



July 9, 2010

**COMMUNICATION TO SHAREHOLDERS**

**KGEM POWER CORPORATION COMPLETES SALE OF SANDERSVILLE FACILITY**

The Board of Directors of KGen Power Corporation is pleased to announce that it has completed its previously announced sale of the Company's Sandersville power generation facility to AL Sandersville Holdings, LLC, an entity formed by ArcLight Energy Partners Fund III, L.P. The Company received \$129.3 million in sales proceeds which represents a \$130 million purchase price less a working capital adjustment. The Sandersville facility is a nominal 640 MW natural gas-fired, simple-cycle power generation facility located in Washington County, Georgia. Credit Suisse Securities (USA) LLC acted as financial advisor to the Company in connection with the transaction. The Company expects to use a portion of its existing tax net operating losses (NOLs) to offset all of the taxable gain resulting from the sale of the Sandersville facility.

The Board of Directors views this successful divestiture as an important step in its ongoing process of exploring strategic alternatives to maximize value for all stockholders of the Company. The Board looks forward to continuing this process.

We encourage you to call Thomas White (713) 979-1935, Daniel Hudson at (281) 252-5201 or any of the other Directors, if you have any questions.

The Board of KGen Power Corporation

Daniel Hudson (Chairman)

James P. Jenkins

Gerald J. Stalun

Thomas B. White (CEO & President)

**About KGen Power Corporation**

KGen Power Corporation owns and operates merchant electric power generation plants and sells electricity and electrical generation capacity. Its existing portfolio consists of four operational and fully permitted combined cycle power plants in the southeastern United States, with an aggregate capacity of 2,390 megawatts. For more information, visit [www.kgenpower.com](http://www.kgenpower.com).