MIRANT CORP
Form 425
November 05, 2010

Filed by Mirant Corporation

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934, as amended

Subject Company: Mirant Corporation

(Commission File No. 001-16107)

Cautionary Language Regarding Forward-Looking Statements

Some of the statements included herein involve forward-looking information. Mirant cautions that these statements involve known and unknown risks and that there can be no assurance that such results will occur. There are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements, such as, but not limited to, legislative and regulatory initiatives regarding deregulation, regulation or restructuring of the industry of generating, transmitting and distributing electricity (the electricity industry); changes in state, federal and other regulations affecting the electricity industry (including rate and other regulations); changes in, or changes in the application of, environmental and other laws and regulations to which Mirant and its subsidiaries and affiliates are or could become subject; the failure of Mirant s plants to perform as expected, including outages for unscheduled maintenance or repair; environmental regulations that restrict Mirant s ability or render it uneconomic to operate its plants, including regulations related to the emission of CO_2 and other greenhouse gases; increased regulation that limits Mirant s access to adequate water supplies and landfill options needed to support power generation or that increases the costs of cooling water and handling, transporting and disposing off-site of ash and other byproducts; changes in market conditions, including developments in the supply, demand, volume and pricing of electricity and other commodities in the energy markets, including efforts to reduce demand for electricity and to encourage the development of renewable sources of electricity, and the extent and timing of the entry of additional competition in our markets; continued poor economic and financial market conditions, including impacts on financial institutions and other current and potential counterparties and negative impacts on liquidity in the power and fuel markets in which Mirant and its subsidiaries hedge and transact; increased credit standards, margin requirements, market volatility or other market conditions that could increase Mirant s obligations to post collateral beyond amounts that are expected, including additional collateral costs associated with over-the-counter hedging activities as a result of new or proposed rules and regulations governing derivative financial instruments, including those resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act; Mirant s inability to access effectively the over-the-counter and exchange-based commodity markets or changes in commodity market conditions and liquidity, including as a result of new or proposed rules and regulations governing derivative financial instruments, including those resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act, which may affect Mirant s ability to engage in asset management, proprietary trading and fuel oil management activities as expected, or result in material gains or losses from open positions; deterioration in the financial condition of Mirant s counterparties and the failure of such parties to pay amounts owed to Mirant or to perform obligations or services due to Mirant beyond collateral posted; hazards customary to the power generation industry and the possibility that Mirant may not have adequate insurance to cover losses resulting from such hazards or the inability of Mirant s insurers to provide agreed upon coverage; the expected timing and likelihood of completion of the proposed merger with RRI Energy, including the timing, receipt and terms and conditions of required, governmental and regulatory approvals that may reduce anticipated benefits or cause the parties to abandon the merger; the diversion of management s time and attention from our ongoing business during the time we are seeking to complete the merger; the ability to maintain relationships with employees, customers and suppliers; the ability to integrate successfully the businesses and realize cost savings and any other synergies; and the risk that credit ratings of the combined company or its subsidiaries may be different from what the companies expect; price mitigation strategies employed by ISOs or RTOs that reduce Mirant s revenue and may result in a failure to compensate Mirant s generating units adequately for all of their costs; changes in the rules used to calculate capacity, energy and ancillary services payments; legal and political challenges to the rules used to calculate capacity, energy and ancillary services payments; volatility in Mirant s gross margin as a result of Mirant s accounting for derivative financial instruments used in its asset management, proprietary trading and fuel oil management activities and volatility in its cash flow from operations resulting from working capital requirements, including collateral, to support its asset management, proprietary trading and fuel oil management activities; Mirant s ability to enter into intermediate and long-term contracts to sell power or to hedge our future expected generation of power, and to obtain adequate supply and delivery of fuel for its generating facilities, at Mirant s required specifications and on terms and prices acceptable to it; the failure to utilize new or advancements in power generation technologies; the inability of Mirant s operating subsidiaries to generate sufficient cash flow to support its operations; the potential limitation or loss of Mirant s net operating losses notwithstanding a continuation of its stockholder rights plan; Mirant s ability to borrow additional funds and access capital markets; strikes, union activity or labor unrest; Mirant s ability to obtain or develop capable leaders and its ability to retain or replace the services of key employees; weather and other natural phenomena, including hurricanes and earthquakes; the cost and availability of emissions allowances; curtailment of operations and reduced prices for electricity resulting from transmission constraints; Mirant s ability to execute its business plan in California, including entering into new tolling arrangements in respect of its existing generating facilities; Mirant s ability to execute its development plan in respect of its Marsh Landing generating facility, including obtaining the permits necessary for construction and operation of the generating facility and completing the construction of the generating facility by mid-2013; the ability of Mirant Marsh Landing to meet the conditions to draw under the Marsh Landing credit agreement; the ability of lenders under the Marsh Landing credit facility to fund the Marsh Landing credit agreement; Mirant s relative lack of geographic diversification of revenue sources resulting in concentrated exposure to the Mirant Mid-Atlantic market; the ability of lenders under Mirant North America s revolving credit facility to perform their obligations; war, terrorist activities, cyberterrorism and inadequate cybersecurity, or the occurrence of a catastrophic loss; the failure to provide a safe working environment for Mirant s employees and visitors thereby increasing Mirant s exposure to additional liability, loss of productive time, other costs, and a damaged reputation; Mirant s consolidated indebtedness and the possibility that Mirant or its subsidiaries may incur additional indebtedness in the future; restrictions on the ability of Mirant s subsidiaries to pay dividends, make distributions or otherwise transfer funds to Mirant, including restrictions on Mirant North America contained in its financing agreements and restrictions on Mirant Mid-Atlantic contained in its leveraged lease documents, which may affect Mirant s ability to access the cash flows of those subsidiaries to make debt service and other payments; the failure to comply with, or monitor provisions of Mirant s loan agreements and debt may lead to a breach and, if not remedied, result in an event of default thereunder, which would limit access to needed capital and damage Mirant s reputation and relationships with financial institutions; and the disposition of the pending litigation described in Mirant s Form 10-Q for the quarter ended September 30, 2010, filed with the Securities and Exchange Commission.

Mirant undertakes no obligation to update publicly or revise any forward-looking statements to reflect events or circumstances that may arise. The foregoing review of factors that could cause Mirant s actual results to differ materially from those contemplated in the forward-looking statements included in this news release should be considered in connection with information regarding risks and uncertainties that may affect Mirant s future results included in Mirant s filings with the Securities and Exchange Commission at www.sec.gov.

Additional Information and Where To Find It

In connection with the proposed merger between RRI Energy and Mirant, RRI Energy filed with the SEC a registration statement on Form S-4 that includes a joint proxy statement of RRI Energy and Mirant and that also constitutes a prospectus of RRI Energy. The registration statement was declared effective by the SEC on September 13, 2010. RRI Energy and Mirant urge investors and shareholders to read the registration statement, and any other relevant documents filed with the SEC, including the joint proxy statement/prospectus that is a part of the registration statement, because they contain important information. You may obtain copies of all documents filed with the SEC regarding this transaction, free of charge, at the SEC s website (www.sec.gov). You may also obtain these documents, free of charge, from RRI Energy s website (www.rrienergy.com) under the tab Investor Relations and then under the heading Company Filings and from Mirant s website (www.mirant.com) under the tab Investor Relations and then under the heading SEC Filings.

Dickerson Generating Station
Mirant Corporation
Third Quarter 2010 Earnings Results
November 5, 2010

2
Forward-Looking Statements
This
presentation
may
contain
statements,

estimates or projections that constitute forward-looking statements as defined under U.S. federal securities laws. In some cases, one can identify forward-looking statements by terminology such as will, expect, plan, lead, project or the negative of these terms or other comparable terminology. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from Mirant s historical experience and our present expectations or projections. These risks include, but are not limited to: (i) legislative and regulatory initiatives relating to the electric utility industry; (ii) changes in, or changes in the application of, environmental or other laws;

(iii) failure of our assets to perform as expected, including due to outages for unscheduled maintenance or repair; (iv) changes in market conditions or the entry of additional competition in our markets; (v) the expected timing and likelihood of completion of the proposed merger with RRI Energy, including the timing, receipt and terms and conditions of required governmental and regulatory approvals that may reduce anticipated benefits or cause the parties to abandon the merger; the diversion of management s time and attention from our ongoing business during the time we are seeking to complete the merger; the ability to maintain relationships

with
employees,
customers
and
suppliers;
the
ability
to
integrate
successfully
the
businesses
and
realize
cost
savings
and
any
other
synergies;
and
the
risk
that
credit
ratings
of
the
combined
company
or
its
subsidiaries
may
be
different
from
what
the
companies
expect;
and
(vi)
those
factors
contained
in
our
periodic
reports

filed with the SEC, including in our Quarterly Report on Form 10-Q for the period ended September 30, 2010. The forward-looking information in this document is given as of this date only, and Mirant assumes no duty to update this information.

Safe Harbor Statement

3
Additional
Information
and
Where
To
Find

It In connection with the proposed merger between RRI Energy and Mirant, RRI Energy filed with the SEC a registration statement on Form S-4 that includes a joint proxy statement of RRI Energy and Mirant and that also constitutes a prospectus of RRI Energy. The registration statement was declared effective by the SEC on September 13, 2010. RRI Energy and Mirant urge investors and shareholders to read the registration statement, and any other relevant documents filed with the SEC, including the joint proxy statement/prospectus that is a part of the registration statement, because they contain important information. You may obtain copies of all documents filed with the SEC regarding this transaction, free of charge, at the SEC s website (www.sec.gov). You may also obtain these documents, free of charge, from RRI Energy s website (www.rrienergy.com) under the tab Investor Relations and then under the heading Company Filings and from Mirant s website (www.mirant.com) under the tab Investor Relations and then under the heading SEC Filings.

Non-GAAP Financial Information

The following presentation includes certain non-GAAP financial measures as defined in Regulation G under the Securities Exchange Act of 1934. A schedule is attached hereto and is posted on the Company s website at mirant.com (in the Investor Relations - Presentations section) that reconciles the non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles. In addition, the Company has included a more detailed description of each of the non-GAAP financial

measures
used
in
this
presentation,
together
with
a
discussion
of
the
usefulness
and
purpose
of
these
measures
as
Exhibit
99.2
to
the
Company s
Current
Report
on
Form
8-K
furnished
to
the
SEC
with
its
earnings
press
release.
Safe Harbor Statement

4
GenOn
Energy
Merger Update
Mirant and RRI Energy stockholders approved on October 25, 2010
the proposals related to their proposed merger
Entered into agreements on September 20, 2010 for revolving credit

facility and merger related financings
$788 million five-year revolving credit facility
$700 million seven-year term loan
$675 million of 9.5% senior unsecured notes due 2018
$550 million of 9.875% senior unsecured notes due 2020
Merger remains subject to Hart-Scott-Rodino
clearance by the
Department of Justice
Merger expected to close by the end of 2010
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

5
Financial Highlights
($millions)
In Q3, change in Adjusted EBITDA principally attributable to
-
Lower realized value of hedges
-

Lower energy gross margins from proprietary trading activities
-
Lower contracted and capacity revenues
-
Higher operating costs primarily because of scrubbers installed in December 2009 and the Montgomery County, Maryland CO2 levy imposed on our Dickerson generating facility beginning in May 2010
Higher energy gross margins from generation
Adjusted EBITDA
190
311
501
706
Q3
9 Months
2010
2009
2010
2009
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

6
1.45
1.01
1.15
0.50
0.34
0
3.35
2.34
2.21
1.24
1.01
1.08
0.00
0.50
1.00
1.50
2.00
2.50
3.00
3.50
4.00
2004
2005
2006
2007
2008
2009
YTD 2010
Operations Highlights
Mirant s safety incident rates remain at low levels
Commercial Availability, the percent of maximum achievable energy gross
margin that was realized in the period, remains at a high level
Commercial Availability
Safety Incident Rates
Lost Time Incident Rate
Lost Time EEI Top Quartile Benchmark
Recordable Incident Rate
Recordable EEI Top Quartile Benchmark
0.34
0.80

84%
87%
89%
88%
80%
85%
90%
95%
100%
2007
2008
2009
YTD 2010
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

7

Market Update Since August

Near term (2010 and 2011)

Natural gas prices decreased and currently trade around $4.30/mmBtu for 2011

Power prices in PJM decreased but heat rates expanded as power prices declined less than natural gas prices

Northern Appalachian coal prices were relatively unchanged and trade around

$64/ton for 2011
Dark spreads declined
Longer term (2012
2015)
Natural gas prices decreased and currently trade in a range of $5.00 to
$5.80/mmBtu
Power prices in PJM decreased but heat rates expanded as power prices
declined less than natural gas prices
Northern Appalachian coal prices were unchanged and are quoted in a range of
$66
$75/ton
Dark spreads declined
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

8
Electricity Markets
Reserve Margins
Forecasted reserve margins incorporate the latest information from each ISO
Eastern markets are forecasted to tighten because little generation is being built
Source: Mirant forecasts
8%
12%
16%
20%
24%
28%
32%
36%
40%
2010
2011
2012
2013
2014
New York East
N.California
PJM East
New England
PJM RTO (ex. COMED)
Target Reserve range
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

9
Hedge Levels
Based on Expected Total Generation
Aggregate
Baseload
Coal
1.

Positions as of October 12, 2010
Shaded boxes represent net additions to prior guidance
2.
2010 represents period between November and December
3.
Power hedges include hedges with both power and natural gas
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

10
Marsh Landing Generating Station
(760 MW)
Total project costs are expected to be approximately $700 million including capital costs and financing fees
Directed Kiewit to commence engineering and procurement
Construction expected to begin in late 2010 and to be completed by mid-2013

Received approval of PPA with PG&E
and all necessary permits to commence
construction
$650 million project financing closed on
October 8, 2010
Includes $500 million construction
and term loan and $150 million of
letter of credit facilities
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

11
Pittsburg Generating Station
Mirant
entered
into
a
new

tolling
agreement
with
PG&E
on
October
28,
2010
to provide electricity from Pittsburg units 5, 6, and 7
Agreement is for total capacity of 1,159 MW for three years
commencing January 1, 2011
Includes options for PG&E to extend agreements for each of 2014
and 2015
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

12
Financial Results
(millions, except per share amounts)
9 Months
2010
2009
2010

2009
Net income
254
$
55
$
398
$
598
$
Unrealized (gains) losses on derivatives
(167)

174

(179)

(66)

Bankruptcy charges and legal contingencies
(1)

-

-

(62)

Postretirement benefit curtailment gain
-

-

(37)

-

Other
-

9

11
14

Adjusted net income
86
238
193
484

Interest, taxes, depreciation & amortization
104
73

308
222
Adjusted EBITDA
190
$
311
$
501
$
706
$
Diluted weighted average shares outstanding
146

146

146

145

Earnings per share:
Net income
1.74
$
0.38
$
2.73
$
4.12
$
Adjusted net income
0.59
$
1.63
$
1.32
$
3.34
$
Q3
Operational
Performance
-
Cash
Generation
-

Prudent
Growth

13
Realized Gross Margin
(millions)
Operational
Performance
-
Cash
Generation

-
Prudent
Growth
Q3 2010
Q3 2009
YTD 2010
YTD 2009
Energy
171
72
377
254
Contracted & Capacity
135
147
415
418
Realized Value of Hedges
55
247
202
507
Total Realized Gross Margin
361
466
994
1,179
$361
$466
$994
$1,179
$0
$200
$400
$600
$800
$1,000
$1,200
$1,400

14
Adjusted Free Cash Flow
(millions, except per share amounts)
2010
2009
2010
2009
Net cash provided by operating activities

193
$
342
$
343
$
726
$
Bankruptcy claim payments
-

-

-

1

Emission allowance sales proceeds
-

3

3

20

Capitalized interest
-

(2)

(3)

(35)

Adjusted net cash provided by operating activities
193

343

343

712

Capital expenditures, excluding capitalized interest
(54)

(128)

(211)

(473)
Adjusted free cash flow
139

215

132

239

MD Healthy Air Act capital expenditures
32

88

109

336

Marsh Landing capital expenditures and working capital
82

16

84

16

Adjusted free cash flow (w/o MD HAA & Marsh Landing)
253
$
319
$
325
$
591
$
Diluted weighted average shares outstanding
146

146

146

145

Adjusted free cash flow per share (w/o MD HAA & Marsh Landing)
1.73
$
2.18

$
2.23
$
4.08
$
9 Months
Q3
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

15
Consolidated Debt and Liquidity
(millions)
Debt
$ 2,561
Cash and cash equivalents
Mirant Corporation

1,421
$
Mirant Americas Generation
19

Mirant North America
245

Mirant Mid-Atlantic
273

Other
31

Total cash and cash equivalents
1,989

Less restricted and reserved
(11)

Available cash & cash equivalents
1,978

Revolver & LC availability
712

Total available liquidity
2,690
$
September 30, 2010
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

16
Capital Expenditures
(millions)
Maryland Healthy Air Act spending prior to 2010 totaled approximately $1.405 billion
Normalized
maintenance
CapEx

of
$50
million
to
$60
million
per
year
Other environmental expenditures include the amounts deposited in escrow for control of
small dust particles as part of the Potomac River agreement
Operational
Performance
-
Cash
Generation
-
Prudent
Growth
2010
1
2011
Environmental
Maryland Healthy Air Act
176
$
93
$
Other
7
24
Maintenance
103
47
Construction
Marsh Landing Generating Station
37
180
Other
24
51
Other
12
12
Total
Capital
Expenditures
2
359
$
407

$
1
Includes actuals
for January through September
2
Excludes capitalized interest unrelated to the Marsh Landing project financing
Forecast

17
Takeaways
Creation of GenOn
Energy will deliver significant value to stockholders
Hedging cushioned Mirant in Q3 2010 from the effects of relatively low
commodity prices
Eastern markets are forecasted to tighten because little generation is

being built
Mirant completed financing for the Marsh Landing generating facility
and directed Kiewit to commence engineering and procurement
Construction is expected to begin in late 2010
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

Dickerson Generating Station
Appendix

19

Federal NOL Status

Mirant s estimated Federal NOL balance at December 31, 2009 was $2.7 billion

An
ownership
change
requires

Mirant
to
reset
the
limitation
that
determines
how much annual taxable income may be offset by its NOLs
in future years
An ownership change occurs if there is an increase of more than 50 percentage points in the ownership of Mirant stock held by large Mirant shareholders from the date of a previous ownership change
New limitation depends on Mirant stock value on the ownership change date and an interest rate determined by the IRS
We expect that Mirant will experience an ownership change
for federal
income tax purposes on the closing date of the proposed merger with RRI
Energy
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

20
Federal NOL Status (Cont.)
Assuming the shares of Mirant and RRI Energy are at or near current prices on the closing date of the proposed merger and both companies experience an ownership change, Mirant expects that
The combined company, GenOn
Energy, will be unable to use any pre merger NOLs

for the first 5 years following the merger
Thereafter, assuming sufficient taxable income, GenOn
will be able to use
approximately $100MM
$125MM per year of pre merger NOLs
until such NOLs
expire
Based on current commodity price forecasts, Mirant expects that GenOn
Energy
will pay only federal Alternative Minimum Tax and certain state income taxes during
the 5 years immediately following the merger
Mirant s Board of Directors has extended its stockholder rights plan and the plan
was approved at its 2010 Annual Meeting of Stockholders held on May 6, 2010
There is no assurance that the stockholder rights plan will prevent an ownership
change prior to the closing date of the proposed merger
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

21
Additional Hedge Information
1
Projected as of October 12, 2010
2
Power hedges include hedges with both power and natural gas
3

Realized Value of Hedges are nominal values and do not include certain adjustments required under fair value accounting
($millions)
Q3
2010
Q3
2009
YTD
2010
YTD
2009
2010
2011
2012
2013
2014
Power
2
59
$
285
$
234
$
608
$
362
$
289
$
208
$
193
$
189
$
Fuel
(4)

(38)

(32)

(101)

(34)

(23)

(33)

1

1

Realized Value of Hedges
55
$
247
$
202
$
507
$
328
$
266
$
175
$
194
$
190
$
Projected
1,3
Actual
Operational
Performance
-
Cash
Generation
-
Prudent
Growth
Nov-Dec 2010
2011
2012
2013
2.37
$
2.74
$
2.99
$
2.74
$
Average contract price of hedged coal before delivery
($/mmBtu)

Quarterly Generation by Dispatch Type
Net MW
Net MWh
Generated
EAF (%) (1)
Net Capacity
Factor (%)
Net MW
Net MWh
Generated
EAF (%) (1)
Net Capacity
Factor (%)
Baseload
MidAtlantic
2,729
4,060,219
91.6
67.1
2,765
3,400,766
87.4
55.7
Northeast
238
399,732
94.5
82.7
238
377,785
95.0
78.1
California
0
0
0
0
Total Baseload
2,967
4,459,951
91.8
68.3
3,003
3,778,551
88.0
57.3
Intermediate
MidAtlantic
1,400
733,421

71.2
24.8
1,400
194,192
53.1
6.6
Northeast
2,265
324,013
85.1
6.5
2,265
111,191
93.4
2.2
California
2,191
254,390
99.9
5.3
2,191
457,168
99.3
9.5
Total Intermediate
5,856
1,311,824
87.5
10.3
5,856
762,551
86.3
6.0
Peaking
MidAtlantic
1,065
120,092
95.3
5.1
1,065
27,772
99.5
1.2
Northeast
32
4,796
100.0
6.8
32
2,012

99.8
2.9
California
156
(235)
98.7
0.0
156
1,484
99.5
0.4
Total Peaking
1,253
124,653
95.8
4.5
1,253
31,268
99.5
1.1
Total Mirant
10,076
5,896,428
89.8
26.7
10,112
4,572,370
88.4
20.7
(1) Equivalent Availability Factor - the total hours a unit is available in a period minus the sum of all full and partial outage eq
expressed as a percent of all hours in a period.
Generation by Dispatch Type
Third Quarter 2010
Third Quarter 2009
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

Year to Date Generation by Dispatch Type
Net MW
Net MWh
Generated
EAF (%) (1)
Net Capacity
Factor (%)
Net MW
Net MWh
Generated
EAF (%) (1)
Net Capacity
Factor (%)
Baseload
MidAtlantic
2,729
11,094,303
82.2
62.0
2,765
10,568,142
84.9
58.3
Northeast
238
1,119,425
93.2
74.4
238
1,076,030
91.4
71.6
California
0
0
0
0
Total Baseload
2,967
12,213,728
83.0
62.9
3,003
11,644,172
85.4
59.3
Intermediate
MidAtlantic
1,400
1,065,311

53.6
11.9
1,400
333,372
41.9
3.7
Northeast
2,265
382,168
86.2
2.6
2,265
682,781
86.5
4.6
California
2,191
466,242
92.4
3.3
2,191
846,415
86.4
5.9
Total Intermediate
5,856
1,913,721
80.9
5.0
5,856
1,862,568
76.0
4.9
Peaking
MidAtlantic
1,065
190,146
92.2
2.6
1,065
63,284
94.9
0.9
Northeast
32
6,123
92.7
2.9
32
2,381

98.7
1.1
California
156
(823)
97.7
0.0
156
1,986
89.1
0.2
Total Peaking
1,253
195,446
92.9
2.3
1,253
67,651
94.3
0.8
Total Mirant
10,076
14,322,895
83.1
21.6
10,112
13,574,391
81.2
20.5
(1) Equivalent Availability Factor - the total hours a unit is available in a period minus the sum of all full and partial outage eq
expressed as a percent of all hours in a period.
Generation by Dispatch Type
YTD 2010
YTD 2009
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

24
Equivalent Forced Outage Rate (EFOR)
EFOR =
Forced Outage Hours
Forced Outage Hours + Service Hours
2010
2009

2010
2009
Mid-Atlantic Baseload Coal
4%
8%
5%
9%
Q3
YTD
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

25
Mirant Operations
10,076 MW
Operational
Performance
-
Cash

Generation
-
Prudent
Growth

26
Development Opportunities

760 MW Marsh Landing Generating Station will commence commercial operations in mid-2013

Potential to add 1,700

2,700 MWs
of capacity
California
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

27
Share Count
(millions)
Weighted average shares outstanding - basic
146
145
145

145
Effect of dilutive securities
0
1
1
0
Weighted average shares outstanding - diluted
146
146
146
145
Shares outstanding at quarter end - basic
146
145
146
145
Effect of dilutive securities
0
1
0
1
Shares outstanding at end of quarter - diluted
146
146
146
146
Three
Three
Nine
Nine
Months Ending
September 30, 2009
Months Ending
Months Ending
Months Ending
September 30, 2010
September 30, 2009
September 30, 2010
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

28
Regulation G Reconciliation
Operational
Performance
-
Cash
Generation

-
Prudent
Growth
(in millions except per share)
Per
Share
1
Per
Share
1
Net Income
254
$
1.74
$
55
$
0.38
$
Unrealized losses (gains)
(167)
(1.14)
174
1.19
Impairment losses
-
-
14
0.10
Lower of cost or market inventory adjustments, net
(7)
(0.05)
(6)
(0.04)
Merger-related costs
8
0.06
-
-
Other
(2)
(0.02)
1
-
Adjusted Net Income
86
$
0.59
$
238

$
1.63
$
Provision for income taxes
-
3
Interest expense, net
51
33
Depreciation and amortization
53
37
Adjusted EBITDA
190
$
311
$
Table 1
Net Income to Adjusted Net Income and Adjusted EBITDA
Quarter Ending
Quarter Ending
September 30, 2010
September 30, 2009
1
Per share amounts for 2010 and 2009 are based on diluted weighted average shares outstanding of 146 million.

29
Regulation G Reconciliation
Operational
Performance
-
Cash
Generation

-
Prudent
Growth
(in millions except per share)
Per
Share
1
Per
Share
1
Net Income
398
$
2.73
$
598
$
4.12
$
Unrealized gains
(179)
(1.23)
(66)
(0.45)
Bankruptcy charges and legal contingencies
-
-
(62)
(0.43)
Severance and bonus plan for dispositions
-
-
13
0.09
Impairment losses
-
-
14
0.10
Lower of cost or market inventory adjustments, net
(1)
(0.01)
(17)
(0.12)
Postretirement benefit curtailment gain
(37)
(0.25)
-
-
Merger-related costs

13
0.09
-
-
Other
(1)
(0.01)
4
0.03
Adjusted Net Income
193
$
1.32
$
484
$
3.34
$
Provision for income taxes
1
11
Interest expense, net
150
102
Depreciation and amortization
157
109
Adjusted EBITDA
501
$
706
$
1
Per
share
amounts
for
2010
are
based
on
diluted
weighted
average
shares
outstanding
of
146
million.
Per

share
amounts
for
2009
are
based
on
diluted
weighted
average
shares
outstanding
of
145
million.

Table 2

Net Income to Adjusted Net Income and Adjusted EBITDA

Year to Date
Year to Date
September 30, 2010
September 30, 2009

30
Regulation G Reconciliation
(in millions)
Mid-
Atlantic
Northeast
California

Other
Operations
Eliminations
Total
Net Income (Loss)
319
$
(3)
$
11
$
(73)
$
-
$
254
$
Unrealized losses (gains)
(179)

2

-

10

-

(167)

Bankruptcy charges and legal contingencies
-

-

(1)

-

-

(1)

Lower of cost or market inventory adjustments, net
(4)

-

-

(3)

-

(7)

Merger-related costs
-

-

-

8

-

8

Gains on sales of assets (excluding emissions allowances), net
-

(1)

-

-

-

(1)

Adjusted Net Income (Loss)
136
$
(2)
$
10
$
(58)
$
-
$
86
$
Provision (benefit) for income taxes
(1)

-

-

1

-

-

Interest expense, net
1

-

(1)

51

-

51

Depreciation and amortization
36

5

8

4

-

53

Adjusted EBITDA
172
$
3
$
17
$
(2)
$
-
$
190
$
Table 3
Adjusted Net Income (Loss) and Adjusted EBITDA
Quarter Ending September 30, 2010

Operational
Performance
-
Cash
Generation
-
Prudent
Growth

31
Regulation G Reconciliation
(in millions)
Mid-
Atlantic
Northeast
California
Other
Operations
Eliminations
Total
Net Income (Loss)
525
$
(17)
$
17
$
(127)
$

-
$
398
$
Unrealized losses (gains)
(208)

16

-

13

-

(179)

Bankruptcy charges and legal contingencies
-

-

(1)

1

-

-

Lower of cost or market inventory adjustments, net
(3)

-

-

2

-

(1)

Postretirement benefit curtailment gain
-

-

-

(37)

-

(37)

Merger-related costs
-

-

-

13

-

13

Gains on sales of assets (excluding emissions allowances), net
-

(1)

-

-

-

(1)

Adjusted Net Income (Loss)
314
$
(2)
$
16
$
(135)
$
-
$
193
$
Provision (benefit) for income taxes
(1)

-

-

2

-

1

Interest expense, net
2

1

(1)

148

-

150

Depreciation and amortization
105

17

23

12

-

157

Adjusted EBITDA
420
$
16
$
38
$
27
$
-
$
501
$
Table 4
Adjusted Net Income (Loss) and Adjusted EBITDA
Year to Date September 30, 2010

Continuing Operations
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

32
Regulation G Reconciliation
(in millions)
Mid-
Atlantic
Northeast
California

Other
Operations
Eliminations
Total
Net Income (Loss)
86
$
5
$
(5)
$
(31)
$
-
$
55
$
Unrealized losses (gains)
124

26

-

24

-

174

Impairment losses
-

-

14

-

-

14

Generating facility shut down costs
-

1

-

-

-

1

Lower of cost or market inventory adjustments, net
(4)

-

-

(2)

-

(6)

Adjusted Net Income (Loss)
206
$
32
$
9
$
(9)
$
-
$
238
$
Provision for income taxes
-

-

-

3

-

3

Interest expense, net
-

-

1

32

-

33

Depreciation and amortization
25

4

5

3

-

37

Adjusted EBITDA
231
$
36
$
15
$
29
$
-
$
311
$
Table 5
Adjusted Net Income (Loss) and Adjusted EBITDA
Quarter Ending September 30, 2009
Continuing Operations
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

33
Regulation G Reconciliation
(in millions)
Mid-
Atlantic
Northeast
California
Other
Operations
Eliminations
Total
Net Income (Loss)
604
$
40
$
(2)
$
(45)
$
1

$
598
$
Unrealized losses (gains)
(119)

(20)

-

73

-

(66)

Bankruptcy charges and legal contingencies
-

-

-

(62)

-

(62)

Severance and bonus plan for dispositions
-

-

-

13

-

13

Impairment losses
-

-

14

-

-

14

Generating facility shut down costs
-

4

-

-

-

4

Lower of cost or market inventory adjustments, net
3

(1)

1

(20)

-

(17)

Adjusted Net Income (Loss)
488
$
23
$
13
$
(41)
$
1
$
484
$
Provision for income taxes
-

-

-

11

-

11

Interest expense, net
2

-

2

98

-

102

Depreciation and amortization
73

13

15

8

-

109

Adjusted EBITDA
563
$
36
$
30
$
76
$
1
$
706
$
Table 6
Adjusted Net Income (Loss) and Adjusted EBITDA
Year to Date September 30, 2009
Continuing Operations

Operational
Performance
-
Cash
Generation
-
Prudent
Growth

34
Regulation G Reconciliation
(in millions)
Mid-Atlantic
Northeast
California
Other

Operations
Eliminations
Total
Energy
151
$
14
$
-
$
6
$
-
$
171
$
Contracted & capacity
83

20

32

-

-

135

Incremental realized value of hedges
58

(3)

-

-

-

55

Realized gross margin
292

31

32

6

-

361

Unrealized gross margin
179

(2)

-

(10)

-

167

Gross margin
471
$
29
$
32
$
(4)
$
-
$
528
$
(in millions)
Mid-Atlantic
Northeast
California
Other
Operations
Eliminations
Total
Energy
33
$
3
$
-
$
36
$
-
$

72
$
Contracted & capacity
90

24

33

-

-

147

Incremental realized value of hedges
214

33

-

-

-

247

Realized gross margin
337

60

33

36

-

466

Unrealized gross margin
(124)

(26)

-

(24)

-

(174)

Gross margin
213
$
34
$
33
$
12
$
-
$
292
$
Gross Margin
Quarter Ending September 30, 2010
Table 7
Quarter Ending September 30, 2009
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

35
Regulation G Reconciliation
(in millions)
Mid-Atlantic
Northeast
California
Other

Operations
Eliminations
Total
Energy
321
$
15
$
-
$
41
$
-
$
377
$
Contracted & capacity
257

67

91

-

-

415

Incremental realized value of hedges
189

13

-

-

-

202

Realized gross margin
767

95

91

41

-

994

Unrealized gross margin
208

(16)

-

(13)

-

179

Gross margin
975
$
79
$
91
$
28
$
-
$
1,173
$
(in millions)
Mid-Atlantic
Northeast
California
Other
Operations
Eliminations
Total
Energy
124
$
21
$
-
$
112
$
(3)
$

254
$
Contracted & capacity
261

68

89

-

-

418

Incremental realized value of hedges
473

34

-

-

-

507

Realized gross margin
858

123

89

112

(3)

1,179

Unrealized gross margin
119

20

-

(73)

-

66

Gross margin
977
$
143
$
89
$
39
$
(3)
$
1,245
$
Table 8
Gross Margin
Year to Date September 30, 2010
Year to Date September 30, 2009
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

36
Regulation G Reconciliation
(in millions)
Gross margin
528
$
292

$
Unrealized gross margin
(167)

174

Lower of cost or market inventory adjustments, net
(7)

(6)

Adjusted gross margin
354

460

Operations and maintenance expenses
(172)

(154)

Bankruptcy charges and legal contingencies
-

-

Merger-related costs
8

-

Generating facility shut down costs
-

1

Adjusted operations and maintenance expenses
(164)

(153)

Gain on sales of emissions allowances, net
-

3

Other income (expense), net
-

1

Adjusted EBITDA
190
$
311
$
Table 9
Gross Margin to Adjusted EBITDA
Quarter Ending
Quarter Ending
September 30, 2010
September 30, 2009
Operational
Performance
-
Cash
Generation
-
Prudent
Growth

37
Regulation G Reconciliation
(in millions)
Gross margin
1,173
$
1,245

$
Unrealized gross margin
(179)

(66)

Lower of cost or market inventory adjustments, net
(1)

(17)

Adjusted gross margin
993

1,162

Operations and maintenance expenses
(470)

(430)

Bankruptcy charges and legal contingencies
-

(62)

Severance and bonus plan for dispositions
-

13

Merger-related costs
13

-

Postretirement benefit curtailment gain
(37)

-

Generating facility shut down costs
-

4

Adjusted operations and maintenance expenses
(494)

(475)

Gain on sales of emissions allowances, net
3

20

Other expense, net
(1)

(1)

Adjusted EBITDA
501
$
706
$
Table 10
Gross Margin to Adjusted EBITDA
Year to Date
Year to Date
September 30, 2010
September 30, 2009
Operational
Performance
-
Cash
Generation
-
Prudent
Growth