



KGen Power Corporation

April 9, 2008

In an effort to keep shareholders and those who trade in our shares up to date on our ongoing efforts to maximize shareholder value, we have two items that we wanted to bring to your attention. Because we have entered into confidentiality undertakings in connection with the proposed corporate transaction discussed below, we are limited in the information that we can provide but are very excited about developments in our markets.

First, a transaction has recently occurred that we believe reinforces our view that SERC power generation assets will approach replacement cost as the SERC power markets recover. Last week, the primarily merchant 810MW Southaven generating facility in Mississippi that is interconnected to both the TVA and Entergy service areas was sold at a competitive auction for a price of \$461.3 million. This price equates to approximately \$570/kW. We believe that the competitiveness of the auction (TVA and two independent power producers participated in the auction) and the sales price should have positive implications to the value of the KGen portfolio.

Second, we have recently received multiple non-binding indications of interest from an investor in the energy generation business to purchase 100% of KGen, the last of which was for \$20 per share in cash. This non-binding indication of interest is subject to due diligence and mutually agreeable documentation, but is not subject to financing. In connection with its review of the latest non-binding indication of interest, the Board has received preliminary valuation analyses from management and the Board's financial advisor. Based upon these preliminary analyses and the non-binding nature of the indication of interest, the Board is not prepared at this time to recommend the proposed transaction to KGen's shareholders. However, the Board recognizes that shares of KGen are currently trading significantly below \$20 and would welcome feedback from our shareholders regarding their views of this matter.

KGen continues to look for opportunities to add value for our shareholders. We continue to believe that KGen's assets are premier assets that are poised to increase in value in the recovering SERC markets. In this regard, the Board intends to engage a financial advisor to evaluate all strategic options available to the Company to maximize shareholder value.

The Board of Directors of  
KGen Power Corporation