



KGen Power Corporation Fiscal Third Quarter 2010 Earnings Results

May 14, 2010

Agenda

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

Executives

- Tom White – President, Chief Executive Officer and Director
- Steven McDowell – Vice President of M&A and Finance
- Kevin Redmond – Chief Accounting Officer & Controller

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. Many of these factors are described in our quarterly report to shareholders for the period ended March 31, 2010, which is available on our website, www.kgenpower.com. 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 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 quarterly report to shareholders for the period ended March 31, 2010

KGen Summary:

- Results and Market Factors
- Operations Summary
- Management areas of Concentration
- Hot Spring Lateral
- Sandersville Sale
- Market Summary
- Strategies

Comparison Discussion - 3 Months

	Three Months Ended	Three Months Ended	Favorable/ (Unfavorable)	
	<u>March 31, 2010</u>	<u>March 31, 2009</u>	<u>Change</u>	<u>% Change</u>
<u>(In thousands)</u>				
Merchant energy margin	\$ 1,275	\$ 2,661	\$(1,386)	(52%)
Merchant capacity sales	<u>442</u>	<u>-</u>	<u>442</u>	100%
Merchant margin	1,717	2,661	(944)	(35%)
Adjusted contracted energy margin	1,060	478	582	122%
Adjusted contracted capacity sales	<u>5,729</u>	<u>5,618</u>	<u>111</u>	2%
Adjusted contracted margin	6,789	6,096	693	11%
Total adjusted margin	8,506	8,757	(251)	(3%)
Adjusted plant expenses	<u>13,526</u>	<u>12,853</u>	<u>(673)</u>	(5%)
Adjusted plant EBITDA	(5,020)	(4,096)	(924)	(23%)
Adjusted corporate expenses	<u>3,172</u>	<u>3,198</u>	<u>26</u>	1%
Adjusted EBITDA	\$ (8,192)	\$ (7,294)	\$ (898)	(12)%

Comparison Discussion - 9 Months

	Nine Months Ended	Nine Months Ended	Favorable/ (Unfavorable)	
	<u>March 31, 2010</u>	<u>March 31, 2009</u>	<u>Change</u>	<u>% Change</u>
<u>(In thousands)</u>				
Merchant energy margin	\$ 15,466	\$ 23,086	\$(7,620)	(33%)
Merchant capacity sales	<u>939</u>	<u>4,691</u>	<u>(3,752)</u>	(80%)
Merchant margin	16,405	27,777	(11,372)	(41%)
Adjusted contracted energy margin	5,171	5,806	(635)	(11%)
Adjusted contracted capacity sales	<u>37,562</u>	<u>36,824</u>	<u>738</u>	2%
Adjusted contracted margin	42,733	42,630	103	0%
Total adjusted margin	59,138	70,407	(11,269)	(16%)
Adjusted plant expenses	<u>41,261</u>	<u>39,106</u>	<u>(2,155)</u>	(6%)
Adjusted plant EBITDA	17,877	31,301	(13,424)	(43%)
Adjusted corporate expenses	<u>8,445</u>	<u>9,911</u>	<u>1,466</u>	15%
Adjusted EBITDA	\$ 9,432	\$ 21,390	\$ (11,958)	(56)%

Capital & Liquidity as of 03/31/10

- Total cash and cash equivalents of \$65.1 million
 - Unrestricted cash and cash equivalents of \$53.7 million
 - \$29.3 million at KPC
 - \$24.4 million at KGen LLC
 - Restricted cash and cash equivalents of \$11.3 million
 - Debt service reserve of \$5.8 million
 - Major maintenance reserve of \$5.5 million
- Total liquidity of \$115.8 million
- Net debt of \$138.4 million ⁽¹⁾
- Long term debt to total capitalization ratio of 26%

Selected Balance Sheet Items March 31, 2010 (in millions)

Assets

Current assets:

Cash and cash equivalents	\$53.7
Restricted cash and cash equivalents	11.3
Other current assets	<u>16.4</u>
Total current assets	81.4
Net property, plant, and equipment	631.8
Contract-based intangibles (net of amortization)	50.1
Other noncurrent assets	<u>6.6</u>

Total assets **\$769.9**

Liabilities and stockholders' equity

Current liabilities:

Accounts payable and accrued liabilities	\$14.3
Current portion of long-term debt	<u>2.0</u>
Total current liabilities	16.3
Long-term debt	201.5
Contract-based intangibles (net of amortization)	15.6
Other noncurrent liabilities	2.7
Total stockholders' equity	<u>533.8</u>

Total liabilities and stockholders' equity **\$769.9**

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

Q&A