

NRG ENERGY, INC.
Form 425
November 10, 2008

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Act of 1933

Subject Company:

NRG Energy, Inc.

(Commission File No. 1-15891)

Safe Harbor Statement

This filing does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. This filing relates to a transaction with NRG proposed by Exelon, which may become the subject of a registration statement filed with the Securities and Exchange Commission (the SEC). This material is not a substitute for the prospectus/proxy statement Exelon Corporation intends to file with the SEC regarding the proposed transaction or for any other document which Exelon may file with the SEC and send to Exelon or NRG stockholders in connection with the proposed transaction. **INVESTORS AND SECURITY HOLDERS OF EXELON AND NRG ARE URGED TO READ ANY SUCH DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.**

Investors and security holders will be able to obtain free copies of any documents filed with the SEC by Exelon through the web site maintained by the SEC at www.sec.gov. Free copies of any such documents can also be obtained by directing a request to the Exelon Investor Relations Department, Exelon Corporation, 10 South Dearborn, Chicago, Illinois 60603.

Exelon and its directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding Exelon's directors and executive officers is available in its Annual Report on Form 10-K for the year ended December 31, 2007, which was filed with the SEC on February 7, 2008, and its proxy statement for its 2008 Annual Meeting of Shareholders, which was filed with the SEC on March 20, 2008. Other information regarding the participants in a proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in a proxy statement filed in connection with the proposed transaction.

All information in this filing concerning NRG, including its business, operations, and financial results, was obtained from public sources. While Exelon has no knowledge that any such information is inaccurate or incomplete, Exelon has not had the opportunity to verify any of that information.

This filing includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, for example, statements regarding benefits of the proposed merger, integration plans and expected synergies. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements made herein. The factors that could cause actual results to differ materially from these forward-looking statements include Exelon's ability to achieve the synergies contemplated by the proposed transaction, Exelon's ability to promptly and effectively integrate the businesses of NRG and Exelon, and the timing to consummate the proposed

transaction and obtain required regulatory approvals as well as those discussed in (1) Exelon's 2007 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 19; (2) Exelon's Third Quarter 2008 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors and (b) Part I, Financial Information, ITEM 1. Financial Statements: Note 12; and (3) other factors discussed in Exelon's filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this filing. Exelon does not undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this filing.

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On November 10-12, 2008, Exelon will participate in the Edison Electric Institute Financial Conference. The slides included in Exelon's conference materials that concern the proposed NRG transaction follow.

* * * * *

Exelon Corporation
Christopher Crane
President and Chief Operating Officer
Edison Electric Institute Financial Conference
November 10-12, 2008

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Forward-Looking Statements

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Important Additional Information

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Exelon Key Messages

Consistent with Exelon Protect and
Grow Strategy

Earnings and cash accretion

Clear value creation

Meets NRG's Five Imperatives
Exelon Financial
Outlook

2009 operating guidance of \$4.00 -
\$4.30/share

Managing costs and driving productivity

Significant uplift in 2011 -
operating
earnings of ~\$5.00-\$6.00/share

(1)

(1)

Illustrative. Provided solely to illustrate possible future outcomes that are based on a number of different assumptions, all of which are subject to uncertainties and should not be relied upon as earnings guidance or a forecast of future results.

Compelling Offer
for NRG

5

A Compelling Opportunity for Value Creation

Exelon offered to acquire all outstanding common shares of NRG in an all stock transaction

Fixed exchange ratio of 0.485 Exelon share for each NRG common share

Offer represents a 37% premium to October 17th closing price for NRG

Combined Entity Creates Value By:

Providing earnings and cash accretion

Creating an exceptional growth platform

Operating in the most attractive markets

Utilizing a premier balance sheet

Allowing Exelon to unlock NRG's value

Giving NRG's shareholders the opportunity to participate in future value

Presenting manageable regulatory hurdles to close

6

Transaction Is Accretive

(1)

Does not include purchase accounting. One-time cost to achieve of ~\$100 million (pre-tax) and transaction and other costs of \$

(2)

Free

cash flow defined as cash flow from operations less capital expenditures.

(3)

Based solely on I/B/E/S estimates for Exelon and NRG as of 10/31/08. Not necessarily representative of either company's internal illustration only. Not intended as earnings guidance or as a forecast of expected results.

(4)

Assumes refinancing of ~\$8 billion of NRG debt at an interest rate of 10%.

(5)

Pro forma numbers in Exelon's internal forecasts are somewhat lower and accretion is approximately breakeven in 2011.

Operating Earnings

per
share
1
Free
cash
flow
2
per share
\$3.82
\$4.29
\$4.69
2010E
2011E
2012E
\$2.83
\$2.91
\$3.70
2010E
2011E
2012E
\$3.04
N/A
N/A
2010E
2011E
2012E
\$4.42
\$5.86
\$6.16
2010E
2011E
2012E
\$4.03
N/A
N/A
2010E
2011E
2012E
32.5%
\$4.83
\$6.01
\$6.43
2010E
2011E
2012E
9.4%
2.5%
4.3%

Based on analyst consensus estimates for both companies, the deal will be accretive in the first full year following closing

Exelon
NRG
Pro forma
5

Synergies

Increased interest
expense
(4)

Synergies

Increased interest
expense
(4)
3
3
1
2

7

Combination Creates
Substantial Synergies

Exelon

Operations & Maintenance:

\$4,289

NRG

Maintenance & Other Opex:

\$950

General & Admin Expenses:

\$309

Other COGS:

\$454

Pro Forma

Combined Non-fuel Expenses: \$6,002

Estimated

Annual

Cost

Savings:

\$180

-

\$300

2

% of Combined Expenses:

3%-5%

Costs to Achieve

\$100

NPV of Synergies:

\$1,500-\$3,000

(\$ in Millions)

Reflects

no

revenue

or

fuel

cost

synergies.

Excludes transaction and other costs of \$654 million and excludes increased interest expense related to refinancing of NRG debt.

(1)

Company 10-K for 2007 and investor presentations.

(2)

Based on a preliminary analysis of publicly available information. Subject to due diligence investigation.

1

Transaction

creates

\$1.5

\$3

billion

of

value

through

synergies

with

opportunity

for

more

1

Clear Value under Multiple Scenarios

Gas price is long-term price in 2008 \$/MMBtu; coal price is long-term price in 2008 \$/ton for PRB8800 excluding transportation
combined
cycle
cost
in
PJM
in
2008
overnight
\$/kW;
carbon
year
is
year
in
which

national
cap
and
trade
starts;
carbon
price
is
in
2012

\$/tonne
assuming 7%

escalation; moderate recession assumes conditions consistent with current forward prices; and severe recession assumes five y
8

Gas Prices

New Build Costs

Carbon Year/Price

Recession

\$0

\$6.50

\$1,300

Moderate

2014/\$22

\$7.30

\$1,100

Moderate

2020/\$22

\$7.10

\$1,100

Severe

2014/\$22

\$7.30

\$1,500

Moderate

2012/\$12

\$8.60

\$1,500

Moderate

We look at fundamental value creation under a wide range of future commodity
price scenarios and our analysis suggests \$1-3 billion, possibly more

Coal Prices

\$11.00

\$20.00

\$20.00

\$20.00

\$11.00

9
Without
Premium
0
1,000
3,000
2,000
With
Premium
Conservative
DCF Estimate
Replacement
Costs

NRG Stock Value

NRG Long-Term Value

975

1,350

2,050

3,000+

Price per Kilowatt Comparison for Texas Baseload Generation

Exelon Unlocks NRG Value

Less than 45% of
replacement value

Even with premium, purchase
price is 66% of conservative
long-term DCF value

subtracting

value

of

other

NRG

assets

from

NRG

enterprise

value

based

on

October

17

th

close.

\$/KW

values are for 5,325 MW of Texas baseload

which includes Parish coal, Limestone, and STP; values implied by NRG stock price are determined by

10

World Class Nuclear & Fossil Operations

High performing nuclear plant

Top quartile capacity factor

94.9%

Large, well-maintained, relatively young units

Fossil fleet

Half of >500 MW coal units are top quartile capacity factor

90% of coal fleet lower-cost PRB and lignite

NRG

Premier U.S. nuclear fleet

Best fleet capacity factor ~ 94%

Lowest fleet production costs ~ \$15 /MWh

Shortest fleet average refueling outage duration

24 days

Strong reputation for performance

Exelon

11
<1%
<1%
6%
Coal
Exelon
~150,000 GWh
Pro Forma
Exelon
~198,000 GWh
Nuclear

PRB & Lignite Coal

Other Coal

Gas/Oil

Hydro/Other

2009 Historical Forward Coal Prices

Combined Entity Will Continue to Benefit

from Low Cost, Low Volatility Fuel Sources

0.00

1.00

2.00

3.00

4.00

5.00

6.00

Powder River Basin

Northern Appalachian

Central Appalachian

Production Costs

0

2

4

6

8

10

12

2000

2001

2002

2003

2004

2005

2006

2007

Nuclear

Gas

Coal

Petroleum

93%

Nuclear

1%

3%

75%

Nuclear

15%

PRB &

Lignite Coal

6%

Other

Coal

(1)

Based on 2007 data, does not include ~38,000 GWh of Exelon Purchased Power.

Q1 2007

Q2 2007

Q3 2007

Q4 2007

Q1 2008

Q2 2008

Q3 2008

Powder River Basin and lignite coal supply (90% of NRG's coal) provides low-sulfur at a relatively stable price as compared to northern and central Appalachian coal mines.

Combined fleet will continue to be predominantly low-cost fuel.

1

1

0
50
100
150
50
100
150
200
250
2006 Electricity Generated (GWh, in thousands)
NRG

TVA

AEP

Duke

FPL

Southern

Exelon + NRG

Entergy

Exelon

Dominion

Progress

FirstEnergy

Bubble size represents carbon

intensity, expressed in terms of

metric tons of CO2 per MWh

generated

SOURCE: EIA and EPA data as compiled by NRDC

CO2 Emissions of Largest US Electricity Generators

Largest Fleet, 2nd Lowest

Carbon Intensity

Top Generators by CO2 Intensity

10

9

8

7

6

5

4

3

2

1

12

Exelon 2020 principles will be applied to the combined fleet

AEP

NRG

Southern

Duke

FirstEnergy

TVA

Progress

Dominion

FPL

Exelon + NRG

Entergy

Exelon

0.83

0.80

0.74

0.66

0.64

0.64

0.57
0.50
0.35
0.31
0.26
0.07

Financing Plan Considerations

Negotiated acquisition of NRG would require refinancing of only ~\$4B of NRG debt and other credit facilities

Under a negotiated deal with NRG, \$4.7B of NRG bonds could remain in place with no change in terms, but with substantially improved credit metrics for those bondholders

Exelon's relationships with many of NRG's banks should facilitate arrangements for new credit facilities

Financing commitments are well underway for refinancing

The NRG direct lien program for power marketing could be left in place

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Premier Balance Sheet
and Credit Metrics

Committed to returning Exelon Generation's senior unsecured debt
to strong investment grade within the next 3 years

Targeting
stronger
credit
metrics
for
the
combined
entity

--

25

-

30%

FFO/debt

Pay down debt plan will include: NRG balance sheet cash, asset sale proceeds, free cash flow

Exelon

NRG

Today

2011

Credit Rating:

BBB

FFO / Debt:

25-30%

Combined

Entity

Targets

Credit Rating:

BBB-

FFO / Debt:

26%

Credit Rating:

B+

FFO / Debt:

18%

2

3

1

(1)

Ratios exclude securitized debt.

(2)

Senior unsecured credit rating and FFO/Debt as of 10/31/08. Reflects S&P updated guidelines, which include imputed debt and power agreements, unfunded pension and other postretirement benefits obligations, capital adequacy for energy trading, operations and other off-balance sheet data.

(3)

From Standard & Poor's 8/28/08 CreditStats: Independent Power Producers & Energy Traders U.S.

15

Principal Regulatory Approvals and
Expected Divestitures

Principal regulatory approvals:

Texas, New York, Pennsylvania, California state regulatory commissions

Hart-Scott-Rodino (DOJ/FTC)

FERC

NRC

Notice filing in Illinois

Limited
market
power
issues

not
expected
to
challenge
transaction
closing

Divestitures anticipated only in PJM and ERCOT

~3,200
MWs
of
high
heat
rate
gas
and
baseload
coal
plants and
~1,200
MWs
under
contract

Model assumes \$1 billion of proceeds from divestitures (after-tax)

Regulatory hurdles are manageable

1

(1)

Plants
subject
to
divestiture
are
de
minimus
contributors
to
revenue

and
earnings.

16
Exelon
More
Than
Meets
the
Five
Imperatives
Outlined by NRG on May 28, 2008

- 1.
- 1.
- 2.
- 2.
- 3.
- 3.
- 4.
- 4.
- 5.
- 5.

NRG's Stated Imperatives

MUST

accumulate generation at competitive cost

This transaction accomplishes in one step what several transactions might have accomplished for NRG in these regards. Given the current difficulty in accessing capital markets, it is unclear whether NRG would have the ability to meet this objective without Exelon.

Exelon provides NRG stakeholders with broad trading expertise and sound power marketing and risk management practices. Exelon's significant experience in markets with locational prices is particularly relevant since ERCOT is moving to a PJM-type structure.

Exelon's breadth of operations and depth of service allows unparalleled access to customers, retail providers, and other sales channels.

NRG stakeholders become part of the most diversified and competitive generation portfolio operating in 12 different states and 6 different regional transmission organizations.

Deal provides NRG stakeholders with significant value and upside and a share of the largest unregulated generation fleet in the United States.

MUST

be geographically diversified in multiple markets

MUST

develop and expand our route to market through contracting with retail load providers, trading, direct sales, etc

MUST

have sophisticated ability to trade, procure, hedge, and originate for electricity and input fuels

MUST

develop depth and breadth in key markets, particularly across fuel types, transmission constraints and merit order

Exelon Combination More than Meets These Imperatives

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\$4.30/share

Managing costs and driving productivity

Significant
uplift
in
2011

-
operating
earnings of ~\$5.00-\$6.00/share

(1)
(1)

Illustrative.

Provided solely to illustrate possible future outcomes that are based on a number of different assumptions, all of which are subject to uncertainties

and
should
not
be
relied
upon
as
earnings
guidance
or
a
forecast
of
future
results.

18
Appendix
Additional Information regarding Offer
for NRG

19

Pro Forma

Exelon

Combined company will have requisite scope,
scale and financial strength to succeed in an
increasingly volatile energy market

Combination Will Result in Scope,

Scale and Financial Strength

(1)

Reflects total assets (under GAAP) with no adjustments. Based upon 9/30/08 Form 10-Q.

(2)

Reflects Last Twelve Months EBITDA (Earnings before Income Taxes, Depreciation and Amortization) as of 9/30/08 with no

(3)

Calculation

of

Enterprise

Value

=
Market
Capitalization
(as
of
10/31/08)
+
Total
Debt
(as
of
6/30/08)
+
Preferred
Securities
(as
of
6/30/08)
+
Minority
Interest
(as of 6/30/08)
Cash & Cash Equivalents (as of 6/30/08).
Debt, Preferred Securities, Minority Interest and Cash & Cash Equivalents based upon 6/30/08
Form 10-Q.
(4)
Includes
owned and contracted
capacity
after
giving
effect
to
planned
divestitures
after
regulatory
approvals.
\$0
\$30
\$50
\$60
\$40
\$20
\$70
\$10
Southern
Dominion
FPL
Duke

First
Energy
Entergy
\$68,900
Combined assets
(1)
\$9,400
LTM EBITDA
(2)
(\$ in millions)
\$63,000
Enterprise value
(3)
~51,000MWs
Generating capacity
(4)
Pro Forma Quick Stats
Market cap (as of 10/31/08)
\$41,200

Combination Enables Access to
Attractive New Markets
By RTO
Combined
PJM
22,812
ERCOT
13,027
MISO
1,065
ISO NE
2,174
NYISO

3,960

CAL ISO

2,085

Contracted*

6,280

51,403

SERC

2,405

WECC

45

Total

53,853

By Fuel Type

Combined

Nuclear

18,144

Coal

8,986

Gas/Oil

18,801

Other

1,642

Contracted

6,280

*Contracted in various RTOs, mainly in PJM and ERCOT

(1)

Excludes international assets. Before any divestitures.

20

Geographically complementary asset base

Attractive new markets for Exelon (NY, NE,

CA): declining reserve margins, supportive

regulatory structures

Predominantly located in competitive

markets

ERCOT portfolio will position Exelon to offer

an array of products, capture value, and

efficiently utilize credit

1

1

Exelon

NRG

21

Nuclear Growth Opportunities

Texas offers nuclear growth platform

Potential for stretch power uprate

(5-7%) on South Texas

Project units 1 and 2

Construction & Operating License and Loan Guarantee applications filed for both STP 3 and 4 and Victoria County

Exelon has the financial strength and discipline to investigate these opportunities

Strong balance sheet and credit metrics

Demonstrated track record of financial rigor

Nuclear depth and expertise

Options to build remain under evaluation; no commitment has yet been made

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Exelon 2020 and NRG

Expand internal energy efficiency, SF6,
vehicle, and supply chain initiatives to NRG
portfolio

Offset a portion of NRG's GHG emissions

Expand energy efficiency program offerings

Add capacity to existing nuclear units
through uprates

Add new renewable generation

Add new gas-fired capacity

Continue to explore new nuclear

Address older/higher emitting coal
and oil units

Invest in clean coal technology R&D

Options to Evaluate:

Taking the next step in Exelon's
commitment to address climate change

Offer more low
carbon electricity in
the marketplace

Reduce emissions
from coal/oil fired
generation

Help our customers
and the communities
we serve reduce their
GHG emissions

Reduce or offset our
footprint by greening
our operations

Apply Elements of
Exelon 2020 to
NRG

Expand the 2020
Plan

23

NRG is Best Investment Available

0%

4.0%

8.0%

12.0%

16.0%

0.0%

5.0%

10.0%

15.0%

20.0%

25.0%

(10.0%)

0%
5.0%
20.0%

EBITDA / EV Yield

Earnings Yield

Free Cash Flow

Yield

EXC

Illustrative

Utilities

NRG at

Offer

2009E

2010E

7.9

10.2

11.8

10.6

8.1

11.4

11.9

10.7

IPPs

EXC

Illustrative

Utilities

NRG at

Offer

IPPs

EXC

Illustrative

Utilities

NRG at

Offer

IPPs

13.7

15.4

20.1

16.7

14.4

16.1

20.1

17.1

Source: FactSet. Prices as of 10/17/08, I/B/E/S estimates as of 10/31/08.

EV = Enterprise Value

(1)

Illustrative Utilities include CMS, CNL, DPL, TE, WEC, WR.

(2)

IPPs include CPN, DYN, MIR, RRI.

4.3

(3.1)
11.2
11.6
5.2
(6.2)
14.2
12.3
15.0%
10.0%
(5.0%)
1
2
2
2
1
1