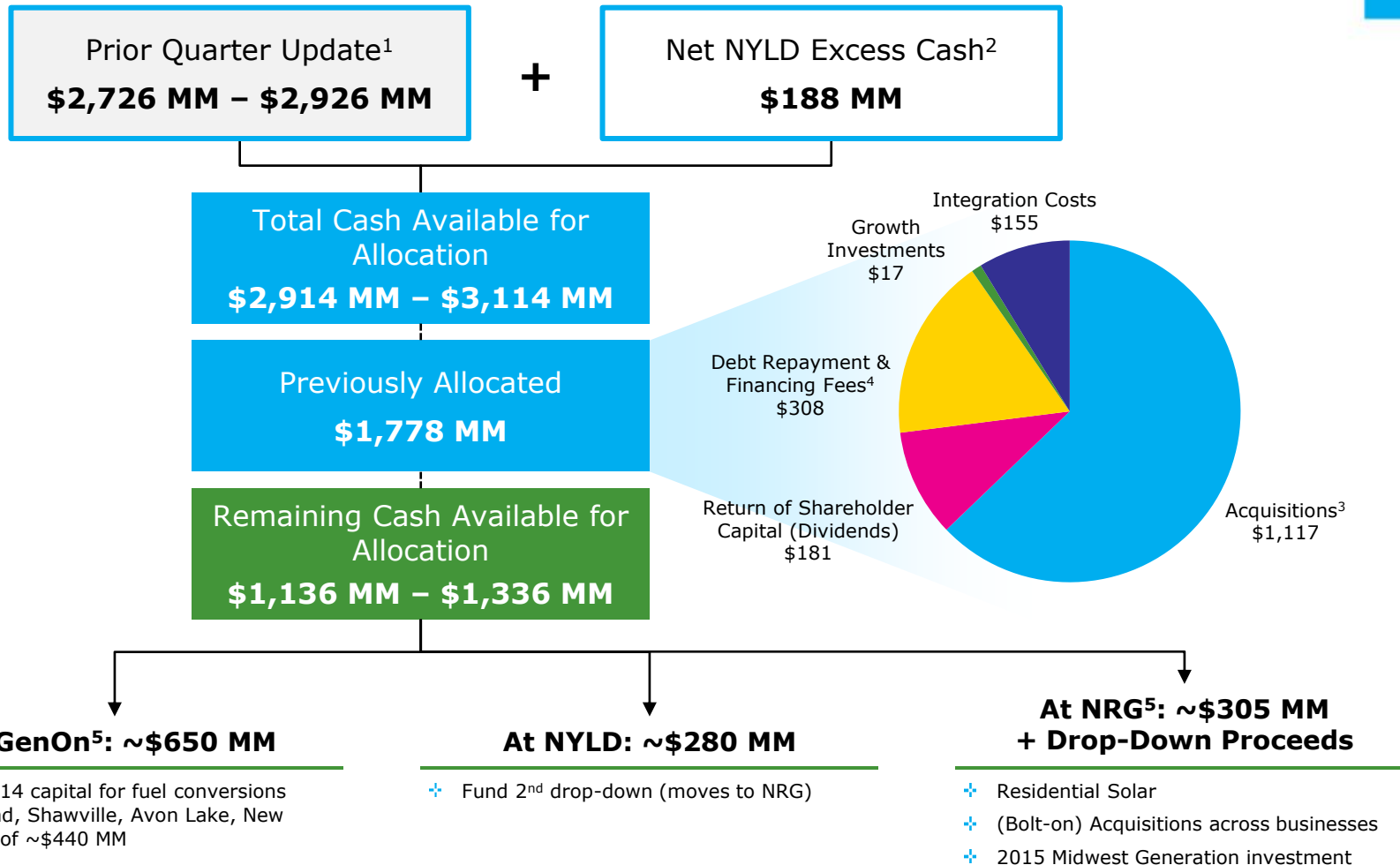


Poised for Capital Replenishment at NRG Energy and Driving CAFD Growth at NYLD



<sup>1</sup> SCE – Southern California Edison; PG&E – Pacific Gas & Electric; NPPD – Nebraska Public Power District  
<sup>2</sup> Represents NRG's remaining interest in CVSR  
<sup>3</sup> Capacity represents 51% NRG ownership; Remaining 49% of Agua Caliente is owned by MidAmerican Energy Holdings, Inc.  
<sup>4</sup> Capacity represents 49.95% NRG ownership; Remaining 50.05% is owned by Google, Inc. and BrightSource Energy, Inc.

# 2014 Capital Allocation Update



★ Significant Progress Made YTD on Long-Term Value Creation ★

<sup>1</sup> Cash Available for Allocation as provided on 1Q 2014 earnings call on 5/6/2014; Includes excess cash of \$1,189 MM, 2014 FCF before Growth guidance of \$1,200 MM – \$1,400 MM, and net drop-down proceeds of \$337 MM; <sup>2</sup> Represents total cash proceeds from NYLD equity and debt issuances above expected funding requirements for Alta Wind transaction (expected to close 3Q 2014); <sup>3</sup> Includes net \$899 MM related to EME acquisition and \$218 MM related to other acquisitions; <sup>4</sup> Includes scheduled debt amortization and \$35 MM of debt repayment related to divestiture of Bayou Cove; <sup>5</sup> Implied based on mid-point of Free Cash Flow before Growth guidance



# Appendix Reg. G Schedules

# Reg. G: LTM Free Cash Flow Before Growth Investments



<i>\$ millions</i>	Year Ending Dec 31, 2013	Half Ending Jun 30, 2013	Half Ending Jun 30, 2014	LTM
<b>Adjusted EBITDAR</b>	<b>\$ 2,746 -</b>	<b>\$ 1,006 +</b>	<b>\$ 1,543 =</b>	<b>\$ 3,283</b>
Less: GenOn operating lease expense <sup>1</sup>	(110) -	(39) +	(56) =	(127)
<b>Adjusted EBITDA</b>	<b>\$ 2,636 -</b>	<b>\$ 967 +</b>	<b>\$ 1,487 =</b>	<b>\$ 3,156</b>
Interest payments	(935) -	(492) +	(542) =	(985)
Income tax	60 -	62 +	(9) =	(11)
Collateral/working capital/other	(491) -	(615) +	(567) =	(443)
<b>Cash flow from operations</b>	<b>\$ 1,270 -</b>	<b>\$ (78) +</b>	<b>\$ 370 =</b>	<b>\$ 1,718</b>
Reclassifying of net receipts (payments) for settlement of acquired derivatives that include financing elements	267 -	171 +	(167) =	(71)
Merger and integration costs	141 -	80 +	64 =	125
Collateral	47 -	158 +	297 =	186
<b>Adjusted Cash flow from operations</b>	<b>\$ 1,725 -</b>	<b>\$ 331 +</b>	<b>\$ 564 =</b>	<b>\$ 1,958</b>
Maintenance CapEx, net <sup>2</sup>	(325) -	(170) +	(164) =	(319)
Environmental CapEx, net	(104) -	(33) +	(86) =	(157)
Preferred dividends	(9) -	(5) +	(5) =	(9)
Distributions to non-controlling interests	(5) -	- +	(23) =	(28)
<b>Free Cash Flow - before Growth Investments</b>	<b>\$ 1,282 -</b>	<b>\$ 123 +</b>	<b>\$ 286 =</b>	<b>\$ 1,445</b>



<sup>1</sup> For Year Ending 12/31/2013, amounts include final purchase accounting adjustments for GenOn transaction

<sup>2</sup> Maintenance capex, net excludes merger and integration capex

# Reg. G: 2012 & 2011 Free Cash Flow Before Growth Investments



<i>\$ in millions</i>	<b>Dec 31, 2012</b>	<b>Dec 31, 2011</b>
<b>Adjusted EBITDAR</b>	<b>\$ 1,988</b>	<b>\$ 1,820</b>
Less: GenOn operating lease expense	(3)	-
<b>Adjusted EBITDA</b>	<b>\$ 1,985</b>	<b>\$ 1,820</b>
Interest payments	(707)	(769)
Income tax	(17)	(26)
Collateral/working capital/other	(112)	141
<b>Cash flow from operations</b>	<b>\$ 1,149</b>	<b>\$ 1,166</b>
Reclassifying of net payments for settlement of acquired derivatives that include financing elements	(68)	(83)
GenOn Merger and integration costs	46	-
Collateral	(82)	-
<b>Adjusted Cash flow from operations</b>	<b>\$ 1,045</b>	<b>\$ 1,083</b>
Maintenance CapEx, net	(215)	(200)
Environmental CapEx, net	(5)	(51)
Preferred dividends	(9)	(9)
<b>Free cash flow - before growth investments</b>	<b>\$ 816</b>	<b>\$ 823</b>



# Reg. G: 2014 Guidance



(\$ millions)		8/7/2014 Guidance
<b>Adjusted EBITDAR</b>		<b>\$3,328 - \$3,528</b>
Less: Operating lease expense		(128)
<b>Adjusted EBITDA</b>		<b>\$3,200 - \$3,400</b>
Interest payments <sup>1</sup>		(1,061)
Income tax		(40)
Working capital / other		(70)
<b>Adjusted Cash Flow from Operations</b>		<b>\$2,029 - \$2,229</b>
Maintenance capital expenditures, net		(375) - (395)
Environmental capital expenditures, net		(340) - (360)
Preferred dividends		(9)
Distributions to non-controlling interests		(100)
<b>Free Cash Flow before Growth</b>		<b>\$1,200 - \$1,400</b>



<sup>1</sup> Includes \$70 MM debt extinguishment costs associated with refinancings

# Reg. G: Executed 6/30 Drop-Down Annual Run-Rate



(\$ millions)		6/30 Executed Drop-Downs
<b>Income Before Taxes</b>	\$	<b>45</b>
Adjustments to net income to arrive at Adjusted EBITDA:		
Depreciation & amortization		27
Interest expense, net		28
<b>Adjusted EBITDA</b>	\$	<b>100</b>
Cash interest paid		(26)
Maintenance capital expenditures		(2)
Principal amortization of indebtedness		(38)
Change in other assets		(4)
<b>Cash Available for Distribution</b>	\$	<b>30</b>



# Reg. G: Drop-Down Pipeline Annual Run-Rate



(\$ millions)	2H 2014 Drop-Downs	Post-2014 Drop-Downs
<b>Income Before Taxes</b>	\$ 38	\$ 75
Adjustments to net income to arrive at Adjusted EBITDA:		
Depreciation & amortization	45	68
Adjustment to reflect reported equity earnings	–	10
Interest expense, net	37	61
<b>Adjusted EBITDA</b>	<b>\$ 120</b>	<b>\$ 215</b>
Cash interest paid	(37)	(59)
Working capital / other	(1)	(8)
Maintenance capital expenditures	–	(1)
Principal amortization of indebtedness	(47)	(46)
<b>Cash Available for Distribution</b>	<b>\$ 35</b>	<b>\$ 100</b>

# Reg. G



## Appendix Table A-1: First Half 2014 Regional Adjusted EBITDA Reconciliation

The following table summarizes the calculation of Adjusted EBITDA and provides a reconciliation to net income

(\$ millions)	Retail	Texas	South Central	Gulf Coast	East	West	NRG Yield	Renewables	Corporate	Total
<b>Net Income / (Loss) Attributable to NRG Energy, Inc.</b>	<b>179</b>	<b>(208)</b>	<b>5</b>	<b>(203)</b>	<b>225</b>	<b>41</b>	<b>50</b>	<b>(67)</b>	<b>(378)</b>	<b>(153)</b>
Plus:										
Net income attributable to non-controlling interest	–	–	–	–	–	–	10	3	(7)	6
Interest expense, net	1	–	35	35	(3)	4	56	58	370	521
Loss on debt extinguishment	–	–	–	–	–	–	–	–	81	81
Income tax	1	–	–	–	–	–	5	–	(163)	(157)
Depreciation, amortization, and ARO expense	66	235	54	289	140	43	60	107	22	727
Amortization of contracts	3	21	(9)	12	(19)	(3)	–	–	–	(7)
<b>EBITDA</b>	<b>250</b>	<b>48</b>	<b>85</b>	<b>133</b>	<b>343</b>	<b>85</b>	<b>181</b>	<b>101</b>	<b>(75)</b>	<b>1,018</b>
Adjustment to reflect NRG share of Adjusted EBITDA in unconsolidated affiliates	–	–	1	1	–	(4)	20	3	11	31
Integration & transaction costs	–	–	–	–	1	–	–	–	51	52
Deactivation costs	–	–	–	–	2	4	–	–	–	6
Legal settlement	4	–	–	–	–	–	–	–	–	4
Sale of businesses	–	–	(23)	(23)	5	–	–	–	–	(18)
Asset write-offs and impairments	–	5	–	5	–	–	–	–	2	7
Mark to Market (MtM) losses / (gains) on economic hedges	27	33	(4)	29	330	1	–	–	–	387
<b>Adjusted EBITDA</b>	<b>281</b>	<b>86</b>	<b>59</b>	<b>145</b>	<b>681</b>	<b>86</b>	<b>201</b>	<b>104</b>	<b>(11)</b>	<b>1,487</b>

# Reg. G



## Appendix Table A-2: First Half 2013 Regional Adjusted EBITDA Reconciliation

The following table summarizes the calculation of Adjusted EBITDA and provides a reconciliation to net income

(\$ millions)

	Retail	Texas	South Central	Gulf Coast	East	West	NRG Yield	Renewables	Corporate	Total
<b>Net Income / (Loss) Attributable to NRG Energy, Inc.</b>	<b>287</b>	<b>(251)</b>	<b>–</b>	<b>(251)</b>	<b>(25)</b>	<b>32</b>	<b>46</b>	<b>(38)</b>	<b>(259)</b>	<b>(208)</b>
Plus:										
Net income attributable to non-controlling interest	–	–	–	–	–	–	–	10	(2)	8
Interest expense, net	1	–	8	8	27	–	11	22	328	397
Loss on debt extinguishment	–	–	–	–	–	–	–	–	49	49
Income tax	–	–	–	–	–	–	–	–	(215)	(215)
Depreciation, amortization, and ARO expense	68	225	49	274	178	28	20	47	15	630
Amortization of contracts	39	21	(10)	11	(21)	(3)	–	–	(2)	24
<b>EBITDA</b>	<b>395</b>	<b>(5)</b>	<b>47</b>	<b>42</b>	<b>159</b>	<b>57</b>	<b>77</b>	<b>41</b>	<b>(86)</b>	<b>685</b>
Adjustment to reflect NRG share of Adjusted EBITDA in unconsolidated affiliates	–	–	1	1	–	1	20	12	(1)	33
Integration & transaction costs	–	–	–	–	–	–	–	–	69	69
Deactivation costs	–	–	–	–	9	2	–	–	–	11
Asset write-offs and impairments	–	2	1	3	–	–	–	–	1	4
Mark to Market (MtM) losses / (gains) on economic hedges	(152)	197	(37)	160	159	(1)	–	(1)	–	165
<b>Adjusted EBITDA</b>	<b>243</b>	<b>194</b>	<b>12</b>	<b>206</b>	<b>327</b>	<b>59</b>	<b>97</b>	<b>52</b>	<b>(17)</b>	<b>967</b>

# Reg. G



## Appendix Table A-3: Full-Year 2013 Regional Adjusted EBITDA Reconciliation

The following table summarizes the calculation of adjusted EBITDA and provides a reconciliation to net income

(\$ in millions)	Retail	Texas	South Central	East	West	Other Conventional	NRG Yield	Alt. Energy	Corp.	Total
<b>Net Income/(Loss) Attributable to NRG Energy, Inc</b>	<b>562</b>	<b>(177)</b>	<b>13</b>	<b>(139)</b>	<b>78</b>	<b>(56)</b>	<b>96</b>	<b>(108)</b>	<b>(655)</b>	<b>(386)</b>
Plus:										
Net Income Attributable to Non-Controlling Interest	-	-	-	-	-	-	13	27	(6)	34
Interest Expense, net	2	1	18	57	13	-	34	55	656	836
Loss on Debt Extinguishment	-	-	-	-	-	-	-	-	50	50
Income Tax	-	-	-	-	-	(29)	8	-	(261)	(282)
Depreciation Amortization and ARO Expense	143	460	99	329	60	4	51	109	21	1,276
Amortization of Contracts	55	39	(22)	(46)	(4)	-	2	-	-	24
<b>EBITDA</b>	<b>762</b>	<b>323</b>	<b>108</b>	<b>201</b>	<b>147</b>	<b>(81)</b>	<b>204</b>	<b>83</b>	<b>(195)</b>	<b>1,552</b>
Adjustment to reflect NRG share of Adjusted EBITDA in unconsolidated affiliates	-	-	2	-	18	16	40	3	-	79
Integration & Transaction Costs	-	-	-	-	-	-	-	-	128	128
Deactivation costs	-	-	-	19	4	-	-	-	-	23
Legal Settlement	3	-	-	-	-	-	-	-	-	3
Asset and Investment Write-offs	-	2	-	460	-	93	-	4	7	566
MtM losses/(gains) on economic hedges	(151)	177	(67)	324	(2)	-	-	1	3	285
<b>Adjusted EBITDA</b>	<b>614</b>	<b>502</b>	<b>43</b>	<b>1,004</b>	<b>167</b>	<b>28</b>	<b>244</b>	<b>91</b>	<b>(57)</b>	<b>2,636</b>

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## Appendix Table A-4: Full-Year 2012 Regional Adjusted EBITDA Reconciliation

The following table summarizes the calculation of adjusted EBITDA and provides a reconciliation to net income

(\$ in millions)	Retail	Texas	South Central	East	West	Other Conventional	NRG Yield	Alt. Energy	Corp.	Total
<b>Net Income/(Loss) Attributable to NRG Energy, Inc</b>	<b>541</b>	<b>(94)</b>	<b>2</b>	<b>(55)</b>	<b>59</b>	<b>21</b>	<b>13</b>	<b>(57)</b>	<b>(135)</b>	<b>295</b>
Plus:										
Net Income Attributable to Non-Controlling Interest	-	-	-	-	-	-	-	20	-	20
Interest Expense, net	4	-	18	18	1	-	27	26	558	652
Loss on Debt Extinguishment	-	-	-	-	-	-	-	-	51	51
Income Tax	-	-	-	-	-	3	10	-	(340)	(327)
Depreciation Amortization and ARO Expense	162	461	93	140	16	2	25	49	12	960
Amortization of Contracts	115	41	(20)	(1)	-	-	1	-	-	136
<b>EBITDA</b>	<b>822</b>	<b>408</b>	<b>93</b>	<b>102</b>	<b>76</b>	<b>26</b>	<b>76</b>	<b>38</b>	<b>146</b>	<b>1,787</b>
Adjustment to reflect NRG share of Adjusted EBITDA in unconsolidated affiliates	-	-	2	-	2	17	25	9	-	55
Merger and Transaction Costs	-	-	-	-	-	-	-	-	112	112
Deactivation Costs	-	-	-	3	-	-	-	-	-	3
Bargain Purchase Gain	-	-	-	-	-	-	-	-	(296)	(296)
Asset Write Off and Impairment	-	8	9	-	-	-	-	-	5	22
Legal Settlement	-	-	14	-	20	-	-	-	-	34
MtM losses/(gains) on economic hedges	(166)	464	(17)	(3)	(10)	-	-	-	-	268
<b>Adjusted EBITDA</b>	<b>656</b>	<b>880</b>	<b>101</b>	<b>102</b>	<b>88</b>	<b>43</b>	<b>101</b>	<b>47</b>	<b>(33)</b>	<b>1,985</b>



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## Appendix Table A-5: Full-Year 2011 Regional Adjusted EBITDA Reconciliation

The following table summarizes the calculation of adjusted EBITDA and provides a reconciliation to net income

(\$ in millions)	Retail	Gulf Coast		East	West	Other Conv.	Alt. Energy	Corp.	Total
		Texas	South Central						
<b>Net Income/(Loss)</b>	\$369	\$316	(14)	(\$86)	\$54	\$19	(\$57)	(\$404)	\$197
Plus:									
Net Income Attributable to Non-Controlling Interests	-	-	-	-	-	-	-	-	-
Income Tax	(3)	-	-	-	-	7	-	(847)	(843)
Interest Expense	4	(16)	41	47	2	15	16	556	665
Depreciation, Amortization and ARO Expense	159	466	89	120	13	14	31	12	904
Loss on Debt Extinguishment	-	-	-	-	-	-	-	175	175
Amortization of Contracts	169	56	(20)	-	-	1	-	-	206
<b>EBITDA</b>	698	822	96	81	69	56	(10)	(508)	1,304
Asset and Investment Write off	-	170	-	12	-	-	-	495	677
MtM losses/(gains)	(34)	(150)	29	(5)	4	-	(5)	-	(161)
<b>Adjusted EBITDA</b>	\$664	\$842	\$125	\$88	\$73	\$56	(\$15)	(\$13)	\$1,820

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- EBITDA and Adjusted EBITDA are non-GAAP financial measures. These measurements are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance. The presentation of Adjusted EBITDA should not be construed as an inference that NRG's future results will be unaffected by unusual or non-recurring items.
- EBITDA represents net income before interest (including loss on debt extinguishment), taxes, depreciation and amortization. EBITDA is presented because NRG considers it an important supplemental measure of its performance and believes debt-holders frequently use EBITDA to analyze operating performance and debt service capacity. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results as reported under GAAP. Some of these limitations are:
  - EBITDA does not reflect cash expenditures, or future requirements for capital expenditures, or contractual commitments;
  - EBITDA does not reflect changes in, or cash requirements for, working capital needs;
  - EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on debt or cash income tax payments;
  - Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
  - Other companies in this industry may calculate EBITDA differently than NRG does, limiting its usefulness as a comparative measure.
- Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to use to invest in the growth of NRG's business. NRG compensates for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only supplementally. See the statements of cash flow included in the financial statements that are a part of this news release.
- Adjusted EBITDA is presented as a further supplemental measure of operating performance. Adjusted EBITDA represents EBITDA adjusted for mark-to-market gains or losses, asset write offs and impairments; and factors which we do not consider indicative of future operating performance. The reader is encouraged to evaluate each adjustment and the reasons NRG considers it appropriate for supplemental analysis. As an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA. In addition, in evaluating Adjusted EBITDA, the reader should be aware that in the future NRG may incur expenses similar to the adjustments in this news release.
- Adjusted cash flow from operating activities is a non-GAAP measure NRG provides to show cash from operations with the reclassification of net payments of derivative contracts acquired in business combinations from financing to operating cash flow, as well as the add back of merger and integration related costs. The Company provides the reader with this alternative view of operating cash flow because the cash settlement of these derivative contracts materially impact operating revenues and cost of sales, while GAAP requires NRG to treat them as if there was a financing activity associated with the contracts as of the acquisition dates. The Company adds back merger and integration related costs as they are one time and unique in nature and do not reflect ongoing cash from operations and they are fully disclosed to investors.
- Free cash flow (before growth investments) is adjusted cash flow from operations less maintenance and environmental capital expenditures, net of funding, and preferred stock dividends and is used by NRG predominantly as a forecasting tool to estimate cash available for debt reduction and other capital allocation alternatives. The reader is encouraged to evaluate each of these adjustments and the reasons NRG considers them appropriate for supplemental analysis. Because we have mandatory debt service requirements (and other non-discretionary expenditures) investors should not rely on free cash flow before growth investments as a measure of cash available for discretionary expenditures.
- Cash available for distribution is adjusted EBITDA plus cash dividends from unconsolidated affiliates, less maintenance capital expenditures, pro-rata adjusted EBITDA from unconsolidated affiliates, cash interest paid, income taxes paid, principal amortization of indebtedness and changes in others assets. Management believes cash available for distribution is a relevant supplemental measure of the Company's ability to earn and distribute cash returns to investors.