



May 6, 2010

COMMUNICATION TO SHAREHOLDERS

**KGEN POWER CORPORATION ENTERS INTO
DEFINITIVE AGREEMENT TO SELL SANDERSVILLE FACILITY**

The Board of Directors of KGen Power Corporation is pleased to announce the execution of a definitive agreement for the 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., for a cash purchase price of \$130 million, subject to a customary working capital adjustment. The Sandersville facility is a nominal 640 MW natural gas-fired, simple-cycle power generation facility located in Washington County, Georgia.

The transaction will be implemented by means of a sale of 100% of the ownership interests in KGen Sandersville LLC, the project entity that owns the Sandersville facility. The transaction is conditioned upon the receipt of approval of the Federal Energy Regulatory Commission, the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, certain third party consents, the receipt by the purchaser of debt financing for a substantial portion of the purchase price (which also includes a letter of credit facility) that has been committed to by certain strategic lenders experienced in the power project financing market, and certain other customary closing conditions. Assuming the satisfaction of these conditions, the transaction is expected to close in the summer of 2010. The equity portion of the purchase price has been committed by ArcLight Energy Partners Fund III, L.P.

The Company expects to use a portion of its existing tax net operating loss (NOLs) to offset all of the taxable gain resulting from the sale of the Sandersville facility. Pursuant to the Company's credit facility, the Company is required to use a portion of the net proceeds of the sale to prepay a portion of its existing debt.

Credit Suisse Securities (USA) LLC acted as financial advisor to the Company in connection with transaction.

The Board of Directors views this transaction 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 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 five operational and fully permitted power plants in the southeastern United States, with an aggregate capacity of 3,030 megawatts. For more information, visit www.kgenpower.com.