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# NRG Energy, Inc. (NRG)

## Q3 2026 Earnings Call





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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good day, ladies and gentlemen, and thank you for standing by. Welcome to the NRG Energy's, Incorporated Third Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to hand the conference over to Mr. Brendan Mulhern, Head of Investor Relations. Sir, please begin.

## Brendan Mulhern
*Head-Investor Relations, NRG Energy, Inc.*

Thank you. Good morning and welcome to NRG Energy's third quarter 2026 earnings call. This morning's call is being broadcast live over the phone and via webcast. The webcast, presentation and earnings release can be located in the Investors section of our website at www.nrg.com under Presentations & Webcasts.

Please note that today's discussion may contain forward-looking statements, which are based upon assumptions that we believe to be reasonable as of this date. Actual results may differ materially. We urge everyone to review the Safe Harbor in today's presentation, as well as the risk factors in our SEC filings. We undertake no obligation to update these statements as a result of future events except as required by law.

In addition, we will refer to both GAAP and non-GAAP financial measures. For information regarding our non-GAAP financial measures and reconciliations to the most directly comparable GAAP measures, please refer to


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our earnings release and the non-GAAP reconciliations and supplemental data file located in the Investors section of our website.

With that, I will now turn the call over to Robert Gaudette, NRG's President and Chief Executive Officer.

## Robert J. Gaudette

*President, Chief Executive Officer & Director, NRG Energy, Inc.*

Good morning, everyone, and thank you for joining us. I'll begin with the key messages on slide 4. First, we're announcing an agreement to sell select generation assets to LS Power for $4 billion. We were not pursuing a sale. LS Power approached us with an unsolicited offer at 8 times expected 2027 adjusted EBITDA. At that valuation, we saw a compelling opportunity to further focus our portfolio and create more value per share by redeploying the proceeds than by continuing to own those assets.

Second, we're increasing planned share repurchases by $1 billion, bringing our total across 2026 and 2027 to $3 billion. We believe NRG shares represent exceptional value at current levels, and we intend to act on that conviction. We plan to begin the share repurchases in 2026, ahead of the expected closing of the asset sale. The transaction also enables us to accelerate debt reduction, strengthening our balance sheet and increasing financial flexibility.

Third, we delivered a strong third quarter. Execution across our businesses has brought our 2026 adjusted EBITDA outlook near the midpoint of our original guidance range, despite a less favorable market environment than we anticipated when we established that guidance a year ago. That performance is a credit to our 17,000 employees. We've worked through difficult markets, a major acquisition and tremendous change this year. Through it all, our people have stayed focused on safety and delivered for our customers every day.

Our results are a testament to the strength of NRG's diversified businesses across regions, products and commodities, a strength that I believe the market has yet to fully appreciate. We're reaffirming guidance across all four financial metrics and introducing our outlook for 2027.

Let me update you on the 1.2-gigawatt Texas data center project we discussed in August. My conviction in this project has only strengthened. It's designed to bring new dispatchable generation alongside new demand, anchored by a long-term customer commitment and disciplined investment standards. This is exactly the type of contracted growth we've positioned NRG to pursue and exactly the type of responsible growth that benefits communities.

Since August, we successfully addressed the remaining items. The project is on track and I fully expect approved agreements and an announcement by year-end. Our partner's cooperation and engagement throughout this process reinforce the value of our differentiated approach to hyperscalers and data center development. We're also advancing additional project opportunities with the same customer beyond initial 1.2 gigawatts.

As a company serving millions of customers, we've always understood that bringing sizable new demand onto the system requires new supply and responsible development. That's the foundation of our BYOP strategy, and it's increasingly what policymakers and communities want to see. We will only pursue projects in communities that want this investment, and we'll work closely with them to get it right.

These are places where our employees live and work, where we serve customers, and where we have a long-term stake in their success. Our goal is to deliver reliable power while creating jobs, investment and lasting economic opportunity.


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That commitment is reflected in how we operate today. This year, our WA Parish team earned the Top Plant Water Award. And Jewett received the federal Good Neighbor award for its work with the community. Our strategy hasn't changed and the policy environment is moving in our direction. We have the customer relationships, development capabilities and operating experience to deliver the kind of project this market needs.

Beyond the initial project, our pipeline of opportunities exceeds the turbine allocations and EPC capacity under our original development agreement with GE Vernova and Kiewit.

Now let me turn to the details of the asset sale. The agreement covers six generation facilities, totaling just under 4.9 gigawatts across New York, Texas and New England. All were part of the LS Power acquisition we completed earlier this year. One aspect of the valuation worth highlighting is Jack County, which carries an implied value of approximately $1,400 per kilowatt. For perspective, we're developing 1.5 gigawatts of new natural gas generation in Texas for just above $1,000 per kilowatt. That comparison demonstrates the value we're realizing from selected existing assets while developing newer, more efficient generation at a lower cost.

We're also monetizing assets in New York and New England that were not central to our original investment thesis. Rather than continuing to own every asset, we're taking advantage of an opportunity to realize that value and redeploy the capital.

Equally important is what we're retaining. The two elements that drove strategic rationale for the LS Power acquisition remain with NRG: the entire PJM generation portfolio and CPower. This preserves the generation scale, market exposure and demand response capabilities we set out to acquire. In ERCOT, our substantial generation fleet continues to support our residential business with additional capacity under development through the Texas Energy Fund.

Turning to capital allocation. With the asset sale, we're accelerating shareholder returns. As I mentioned, we intend to begin $1 billion of share repurchases in 2026. We also plan to reduce debt by $2 billion upon closing, consistent with our commitment to maintaining a strong balance sheet. The remaining $1 billion provides flexibility to reinvest in our long-term strategy through attractive contracted growth opportunities or further reduce debt. We expect the sale to close in the second quarter of 2027, subject to regulatory approvals.

This is a compelling transaction. We are realizing attractive value for assets that were not central to our long-term strategy, while retaining the portfolio and the capabilities that matter most to NRG.

On slide 6, we illustrate our generation position across PJM and Texas, using the market assumptions underlying our 2027 guidance, adjusted for the announced asset sale. We're comparing the electricity of our residential customers are expected to need with the generation available from our own fleet. We exclude C&I demand because we secure power separately for those customers when we sign their contracts.

In PJM, we're significantly long generation relative to residential demand, with a meaningful exposure to both capacity and wholesale energy markets. That position allows us to participate in the growing demand for power with scale and diversification.

In Texas, we have a large generation fleet supporting our residential business and we're adding newer capacity through the Texas Energy Fund. Our first Texas Energy Fund plant came online in May, on time and on budget, and is operating today. That's the kind of execution we expect from our teams. I also want to recognize our employees who keep our facilities operating safely and reliably every day.


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Looking forward, our two remaining Texas Energy Fund plants are expected to bring a further 4-terawatt hours of annual generation in 2028. Both remain on budget and on schedule. And as wholesale power prices rise, more of our existing generation becomes economic to run, increasing our available output and exposure to the wholesale market upside.

Following the sale, we retain meaningful market exposure in PJM, a substantial Texas generation position supporting our retail business and additional efficient capacity under development. That's a portfolio we believe is well positioned as electricity demand grows.

On slide 7, I'll discuss how we manage that exposure. Our approach to managing risk is designed to support durable earnings and cash flow as we operate and grow the fleet. We're not trying to predict where power prices are headed. We're focused on protecting the economics of our portfolio while preserving opportunities to create value. We start with the retail load we expect to serve and the economics of our generation fleet. From there, we systematically build coverage over time, considering customer obligations, forward market prices and portfolio risk.

Importantly, our hedge coverage includes generation allocated to serve our retail customers, as well as positions hedged with external counterparties. This reflects how we're managing our overall generation exposure, not simply how much power we sold to third parties. For 2027, we're 75% hedged in ERCOT and 90% in PJM.

As you look further out, we deliberately retain more open generation. As delivery approaches and retail demand becomes clearer, we progressively increase coverage. This provides greater visibility into near-term earnings and margins, while preserving the flexibility to support future customer growth and participate in wholesale market opportunities.

We've included this additional disclosure to give investors a clearer understanding of the protection we've established and where we retain market exposure. We've also updated our power price sensitivities in the appendix to illustrate how our portfolio is positioned to benefit from higher wholesale prices.

With that, I'll turn it over to Bruce to walk through our financial results and outlook.

## Bruce Chung

*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*

Thank you, Rob. We delivered a strong third quarter with all four of our key financial metrics increasing at least 50% year-over-year. Adjusted EBITDA was $2 billion, free cash flow before growth was $1.2 billion and adjusted EPS was $4.68. Our results reflect contributions from the LS Power portfolio and higher capacity revenues alongside continued growth across our consumer businesses.

In home energy, we benefited from higher retail margins and favorable weather in Texas. Smart home continued to outperform our organic growth plan, with adjusted EBITDA increasing 14% year-over-year, supported by strong customer growth and higher monthly recurring service margin per customer.

Importantly, we now expect to finish 2026 slightly below the midpoint of our adjusted EBITDA guidance range, despite ERCOT power prices averaging nearly 40% below our original planning assumption year-to-date. That is a strong outcome given the market conditions we have experienced this year and reflects the execution of our teams across the business. As a result, we are reaffirming full year guidance across all four financial metrics.


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Now let me turn to 2026 capital allocation. For 2026, our base allocation plan continues to reflect $3.05 billion of free cash flow before growth at the midpoint of our guidance. Our capital allocation priorities remain unchanged, including $721 million allocated toward our initial 1.2-gigawatt data center project. As Rob alluded to, we continue to target a definitive agreement by year end. The base plan includes $1 billion of share repurchases.

Separately, in connection with today's announced generation asset sale, we are announcing an incremental $1 billion of share repurchases, bringing our total planned repurchases to $3 billion across 2026 and 2027. Given our visibility into the transaction proceeds and the value we see in our shares, we intend to initiate that incremental $1 billion of share repurchases this year. Because the incremental repurchase is being supported by the transaction proceeds, it is not reflected in the base 2026 capital allocation shown on this slide despite execution planned for this year. The allocation of those proceeds is reflected in our 2027 pro forma capital allocation.

Turning to 2027, we are introducing guidance with midpoint of $5.75 billion in adjusted EBITDA, $3.15 billion in free cash flow before growth and $9.05 in adjusted EPS. These figures reflect our existing portfolio and exclude the impact of today's announced generation asset sale. We expect to update our outlook following closing of the transaction, which is currently anticipated in the second quarter of 2027.

Let me walk through the key drivers of our adjusted EBITDA guidance. Starting with the original 2026 guidance midpoint of $5.575 billion, we expect $460 million of earnings growth from the additional month of LS Power ownership, continued execution of our organic growth plan and higher capacity revenues. Together, these items result in a normalized adjusted EBITDA opportunity of $6.035 billion based on the power price assumption in our long-term plan.

Relative to those assumptions, our 2027 outlook reflects $185 million of net wholesale power price pressure, primarily from lower ERCOT prices, partially offset by higher PJM prices. We also expect $100 million of RGGI compliance costs in 2027, an increase of $30 million from our 2026 expectation. After accounting for these factors, we arrive at our 2027 adjusted EBITDA midpoint of $5.75 billion.

One important consideration is how our exposure to PJM power prices changes beyond next year. The LS Power portfolio came with legacy hedges for 2027, limiting our ability to fully benefit from higher PJM prices during the year. However, very little of that inherited hedge coverage extends beyond 2027. As a result, we expect the benefit from higher PJM prices to more than offset the original RGGI compliance costs in 2028 and beyond.

Moving to 2027 capital allocation. This slide shows our base financial plan, together with the expected allocation of proceeds from today's announced generation asset sale. Our base plan includes at least $1 billion of share repurchases, representing the 2027 portion of the $3 billion two-year plan discussed earlier. The plan also funds our common dividend and $333 million of investments across our generation and consumer businesses. In addition, we've allocated $1.13 billion toward liability management and preferred dividends, including $1 billion currently designated for debt reduction.

Separately, today's announced transaction is expected to generate $4 billion in gross cash proceeds. We expect to allocate $2 billion toward debt reduction to maintain our current leverage position following closing. The next $1 billion represents the incremental share repurchase I discussed earlier. While we intend to initiate the repurchase program in 2026, it is reflected here because it is supported by the transaction proceeds. The remaining $1 billion will be retained as cash, providing flexibility for contracted growth opportunities or further debt reduction.

Turning to our per share outlook. We expect free cash flow before growth per share to increase 8% in 2027 from $14.50 at the midpoint of our original 2026 guidance to $15.60. This outlook does not reflect the impact of today's


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announced generation asset sale. Adjusted EPS is expected to increase more modestly from $8.90 to $9.05. The adjusted EPS difference reflects higher interest expense and increased depreciation and amortization, including amortization associated with our investments in smart home customer growth. These expenses offset much of the benefit from higher underlying earnings and share repurchases, while the non-cash nature of depreciation and amortization helps explain why our cash flow per share is growing faster than adjusted EPS.

Looking beyond 2027, we remain confident in our long-term financial outlook and are reaffirming our expectation for more than 14% compound annual growth in both adjusted EPS and free cash flow before growth per share through 2030. That growth rate applies with or without the impact of today's announced generation asset sale.

Our long-term outlook applies over the full planning period and does not represent a minimum growth rate in any individual year. We have identifiable drivers supporting that outlook, including continued execution of our organic growth plan, earnings from the Texas Energy Fund projects as they enter service, greater exposure to PJM power prices and continued share repurchases.

For additional context, our five-year plan assumes relatively flat around-the-clock power prices of $52 to $53 per megawatt hour across ERCOT and PJM. While ERCOT forward prices for 2027 are below those assumptions, we see improving prices in 2028 and beyond as expected load growth develops.

Importantly, our existing plan does not require any contribution from the initial 1.2-gigawatt data center project, 2 gigawatts of PJM uprate opportunities or additional opportunities across our broader development pipeline. We continue to see meaningful potential in these investments, but our long-term financial objectives stand on their own with upside, as projects are contracted and developed.

In closing, we are very pleased with our third quarter results. Despite a challenging year for ERCOT wholesale power prices, we expect to finish slightly below the midpoint of our adjusted EBITDA guidance. We have introduced the 2027 outlook supported by continued growth in the underlying business and announced a transaction that allows us to accelerate shareholder returns. We remain confident in our long-term financial outlook and focused on executing against the commitments we have laid out today.

With that, I'll turn it back to you, Rob.

## Robert J. Gaudette

*President, Chief Executive Officer & Director, NRG Energy, Inc.*

Thank you, Bruce. Before we open the line for questions, I want to return to the performance of our underlying businesses. Much of the recent attention on NRG has centered on individual projects or opportunities. Those are important, but I don't want them to overshadow the strength of the businesses we operate every day. Our strategy starts with the customer. That shapes the generation we own, the risks we manage, and the investments we make.

In Consumer, home energy continues to deliver attractive margins, while smart home delivered strong results in the third quarter, supported by customer growth and record recurring service margin. Across Energy and Smart Home, we serve 8 million customers, and that base continues to grow. Those relationships provide a significant source of recurring earnings and cash flow.

Affordability remains important to our customers. In Texas, more than 80% of our residential customers are on term plans, with average terms of approximately two years, giving them greater predictability over their energy


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costs. We remain focused on offering products that help customers manage those costs, including our residential VPP.

Our Business platform is another important part of that story. We're one of the largest providers of power, natural gas and demand response to commercial and industrial customers. The business has delivered double-digit EBITDA growth since 2022. As customers' energy needs become more complex, our scale, brand and the range of services we offer put us in a strong position to win more of that demand. Our generation fleet contributes substantial earnings from capacity and energy markets, supports our retail businesses and positions us to benefit from the growing power demand. We can increase output from existing facilities and are bringing additional generation online.

As we move forward, I intend to build on the disclosures we've introduced today and provide investors with greater transparency into our earnings and the risks we manage. Beyond our existing businesses, we see considerable potential to expand long-term contracted cash flows through new generation serving large customers.

Importantly, our current long-term financial framework does not include the initial 1.2-gigawatt Texas data center project or other projects in our pipeline. These opportunities represent incremental growth beyond the plan we've already established. On the Texas project specifically, we're excited by what we plan to deliver and remain confident in the announcement by year end.

In parallel, Bruce has been leading discussions with potential financing partners. We'll provide additional details in a future announcement.

Our priorities remain clear: delivering financial performance, increasing shareholder returns, and pursuing attractive long-term growth. Today's announcements demonstrate how we're putting those priorities into practice. We're increasing planned share repurchases, taking steps to accelerate debt reduction and advancing new contracted generation opportunities without compromising our investment standards. We remain committed to targeting at least 14% annual growth in adjusted earnings per share and free cash flow before growth per share through 2030.

Ultimately, we manage NRG with a long-term strategy of delivering for customers, executing consistently and making disciplined capital allocation decisions that create lasting value per share. Operator, we're ready to open the line for questions.


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# QUESTION AND ANSWER SECTION

**Operator**: Thank you. [Operator Instructions] Our first question or comment comes from the line of Shar Pourreza from Wells Fargo. Your line is open.

**Constantine Lednev**
*Analyst, Wells Fargo Securities LLC*

Q

Hi. Good morning, team. It's actually Constantine here for Shar.

**Bruce Chung**
*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*

A

That's better for us.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

Yeah. Good morning, Constantine.

**Constantine Lednev**
*Analyst, Wells Fargo Securities LLC*

Q

Good morning. Just maybe starting off on the strategic actions taken today and capital allocation. Natural question I think is if you view any other public versus private valuation dispersion that could be long-term accretive, especially with any kind of non-core assets. And what would be the trigger for any further business review options?

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

Constantine, it's Rob. So, let's start with this is an opportunity that came to us. But we look at – and I've set it up every time I get the question. We look at everything both inbound and outbound. But this transaction was unique because it gave us an opportunity to focus the company on where we're working, which is PJM and ERCOT. But it also gave us a really compelling opportunity to strengthen the balance sheet and buy back our shares at a level that we believe is extremely undervalued.

So, we would look at everything, but it's a function of value, it's a function of does it make sense in our strategic markets? And then it would be use of proceeds.

**Constantine Lednev**
*Analyst, Wells Fargo Securities LLC*

Q

Okay. And then just kind of the trigger, I guess, would be how would you differentiate between buybacks and kind of further growth capital needs? I guess, is there enough balance sheet capacity or just capital to allocate?

**Bruce Chung**
*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*

A

Hey, Constantine, it's Bruce. Look, I mean, I think it's always a bit of a balancing act between being able to deploy capital in a way that helps to create long-term value while also taking advantage of near-term dislocations. From a


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value perspective, we believe by what we've done today, we've actually been able to accomplish that appropriately where we are able to meaningfully increase the buyback program on a near-term basis while also preserving capital that allows for continuing to fund contracted growth without really stressing the balance sheet.

The other part of that is obviously, as Rob had alluded to in his concluding remarks, we are in the process of working through potential partnership opportunities for the sake of not only this first project, but additional projects in the pipeline. And we believe by being able to execute on that, that's going to really be able to also take a good amount of stress off the balance sheet.

**Constantine Lednev**
*Analyst, Wells Fargo Securities LLC*

Q

Okay. Excellent. And might actually take me to my second question. Just in terms of the BYOP deal, you noted it's on track, but does the political turnover present any risks to timeline? How does the calendar kind of year end align with the timing for capital spend relative to the new buyback strategy? You have also highlighted the expansion beyond the 1.2-gigawatt. Is there any further adjustments to the timing of buybacks that would be necessary for that?

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

So, the political environment has actually strengthened this project and our projects. The way that we've gone about developing generation to support data centers and this large load growth over time, the political environment is where we thought it would always be, right. Communities matter, finding the right customers who understand that, making sure that they have investment grade. So, we've been very picky about the projects we do and very picky about who we do them with. So, the things that have happened over the last week or so has actually strengthened our position.

I've actually talked to our customer since the elections. This project is going to happen. And as far as the timing of when we do the announcement, we've got to go through internal or basically internal processes. We have agreed on the terms. It's just a matter of time. I feel very confident we're going to get it done and we're going to be making an announcement sometime this year, Constantine, to talk about this project and then we'll expand on what we've got down the pipeline.

Like I said earlier, we have more demand for our turbines today after the election than we actually have in our joint development agreement with Kiewit and GE Vernova. So, I feel very confident about our program and I'm very glad this is the path we went down.

**Constantine Lednev**
*Analyst, Wells Fargo Securities LLC*

Q

Got it. And just the follow-up on the capital portion. Still confident in funding for beyond the first 1.2 gigawatts?

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

Yes.

**Constantine Lednev**
*Analyst, Wells Fargo Securities LLC*

Q

Excellent. Thanks so much for taking the questions.


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**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*
A

Thank you.

**Bruce Chung**
*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*
A

Thanks, Constantine.

**Operator**: Thank you. Our next question or comment comes from the line of Julien Dumoulin-Smith from Jefferies. Your line is now open, sir.

**Ivana Ergovic**
*Analyst, Jefferies LLC*
Q

Well, hi. Good morning. It's Ivana Ergovic for Julien. I just want to kind of go to retail. If you could maybe talk about like whether you're seeing any impact from AI agents on your retail business in terms of Muse and kind of how to think about it going forward, whether you see any impact on the way you were thinking about the growth in that segment.

**Brad Bentley**
*Executive Vice President & President-NRG Consumer, NRG Energy, Inc.*
A

Sure. AI agents relatively early. We've not seen any shift in consumer behavior. As you know, Texas has been a highly competitive market for over 20 years where consumers can look at power to choose every day and look at options. And we've been able to kind of navigate through that with a lot of success. There have been other programs out there like Energy Ogre, who've not had much traction.

I think what you need to know about consumer behavior is that of our nearly 2.8 million customers in Texas, over 80% of those customers are on term contracts, and on average, those range from 24 to 36 months. So, we've actually seen consumers look to find ways to lock in long-term energy rates, and so we're fairly protected from that end.

Where we do see an opportunity is in the East, where fewer than 30% of customers have actually gone to competitive markets. So, we anticipate using AI to bring more of those customers onto our platform.

**Ivana Ergovic**
*Analyst, Jefferies LLC*
Q

Thank you. And I just had another one about Texas power prices have been pretty depressed. So kind of like I was wondering, what is your view on the market and kind of when do you think – what needs to happen for them to pick up like what is the timeline? Thanks.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*
A

So, you're right. The prices in ERCOT are depressed. Those are – that's what built into our 2027 guidance and kind of the long-term outlook as we stand. As I've said before, right now we're in a world where battery build and solar have kind of dominated the last two years of build, and demand hasn't been fast enough to absorb all of it.


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I think a couple of things. One, let's not forget that Texas is still growing with or without data centers. It is still a place where the population has moved, where we're seeing underlying growth north of 3% without a whole lot of fun and games.

And when you look into the queue in ERCOT, it's not just data centers. There's multiple gigawatts of manufacturing facilities, expansions of industrial facilities. Those are coming. Those have jobs. Those are going to hit into the grid and sop up some of that excess capacity in ERCOT. As we alluded to earlier, we see 2027 as kind of a weak place. That's why we've hedged. And we – rather than try to solve where we think the turn is, we're protecting cash flows in the near term because we do believe in the long-term expansion of pricing in Texas. That's why we work very hard both on the generation side to be ready to do that. But also, as Brad kind of alluded to, and we also do on C&I, making sure that we've got products to help customers when those prices rise.

NRG is very well positioned to capture value both on the retail side and the generation side as this market tightens and our customers need us more.

**Ivana Ergovic**
*Analyst, Jefferies LLC*

Q

Thank you.

**Operator**: Thank you. Our next question or comment comes from the line of Michael Sullivan from Wolfe Research. Mr. Sullivan, your line is now open.

**Michael P. Sullivan**
*Analyst, Wolfe Research LLC*

Q

Hey, good morning.

**Bruce Chung**
*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*

A

Good morning, Sully.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

Hey, Sully.

**Michael P. Sullivan**
*Analyst, Wolfe Research LLC*

Q

Hey, guys. Maybe just picking up on that last line of questions on just the pricing environment, just given where you marked things both on 2027 and the long term, just how directionally that would be shaking out if we just marked everything to today with all the puts and takes?

**Bruce Chung**
*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*

A

Yeah. So, Sully, I think if you were to just kind of mark-to-market based on the current curve, both in PJM and ERCOT, I think you'd kind of end up in an offsetting sort of situation where at the end of the day, we're still confident in our 14% long-term CAGR.


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**Michael P. Sullivan**
*Analyst, Wolfe Research LLC*

Q

Okay, great. Very helpful. And then on the capital allocation side, so you have the $1 billion kind of placeholder in 2027. Is that how much it actually is going to be if you move forward? It sounds like you are going to move forward with the data center project, but is that the right number or can that vary [indiscernible] (00:35:45)?

**Bruce Chung**
*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*

A

I'm not going to comment specifically on the 1.2-gigawatt project. And there may be some moving pieces to that ultimately, Mike, like if we're successful in getting a partner and how that kind of impacts how we're able to allocate capital over the course of 2027. The other thing to take into account is if we're successful in contracting additional projects, then there are a lot of moving pieces in terms of how that $1 billion ultimately gets split up.

But to the extent that all of that happens, we will obviously provide a lot more visibility in terms of how that $1 billion does get split up when the time is appropriate.

**Michael P. Sullivan**
*Analyst, Wolfe Research LLC*

Q

Okay. And last one, just I was going to ask on the timing of a financing partner. Like any rough sense there of when that could materialize?

**Bruce Chung**
*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*

A

Look, I mean, I think, ideally, we'd be able to have something lined up by the end of the year, coincident with when we make the announcement around entering into a definitive agreement on this first project. These things, they take a little bit of time. It's a negotiation. So, is it possible that that could slip into the new year? Sure. But I wouldn't really expect that it would carry too far into the first quarter.

**Michael P. Sullivan**
*Analyst, Wolfe Research LLC*

Q

Great. Thank you very much.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

Thank you, Sully.

**Operator**: Thank you. Our next question or comment comes from the line of Ryan Levine from Citi. Mr. Levine, your line is now open.

**Ryan Levine**
*Analyst, Citigroup Global Markets, Inc.*

Q

Good morning and thanks for taking my questions. Maybe a follow-up to one of the earlier questions. In terms of this deal, you're leaning more into the retail business. Can you speak to the longer-term strategic risk around the AI agent? I know you addressed it briefly earlier, but maybe just the longer-term strategic ways to defend your moat around that business.


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**Bruce Chung**
*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*
A

Ryan, before I kick it over to Brad to just address some more of the AI questions you have, I don't know that you can interpret this transaction as us leaning more into the retail business. At the end of the day, from our perspective, we saw these assets as ultimately not necessarily core to what we believe to be the base business and the base of our earnings power. So, I don't want anybody to necessarily get the impression that by virtue of this, we're leaning more into the retail business. But Brad, do you want to take the rest?

**Brad Bentley**
*Executive Vice President & President-NRG Consumer, NRG Energy, Inc.*
A

Yeah. And as I mentioned, with over 82% of our consumers on a term agreement, that trend has actually increased every year for the last four years. So, consumers are looking to lock in low energy rates, and part of having a balanced portfolio in wholesale, we're able to give great pricing plans for consumers. And so we anticipate that to continue. But where there are opportunities, we will play in the AI space and we will play to make sure that we're well positioned for any of the AI shopping. We think that will happen a bit more in the East for the reasons I just gave.

**Ryan Levine**
*Analyst, Citigroup Global Markets, Inc.*
Q

Okay. And then in terms of the confidence in reaching a commercial agreement by the end of the year, are there any key regulatory milestones that would be gating to allow that agreement to be signed?

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*
A

No.

**Ryan Levine**
*Analyst, Citigroup Global Markets, Inc.*
Q

Okay. Thank you.

**Operator**: Thank you. Our next question or comment comes from the line of Carly Davenport from Goldman Sachs. Ms. Davenport, your line is open.

**Carly Davenport**
*Analyst, Goldman Sachs & Co. LLC*
Q

Hi. Good morning. Thanks for taking the questions.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*
A

Morning, Carly.

**Carly Davenport**
*Analyst, Goldman Sachs & Co. LLC*
Q

Maybe first – morning. You referenced earlier that the customer for the 1.2-gigawatt project is also potentially interested in incremental opportunities. Obviously recognize that getting the first project across the finish line is


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the priority here, but anything that you can share on sort of how you might see the cadence of potential other opportunities with that customer materializing?

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*
A

Yeah. Carly, you are 100% correct. We are focused on the first one and I feel very confident we're going to get that one done.

In the process of working with these hyperscalers, when we get the opportunity to show them our engineering capability, our ability to get in the community, our relationships that matter, and how we can continue to move these projects forward, they see that we're great partners. They see that we are the right partner. And so when I talked about more opportunity, expect that we are working on those too and expect that we will announce those over time because our customer sees the value in us. We like them as a partner, too, and this is what we're here to do. We're here to create opportunities to put your capital to work over long-term deals in communities where our people work every day and protect the communities that they're in.

So, I feel really good about what's coming. I'm not going to start the treadmill on timelines. I'm going to focus on this one and get it done and get it over the line. And then Bruce will talk about how we'll finance those with a partner over the whole 5.4 gigs. I feel really good where the company is, and the things that have happened over the last few months have only strengthened my resolve that we are doing the right thing and our company is well positioned to knock it out of the park with data centers.

**Carly Davenport**
*Analyst, Goldman Sachs & Co. LLC*
Q

Got it. Fair enough. Okay, I appreciate that color. And then maybe just we're getting pretty close to December here. So just wanted to get your latest views on PJM capacity auction. Any expectation on the December clear and then any early thoughts on May just in terms of whether there is potential to see the cap kind of extended further, or if you think that will be an unconstrained clear.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*
A

So, on December, I see the same stuff that everybody else does. I think we would expect it to settle at the top of the collar. As far as May goes, we're following all of the details. If you read the words, you would expect an unconstrained market. But there's more to come. We can work inside of a collar, we can work without them. So, I feel good about where we're positioned and I'm glad we have a PJM fleet.

**Carly Davenport**
*Analyst, Goldman Sachs & Co. LLC*
Q

Great. Thank you for the time.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*
A

Thank you.

**Operator**: Thank you. Our next question or comment comes from the line of James West from Melius Research. Mr. West, your line is now open.


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**James West**
*Analyst, Melius Research LLC*

Q

Thanks. Good morning, guys.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

Morning.

**James West**
*Analyst, Melius Research LLC*

Q

I'm curious about the back or the lineup, I guess, and the customer conversations post kind of this first behind-the-meter project. You've mentioned that your customer – that the political landscape has only increased the interest. And so curious kind of how you see this unfolding as you kind of get number one done it sounds like by year end and then you're probably – I assume you're having conversations on two, three, four and even more after that. So curious about the – what you're seeing in the trend.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

Yeah, sure. So on the first project, it was – we had – we've had a conversation since the election and a couple of days to let that percolate. It's clearly a good project. It makes all the sense in the world against what elected officials would like, right. When we think – and we're having conversations about two, three, four and five, and some of those are – we're having multiple conversations. But the gist of it is, is that the elected officials coming into office, what they want is to make sure that communities have a say. They want to make sure that whatever gets done by both the energy side and the data center side doesn't make prices go up, doesn't take water from those communities and actually gives those communities kind of a vote or a say there.

As we continue to have conversations with more than one counterparty about those back blocks, they see the value of NRG being in the communities, they see the value in what we've been talking about for a couple of years, which is do this responsibly.

What I expect to see and what I've already seen in the last week is that large customers like hyperscalers will move towards responsible players and communities, large companies who know how to work with communities and have been doing it for decades. I've never felt more strongly about the value of our projects and our design than I do today.

**James West**
*Analyst, Melius Research LLC*

Q

That makes perfect sense. And then with respect to the community engagement part, are you – what's your sense on how communities are thinking about data centers now? Obviously, a lot of people voted for certain things with this last election, but not necessarily on the data center. More on the affordability issue. And bringing power typically will increase the tax base and usually lower utility rates. Do you get the sense that communities that maybe haven't been involved in this are coming around to that view of things?

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

I think communities start with please talk to me about building something in my neighborhood before you do it...


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**James West**
*Analyst, Melius Research LLC*

Q

Sure.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

...which is something we've known for decades. So the sites that we're looking at and the projects that we're advancing, those are the types of communities that we work in, right. We know them. We actually have employees in these communities. You're right. A data center and a project that's done right and done hand in hand with the community is an extreme economic development opportunity for those communities.

And so, it is a win if it's done correctly. That's the thing that we've been promoting from the beginning. It's what we talked about two years ago during SB 6 and others. Let's go build these large loads. Let's be mindful of the communities and make sure that we understand the affordability issues that our customers are dealing with. We have a unique perspective in that we've got 8 million customers, right? We've got one of the larger C&I books.

So, I know about mom and dad trying to balance the checkbook at the kitchen table and I know about that small business owner who's trying to make payroll. We've thought about that from the beginning and we talk to and work with hyperscaler partners that also understand that. We're in a great place.

**James West**
*Analyst, Melius Research LLC*

Q

Got it. Thanks, Rob.

**Operator**: Thank you. Our next question or comment comes from the line of David Arcaro from Morgan Stanley. Mr. Arcaro, your line is now open.

**David Arcaro**
*Analyst, Morgan Stanley & Co. LLC*

Q

Hey, good morning. Thanks so much for taking my questions.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A

Morning, David.

**David Arcaro**
*Analyst, Morgan Stanley & Co. LLC*

Q

I was wondering – morning. I was wondering just for your – for the data center project you're getting close on, I was wondering, does it have any sensitivity to the ERCOT batch process just to the extent heading into next year with the change in the administration, if there is any potential delays related to the batch process or other permitting processes in ERCOT, would that affect this project?

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

A


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So, the contract and the work that we've done with our partner takes into account all of the permitting requirements that the data center may need, all of the potential ranges of outcomes around the batch process itself. Our design and our work with our customer should check every box on what was the governor's audit process?

Our design is also very, very SB 6 compliant, and will, through the batch process, will actually be a value to the market. And so we worked with our partner and we know what's in front of us. I feel really good about where that goes. And I don't expect a lot. We're going to go through the legislative session here in Texas in the spring. What's going to come out of that is projects like ours are the ones that need to get built.

So, our partner and we feel like this project is moving forward, it is going to happen and it's going to be a poster child for how to do it right.

**David Arcaro** Q
*Analyst, Morgan Stanley & Co. LLC*

Got it. Okay. Thanks. That's helpful. And then maybe just on the earlier question around funding for this and other future projects going forward, I guess, how do you think about the cash used for the construction? In this case, you had the strategic asset sale that helps in that regard. But going forward, how do you think about just more structurally funding these opportunities? Is this more of a use of operating cash flow – free cash flow going forward? I assume not equity issuances, but just if you could give a sense of how you plan in terms of capital allocation toward this growth opportunity.

**Bruce Chung** A
*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*

Yeah, David, so certainly not equity issuance, that's for sure. Look, I mean, it's what we talked about earlier, right. We're in the process of talking to a number of parties around a partnership related to not only this first project, but the pipeline of projects. And so, I think to the extent that we're successful in that, that's going to really help to create more capital diversity and more capital flexibility for us on a go forward basis. So that will really be the primary method in which we'll look to continue to fund these.

**David Arcaro** Q
*Analyst, Morgan Stanley & Co. LLC*

Okay, great. Thanks so much. Appreciate it.

**Bruce Chung** A
*Executive Vice President & Chief Financial Officer, NRG Energy, Inc.*

Thanks.

**Robert J. Gaudette** A
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

Thank you.

**Operator**: Thank you. Our final question comes from the line of Mark Jarvi from CIBC. Your line is now open.

**Mark Jarvi** Q
*Analyst, CIBC World Markets, Inc.*


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Yeah, thanks. Thanks for fitting me in. Just a question on the BYOP project. What's the obligation around the partnership with Kiewit and GE in terms of timelines? I mean, you talked about potentially monetizing those turbines. Is that with a direct contract or are you actually looking to maybe sell those turbine slots?

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*
A

Okay. So we're – let me talk about the last one first. We're not looking to monetize those turbines, so like selling them. We're working – looking to put them to work for long-term contracts. And we see a real pipeline of opportunity to build CCGTs and get 15 to 20-year terms exceeding our investment return expectations.

As far as timelines and commitments with GEV and Kiewit, there are, like any development agreement that – we've made reservations around turbines. We are in continuous conversation with our partners. GEV is an incredible team to work with. Kiewit also really good at what they do and great partners overall. And so we are open with them about what we're working on and we continue to expect that we're going to put all of those projects on the ground around the same timelines that we have expected two years ago when we announced this.

**Mark Jarvi**
*Analyst, CIBC World Markets, Inc.*
Q

And just in terms of the contract that you're working on right now, does it become sort of the blueprint for future contracting, or do you think every contract with the counterparty becomes more bespoke?

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*
A

No, I would expect that the major concepts of this contract is the baseline for every project going forward. There will be specific details based on needs, based on location, et cetera, but the basics, the things you need to remember about it is a very heavy capacity contract component, so a fixed capacity payment. And then the second piece that will not change is our required returns. There are other components that we'd work through and deal with, but like the big pieces, it's a capacity payment and it's going to get our investors the return of and return on their capital.

**Mark Jarvi**
*Analyst, CIBC World Markets, Inc.*
Q

Understood. Thanks.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*
A

No problem.

**Operator**: Thank you. I'm showing no additional questioners in the queue at this time. I would like to turn the conference back over to Mr. Robert Gaudette for any closing remarks.

**Robert J. Gaudette**
*President, Chief Executive Officer & Director, NRG Energy, Inc.*

Thank you, operator, and thanks, everyone, for joining us this morning. I also want to thank the entire NRG team. It's been a busy year and I'm proud of what our people have accomplished and the work they continue to do every


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day. We appreciate your questions and your continued interest in NRG. I look forward to speaking with you again soon. Thank you and have a great day.

**Operator**: Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect. Everyone, have a wonderful day.

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