



KGen Power Corporation
Fiscal Q2 2009 Earnings Call

February 12, 2009

Forward Looking Statements

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Certain items in this presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, but not necessarily limited to, statements relating to future operations. Words such as “expect(s)” and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements. KGen’s expectations may not be attained. There are important factors that could cause actual results, level of activity, performance or achievements to differ from the results, level of activity, performance or achievements expressed or implied in the forward-looking statements. In light of these risks, uncertainties and assumptions, the future performance or events described in the forward-looking statements in this press release may not occur. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. Such forward-looking statements speak only as of the date of this press release. KGen expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

EBITDA is a non-GAAP financial measure. Consolidated EBITDA can be reconciled to Net income (loss) using the following calculation: Net income (loss) less Income tax benefit (expense), plus Interest expense and Depreciation and amortization expense equals EBITDA. Management and some members of the investment community utilize EBITDA to measure financial performance on an ongoing basis. However, EBITDA should not be used in lieu of GAAP measures such as net income and cash flow from operations. Within this presentation we define adjusted EBITDA using the above definition less a one time \$37.2 million payment in connection with the termination of the CEH transaction and major maintenance. Energy gross margin is defined as the energy sales minus the cost of fuel. Merchant energy gross margin is defined as the energy sales minus the cost of fuel for our merchant plants.

Balance Sheet and Financial Metrics

SELECTED BALANCE SHEET ITEMS

September 2008

(\$MM)

Assets

Current assets:

Cash and cash equivalents	\$50.4
Restricted cash and cash equivalents	34.0
Other current assets	<u>14.5</u>

Total current assets 98.9

Total property, plant, and equipment 660.0

Other noncurrent assets 70.9

Total assets \$829.8

Liabilities and stockholders' equity

Current liabilities:

Accounts payable and accrued liabilities	\$14.2
Current portion of long-term debt	<u>2.0</u>

Total current liabilities 16.2

Long-term debt 194.0

Contract-based intangibles (net of amortization) 17.2

Other Noncurrent Liabilities 7.8

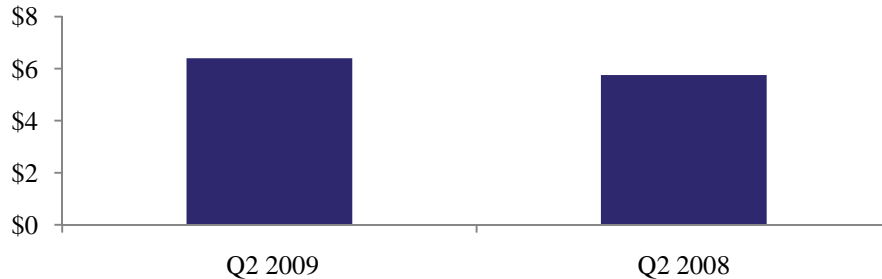
Total stockholders' equity 594.6

Total liabilities and stockholders' equity \$829.8

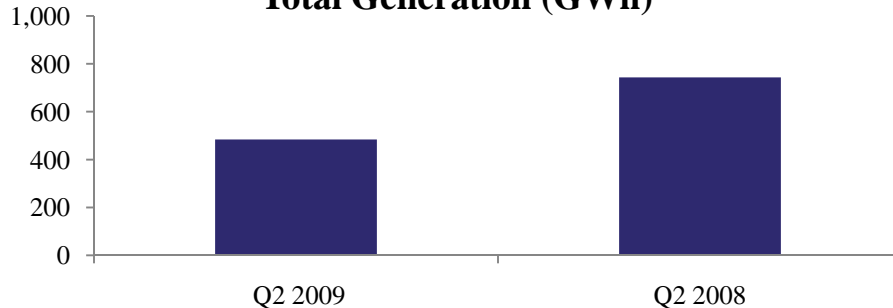
- Total Cash on Hand \$84.4MM
- Total Liquidity of \$122.6MM
- Long Term Debt to Total Capitalization Ratio of 25%

Comparison Discussion - 3 Months

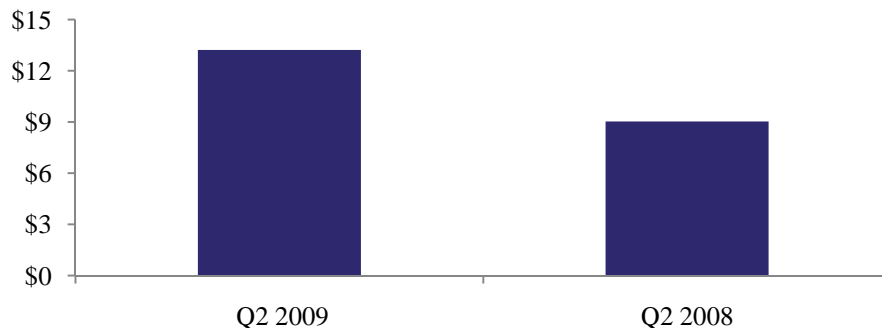
Merchant Energy Gross Margin (\$MM)



Total Generation (GWh)



Average Implied Spark Spread (\$/MWh)



- Merchant Energy Gross Margin up 11%
- Merchant Generation down 24%
- Total Generation down 35%
- Implied Merchant Spark Spread up 46%
- Heating Degree Days 1% lower than normal
- Cooling Degree Days down 53% from previous year

Comparison Discussion - 3 Months

Selected Financial and Operating Data	Fiscal Q2 2009	Fiscal Q2 2008	Change	% Change
Merchant Energy Gross Margin (\$000)	6,399	5,753	646	11%
Murray I Gross Margin (\$000)	4,070	4,539	(469)	-10%
Total Gross Margin (\$000)	10,469	10,292	177	2%
Merchant Generation (GWh)	484	637	(153)	-24%
Total Generation (GWh)	484	743	(259)	-35%
Actual HDDs (1)	3,059	2,495	564	23%
Normal HDDs	3,087	3,087	-	0%
Actual CDDs (2)	201	431	(230)	-53%
Normal CDDs	62	62	-	0%
Merchant Spark Spread	\$13.22	\$9.03	\$4.19	46%

- (1) HDD's represent the number of degrees that the mean temperature for a particular day is below 65 degrees Fahrenheit. The HDD's are then cumulated for a given period
- (2) CDD's represent the number of degrees that the mean temperature for a particular day is above 65 degrees Fahrenheit. The CDD's are then cumulated for a given period

Operating Results & Financial Metrics - 3 Months

OPERATING RESULTS (\$MM)	<u>Fiscal</u> <u>Q2-2009</u>	<u>Fiscal</u> <u>Q2-2008</u>	<u>Fav /</u> <u>(Unfav)</u>
Total Gross Margin	\$10.5	\$10.3	\$0.2
Operating & Maintenance	8.6	6.8	(1.7)
Gas Transportation	3.7	3.7	(0.1)
SG&A	3.3	5.5	2.2
Acquisition contract termination loss	-	0.2	0.2
Auxiliary Power	1.9	1.9	-
Insurance	1.0	0.8	(0.2)
EBITDA	\$(8.0)	\$(8.6)	\$0.6

Comparison Discussion - 6 Months

Selected Financial and Operating Data	Fiscal Q1- Q2 2009	Fiscal Q1- Q2 2008	Change	% Change
Merchant Energy Gross Margin (\$000)	20,425	28,182	(7,757)	(28)%
Merchant Capacity Sales (\$000)	4,691	-	4,691	100%
Merchant Gross Margin	25,116	28,182	(3,066)	(11)%
Murray I Gross Margin (\$000)	33,075	31,817	1,258	4%
Total Gross Margin (\$000)	58,191	59,999	(1,808)	(3)%
Merchant Generation (GWh)	1,397	2,064	(667)	-32%
Total Generation (GWh)	1,750	2,747	(997)	-36%
Actual HDDs (1)	3,059	2,495	564	23%
Normal HDDs	3,087	3,087	-	0%
Actual CDDs (2)	3,974	4,760	(786)	-17%
Normal CDDs	3,761	3,761	-	0%
Merchant Spark Spread <small>(Includes Capacity Sales)</small>	\$17.98	\$13.65	\$4.33	32%

- (1) HDD's represent the number of degrees that the mean temperature for a particular day is below 65 degrees Fahrenheit. The HDD's are then cumulated for a given period
- (2) CDD's represent the number of degrees that the mean temperature for a particular day is above 65 degrees Fahrenheit. The CDD's are then cumulated for a given period

Operating Results & Financial Metrics – 6 Months

OPERATING RESULTS (\$MM)	<u>Fiscal</u> <u>Q1-Q2</u> <u>2009</u>	<u>Fiscal</u> <u>Q1-Q2</u> <u>2008</u>	<u>Fav /</u> <u>(Unfav)</u>
Total Gross Margin	\$58.2	\$60.0	\$(1.8)
Operating & Maintenance	28.8	18.8	(10.1)
Gas Transportation	8.3	8.3	-
SG&A	7.7	10.7	3.0
Acquisition contract termination loss	-	37.2	37.2
Auxiliary Power	4.5	4.3	(0.2)
Insurance	1.8	1.6	(0.2)
EBITDA	\$7.0	\$(20.9)	\$27.9
Major Maintenance	16.3	7.1	9.2
Acquisition contract termination loss	-	37.2	(37.2)
EBITDA (Excl. Major Maintenance & Acquisition termination loss)	\$23.3	\$23.4	\$(0.1)



Q&A

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