



KGen Power Corporation Fiscal Fourth Quarter 2009 Earnings Results

September 28, 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. Many of these factors are described in our annual report to shareholders for the period ended June 30, 2009, 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 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 Annual Report to Shareholders for the period ended June 30, 2009.

Agenda

- Introduction
- KGen Update and CEO Comments
- Financial Review
- Conclusion
- 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

KGen Focus:

- Controlling Expenses
- Invest in long term reliability of our plants
- Market dynamics
- Equilibrium between 2012 and 2016 in the Southeast
- Potential environmental impacts
- Longer term contracts discussions

Comparison Discussion - 3 Months

	Three Months Ended	Three Months Ended	Favorable/ (Unfavorable)	
	June 30, 2009	June 30, 2008	Change	% Change
(In thousands)				
Merchant energy margin	\$ 9,156	\$ 8,456	\$700	8%
Merchant capacity sales	-	1,563	(1,563)	(100%)
Merchant margin	9,156	10,019	(863)	(9%)
Adjusted contracted energy margin	2,346	2,457	(111)	(5%)
Adjusted contracted capacity sales	12,483	12,238	245	2%
Adjusted contracted margin	14,829	14,695	134	1%
Total adjusted margin	23,985	24,714	(729)	(3%)
Adjusted plant expenses	13,828	12,057	(1,771)	(15%)
Adjusted plant EBITDA	10,157	12,657	(2,500)	(20%)
Adjusted corporate expenses	1,797	4,958	3,161	64%
Adjusted EBITDA	\$ 8,360	\$ 7,699	\$ 661	9%

Comparison Discussion – 12 Months

	Twelve Months Ended	Twelve Months Ended	Favorable/ (Unfavorable)	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Change</u>	<u>% Change</u>
<u>(In thousands)</u>				
Merchant energy margin	\$ 32,242	\$ 40,604	\$ (8,362)	(21%)
Merchant capacity sales	<u>4,691</u>	<u>1,563</u>	<u>3,128</u>	200%
Merchant margin	36,933	42,167	(5,234)	(12%)
Adjusted contracted energy margin	8,152	7,135	1,017	14%
Adjusted contracted capacity sales	<u>49,307</u>	<u>48,341</u>	<u>966</u>	2%
Adjusted contracted margin	57,459	55,476	1,983	4%
Total adjusted margin	94,392	97,643	(3,251)	(3%)
Adjusted plant expenses	<u>52,934</u>	<u>50,879</u>	<u>(2,055)</u>	(4%)
Adjusted plant EBITDA	41,458	46,764	(5,306)	(11%)
Adjusted corporate expenses	<u>11,708</u>	<u>18,097</u>	<u>6,389</u>	35%
Adjusted EBITDA	\$ 29,750	\$ 28,667	\$ 1,083	4%

Capital & Liquidity as of 6/30/09

- Total Cash and cash equivalents of \$73.6 million
 - Unrestricted Cash and cash equivalents of \$40.7 million
 - \$32.0 million at KPC
 - \$8.7 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 \$102.8 million
- Net debt of \$131.4 million ⁽¹⁾
- Long term debt to total capitalization ratio of 26%

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

Selected Balance Sheet Items June 30, 2009 (in millions)

Assets	
Current assets:	
Cash and cash equivalents	\$40.7
Restricted cash and cash equivalents	32.9
Other current assets	<u>31.4</u>
Total current assets	105.0
Net property, plant, and equipment	648.2
Contract-based intangibles (net of amortization)	58.0
Other noncurrent assets	<u>7.3</u>
Total assets	\$818.5
Liabilities and stockholders' equity	
Current liabilities:	
Accounts payable and accrued liabilities	\$19.1
Current portion of long-term debt	<u>2.0</u>
Total current liabilities	21.1
Long-term debt	203.0
Contract-based intangibles (net of amortization)	16.6
Other noncurrent liabilities	4.1
Total stockholders' equity	<u>573.7</u>
Total liabilities and stockholders' equity	\$818.5

- 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 Annual Report to Shareholders for the period ended June 30, 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 commercial strategy
- Maintain low corporate costs
- Evaluate value-enhancing alternatives