



KGen Power Corporation

May 26, 2011

KGEN POWER CORPORATION TO DISTRIBUTE \$5 PER SHARE TO STOCKHOLDERS

First of a Series of Expected Liquidating Distributions

The Board of Directors of KGen Power Corporation is pleased to announce that it has declared a cash distribution of \$5.00 per share to the Company's stockholders of record as of the close of business on June 3, 2011. This distribution will be made to stockholders on or about June 24, 2011. There are a total of 56,223,977 shares of the Company's common stock and RSUs outstanding resulting in an aggregate cash distribution of approximately \$281,119,885.

We determined the amount of this distribution after considering a variety of factors, including the amount of the Company's cash on hand, our estimated cash operating expenses through closings of our previously announced sales of our Hinds and Hot Spring power generation facilities and what we believe to be an appropriate reserve to fund potential unanticipated expenses, including necessary maintenance and repairs of our facilities and other costs.

The distribution we announce today is the first of a series of liquidating distributions expected to be declared by the Board pursuant to a tax plan of complete liquidation recently adopted by the Board. We will circulate a summary of certain of the U.S. federal income tax considerations relating to these distributions shortly before the first distribution is made.

The Board expects to make further distributions to stockholders as cash comes into the company in approximately the following timeframe:

- The Hinds transaction (anticipated to close in mid-2012) is expected to result in \$164 million of after tax proceeds (of which we are required to put \$30 million in escrow to secure the Company's indemnification obligations).
- The Hot Spring transaction (also anticipated to close in mid-2012) is expected to result in \$217 million of after tax proceeds (of which we are required to put \$38 million in escrow to secure the Company's indemnification obligations).
- Under the terms of the previously completed sale of our Murray I and II power generation facilities, we placed approximately \$80 million of the Murray purchase price into escrow to secure the Company's indemnification obligations in connection with that transaction. This escrow is subject to release in October 2012.
- As indicated above, under the terms of the Hinds and Hot Spring transactions, we will be required to place \$30 million of the Hinds purchase price and \$38 million of the Hot Spring purchase price into escrow. \$10 million of the Hinds escrow and \$12

million of the Hot Spring escrow are each subject to release 12 months after the applicable closing; an additional \$10 million of the Hinds escrow and \$13.8 million of the Hot Spring escrow are subject to release 18 months after the applicable closing; and the remaining \$10 million of the Hinds escrow and \$12.2 million of the Hot Spring escrow are subject to release 42 months after the applicable closing.

Based on our estimates, the total amounts of distribution to shareholders, after consideration for taxes, operating losses, and wind down costs, is expected to be in the range of \$800 Million to \$830 Million, or \$14.25 to \$14.75 per share (or an additional \$9.25 to \$9.75 per share after this \$5.00/share distribution).

Please note that the timing indicated above reflects our best estimates based on the information available to us today. The actual amounts distributed by the Company and the timing of these distributions will depend on a number of factors, including the extent, if any, to which the Hinds or Hot Spring cash purchase prices become subject to unanticipated adjustments under the terms of the transaction agreements, indemnification liabilities arise in connection with our sale transactions, the closings of the Hinds or Hot Spring transactions occur sooner or later than anticipated, escrowed amounts are released to us later than anticipated as a result of unresolved disputes with our transaction counterparties or otherwise, the amount of tax net operating losses available to offset taxable gain on our sales is more or less than estimated, our operating losses and wind down expenses are more or less than anticipated or other unforeseen events or circumstances occur.

We encourage you to call Thomas White at (713) 979-1935 or 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 (President and Chief Executive Officer)

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 two operational and fully permitted power plants in the southeastern United States, with an aggregate capacity of 1,140 megawatts. For more information, visit www.kgenpower.com.