



KGen Power Corporation Fiscal Third Quarter 2009 Earnings Results

May 14, 2009

Forward-Looking Statements

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.

Reconciliation to GAAP Financial Information

The following presentation contains certain non-GAAP financial measures including adjusted EBITDA, adjusted plant EBITDA, merchant energy margin, merchant capacity sales, adjusted contracted energy margin, adjusted contracted capacity sales, adjusted plant expenses, and adjusted corporate expenses. Reconciliations of these measures to the most directly comparable GAAP measures can be found in our Report to Shareholders for Quarter Ended March 31, 2009.

Agenda

- Introduction
- KGen Update and CEO Comments
- Financial Review
- Conclusion
- Q&A

Executives

- Tom White – President, Chief Executive Officer and Board Member
- Daniel East – Senior Vice President of M&A and Treasurer

KGen value derived from:

- Modern, well-maintained generation portfolio
- Scale in region with improving market fundamentals and regulatory environment
- Attractive contracts on Murray I and Sandersville
- Increasing replacement costs
- Favorable emissions profile – low carbon footprint
- Continued strong balance sheet and liquidity
- Experienced management team

Comparison Discussion - 3 Months

	Three Months Ended	Three Months Ended	Favorable/ (Unfavorable)	
	March 31, 2009	March 31, 2008	Change	% Change
	(in thousands)			
Merchant energy margin	\$ 2,661	\$ 3,966	\$(1,305)	(33%)
Merchant capacity sales	-	-	-	0%
Merchant margin	2,661	3,966	(1,305)	(33%)
Adjusted contracted energy margin	478	530	(52)	(10%)
Adjusted contracted capacity sales	5,618	5,507	111	2%
Adjusted contracted margin	6,096	6,037	59	1%
Total adjusted margin	8,757	10,003	(1,246)	(12%)
Adjusted plant expenses	12,853	13,514	661	5%
Adjusted plant EBITDA	(4,096)	(3,511)	(585)	(17%)
Adjusted corporate expenses	3,198	4,558	1,360	30%
Adjusted EBITDA	\$ (7,294)	\$ (8,069)	\$ 775	10%

Comparison Discussion – 9 Months

	Nine Months Ended	Nine Months Ended	Favorable/ (Unfavorable)	
	<u>March 31, 2009</u>	<u>March 31, 2008</u>	<u>Change</u>	<u>% Change</u>
	(in thousands)			
Merchant energy margin	\$ 23,086	\$ 32,148	\$(9,062)	(28%)
Merchant capacity sales	<u>4,691</u>	<u>-</u>	<u>4,691</u>	100%
Merchant margin	27,777	32,148	(4,371)	(14%)
Adjusted contracted energy margin	5,806	4,678	1,128	24%
Adjusted contracted capacity sales	<u>36,824</u>	<u>36,103</u>	<u>721</u>	2%
Adjusted contracted margin	42,630	40,781	1,849	5%
Total adjusted margin	70,407	72,929	(2,522)	(3%)
Adjusted plant expenses	<u>39,106</u>	<u>38,822</u>	<u>(284)</u>	(1%)
Adjusted plant EBITDA	31,301	34,107	(2,806)	(8%)
Adjusted corporate expenses	<u>9,911</u>	<u>13,139</u>	<u>3,228</u>	25%
Adjusted EBITDA	\$ 21,390	\$ 20,968	\$ 422	2%

Capital & Liquidity as of 3/31/09

- Total Cash and cash equivalents of \$81.0 million
 - Cash and cash equivalents of \$48.1 million
 - \$32.4 million at KPC
 - \$15.7 million at KGen LLC
 - Restricted cash and cash equivalents of \$32.9 million
 - Debt service reserve of \$5.8 million
 - Major maintenance reserve of \$27.1 million
- Total liquidity of \$109.3 million
- Net debt of \$124.5 million ⁽¹⁾
- Long term debt to total capitalization ratio of 25%

(1) Net debt defined as (a) long-term debt plus (b) current portion of long-term debt less (c) cash and cash equivalents less (d) restricted cash and cash equivalents.

Selected Balance Sheet Items March 31, 2009 (in millions)

Assets	
Current assets:	
Cash and cash equivalents	\$48.1
Restricted cash and cash equivalents	32.9
Other current assets	<u>15.1</u>
Total current assets	96.1
Net property, plant, and equipment	654.2
Contract-based intangibles (net of amortization)	60.7
Other noncurrent assets	<u>7.4</u>
Total assets	\$818.4
Liabilities and stockholders' equity	
Current liabilities:	
Accounts payable and accrued liabilities	\$14.0
Current portion of long-term debt	<u>2.0</u>
Total current liabilities	16.0
Long-term debt	203.5
Contract-based intangibles (net of amortization)	16.9
Other noncurrent liabilities	5.7
Total stockholders' equity	<u>576.3</u>
Total liabilities and stockholders' equity	\$818.4

- Fiscal 2008 major maintenance expense of \$30.7 million
- Fiscal 2009 major maintenance expense of \$19.4 million
- Major maintenance reserve of \$27.1 million

Please refer to Report to Shareholders for Quarter Ended March 31, 2009 for definition of major maintenance expense.

Combined Cycle Hot Gas Path Inspection Detail

<u>Gas Turbine</u>	<u>1st HGPI</u>	<u>2nd HGPI</u>
Hinds GT1	Spring 2005	Spring 2010
Hinds GT2	Spring 2005	Spring 2010
Hot Spring GT1	Fall 2007	TBD
Hot Spring GT2	Spring 2008	TBD
Murray GT1 (Murray I)	Spring 2008	TBD
Murray GT2 (Murray I)	Spring 2008	TBD
Murray GT3 (Murray II)	Fall 2008	TBD
Murray GT4 (Murray II)	Fall 2008	TBD

- Focus on operational efficiency and excellence
- Capitalize on origination opportunities and maintain disciplined dispatch strategy
- Maintain low corporate costs
- Pursue potential strategic alternatives