

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001.
[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO .
COMMISSION FILE NO. 001-15891

NRG ENERGY, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	41-1724239
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
901 MARQUETTE AVENUE	55402
MINNEAPOLIS, MINNESOTA	(Zip Code)

(Address of principal executive offices)

(612) 373-5300
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
Common stock -- \$.01 par value (Listed on the New York Stock Exchange)
Corporate Units -- (Listed on the New York Stock Exchange)

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

Indicate by check mark whether the Registrant (1) has filed all reports to be
filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the
preceding 12 months (or for such shorter period that the Registrant was required
to file such reports) and (2) has been subject to such filing requirements for
the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of the Registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-K or any
amendment to this Form 10-K. [x]

THE AGGREGATE MARKET VALUE OF THE REGISTRANT'S COMMON STOCK HELD BY
NON-AFFILIATES OF THE REGISTRANT WAS \$659,505,775 AT MARCH 19, 2002.

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE REGISTRANT'S CLASSES OF
COMMON STOCK AS OF THE LATEST PRACTICABLE DATE.

CLASS	OUTSTANDING AT MARCH 19, 2002
Class A - Common Stock, \$0.01 par value	147,604,500 shares
Common Stock, \$0.01 par value	51,084,878 shares

Documents Incorporated by Reference: None.

NRG ENERGY, INC. AND SUBSIDIARIES
INDEX

	PAGE NO.

PART I	
Item 1 Business.....	1
Item 2 Properties.....	22
Item 3 Legal Proceedings.....	26
Item 4 Submission of Matters to a Vote of Security Holders.....	28
PART II	
Item 5 Market Price for the Registrant's Common Equity and Related Stockholder Matters.....	28
Item 6 Selected Financial Data.....	29
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.....	30
Item 7A Quantitative and Qualitative Disclosures About Market Risk.....	49
Item 8 Financial Statements and Supplementary Data.....	50
Item 9 Changes in & Disagreements with Accountants on Accounting and Financial Disclosures.....	94
PART III	

Item 10	Directors and Executive Officers of the Registrant.....	94
Item 11	Executive Compensation.....	97
Item 12	Security Ownership of Certain Beneficial Owners and Management.....	108
Item 13	Certain Relationships and Related Transactions.....	109

PART IV

Item 14	Exhibits, Financial Statements Schedules and Reports on Form 8-K.....	112
	SIGNATURES.....	118

PART I

ITEM 1 -- BUSINESS

GENERAL

NRG Energy, Inc. (NRG Energy or the Company) is a leading global energy company, primarily engaged in the acquisition, development, ownership, and operation of power generation facilities and the sale of energy, capacity and related products in the United States and internationally. NRG Energy believes it is one of the three largest independent power generation companies in the world, measured by its net ownership interest in power generation facilities. As of December 31, 2001, NRG Energy owned all or a portion of 76 generation projects, including projects under construction, that have a total generating capacity of 38,388 megawatts (MW). Its current net ownership interest in those projects is 24,357 MW, of which 19,077 MW are located in the United States.

As the following table illustrates, NRG Energy has grown significantly during recent years, primarily as a result of its success in acquiring domestic power generation facilities:

	YEAR ENDED DECEMBER 31,					CAGR
	1997	1998	1999	2000	2001	
	(IN THOUSANDS, EXCEPT MW DATA)					
Net Ownership Interest (In MW at end of period) (1).....	2,637	3,300	10,990	15,007	24,357	74%
Operating Income.....	\$18,109	\$57,012	\$109,520	\$573,073	\$714,822	151%
EBITDA (2).....	\$39,790	\$82,711	\$161,516	\$692,548	\$954,835	121%
Net Income.....	\$21,982	\$41,732	\$ 57,195	\$182,935	\$265,204	86%

(1) Includes projects under construction; MW under construction for the years 1997, 1998, 1999, 2000 and 2001 were 616, 284, 252, 747, and 4,775, respectively.

(2) EBITDA is the sum of income (loss) before income taxes, interest expense (net of capitalized interest) and depreciation and amortization expense. EBITDA is a measure of financial performance not defined under generally accepted accounting principles, which should not be considered in isolation or as a substitute for net income, cash flows from operations or other income or cash flow data prepared in accordance with generally accepted

accounting principles or as a measure of a company's profitability or liquidity. In addition, EBITDA as calculated by NRG Energy may not be comparable to similarly titled measures presented by other companies, and therefore could be misleading because all companies and analysts do not calculate it in the same fashion.

NRG Energy has experienced significant growth in the last year, expanding from 15,007 MW of net ownership interests in power generation facilities (including those under construction) as of December 31, 2000, to 24,357 MW of net ownership interests as of December 31, 2001. NRG Energy has a well diversified portfolio in terms of location, fuel and dispatch mode.

NRG Energy is organized into four regionally-based divisions: NRG North America, based in Minneapolis, Minnesota; NRG Europe, based in London; NRG Asia-Pacific based in Brisbane, Australia and NRG Latin America, based in Miami, Florida. Most of NRG Energy's North American projects are grouped under regional holding companies corresponding to their domestic core market. NRG Energy operates its generation facilities within each region as a separate operating unit within its power generation business. This regional portfolio structure allows NRG Energy to coordinate the operations of its assets to take advantage of regional opportunities, reduce risks related to outages, whether planned or unplanned, and pursue expansion plans on a regional basis.

NRG Energy's international power generation projects are managed as three distinct markets, Asia-Pacific, Europe and Other Americas.

1

In addition to NRG Energy's power generation projects, NRG Energy also has interests in district heating and cooling systems and steam transmission operations.

NRG Energy intends to continue its growth through a combination of targeted acquisitions in selected core markets, the expansion or repowering of existing facilities and the development of new greenfield projects. However, in the short term, recognizing market conditions, NRG Energy anticipates that its growth level will be lower than in recent years. As of December 31, 2001, NRG Energy had signed agreements to acquire an additional 3,571 MW of net ownership interest in existing generation projects. Currently, NRG Energy has scheduled expansion, repowering or greenfield generation projects that would add 5,308 MW of net ownership interest.

NRG Energy has also expanded its power marketing activities, which allow NRG Energy to optimize the value of its power generation assets and enable it to better meet its customers' energy requirements. By linking NRG Energy's capabilities and access to fuel supplies with its power marketing and risk management expertise, NRG Energy believes that it effectively manages risk, and has secured and will continue to secure favorable pricing for its fuel purchases and power sales.

NRG Energy was incorporated as a Delaware corporation on May 29, 1992. Its headquarters and principal executive offices are located at 901 Marquette Avenue, Suite 2300, Minneapolis, Minnesota 55402. NRG Energy's telephone number is (612) 373-5300.

On June 5, 2000, NRG Energy completed its initial public offering. Prior to its initial public offering, NRG Energy was a wholly owned subsidiary of Northern States Power (NSP). In August 2000, NSP merged with New Century Energies, Inc. (NCE), a Colorado-based public utility holding company. The surviving corporation in the merger was renamed Xcel Energy Inc. (Xcel Energy), and the shares of NRG Energy's class A common stock previously owned by NSP are now owned by a wholly-owned subsidiary of Xcel Energy. As of December 31, 2000, Xcel Energy indirectly owned an 82% interest in NRG Energy's outstanding common and class A common stock, representing 98% of the total voting power of NRG Energy's common stock and class A common stock. Xcel Energy directly owns six utility subsidiaries that serve electric and natural gas customers in 12 states. Xcel Energy also owns or has interest in a number of nonregulated businesses,

the largest of which is NRG Energy.

In March 2001, NRG Energy completed a public offering of 18.4 million shares of its common stock. Following this offering, Xcel Energy indirectly owns a 74% interest in NRG Energy's common stock and class A common stock, representing 96.7% of the total voting power of NRG Energy's common stock and class A common stock.

XCEL ENERGY EXCHANGE OFFER

In February 2002, Xcel Energy announced its intention to commence an exchange offer by which Xcel Energy would acquire all of the outstanding publicly held shares of NRG Energy. In its announcement, Xcel Energy stated its intention to close the transaction in April 2002, and stated that NRG Energy shareholders would receive 0.4846 shares of Xcel Energy common stock in a tax-free exchange for each outstanding share of NRG Energy common stock.

After completion of the merger, NRG Energy would be an indirect, wholly owned subsidiary of Xcel Energy. NRG Energy's debt and other obligations will continue to be the sole obligation of NRG Energy.

On March 13, 2002, Xcel Energy filed a registration statement on Form S-4 with the Securities and Exchange Commission and commenced the exchange offer. In its registration statement, Xcel Energy stated that, if the exchange offer and merger are completed, its plans for NRG Energy in 2002 include: infusing an additional \$300 million of equity into NRG Energy, in addition to an initial loan of \$300 million recently made to NRG Energy; slowing NRG Energy's growth in megawatt capacity and the possible sale of \$1.9 billion of existing generating assets; canceling or deferring approximately \$1.6 billion of planned projects; and beginning the process of selling unassigned turbines and deferring installment of additional unassigned turbines.

2

In addition, Xcel Energy stated in its registration statement that if the offer and merger are completed and its plans for NRG Energy are implemented, it expects to reduce NRG Energy's business development activities and administrative and general costs, with annual estimated cost savings of approximately \$45 million, and to capture infrastructure savings by consolidating trading and marketing organizations, where appropriate.

MARKET OPPORTUNITY

The power industry is one of the largest industries in the world, accounting for approximately \$225 billion in annual revenues and approximately 830,000 MW of installed generating capacity in the United States alone. The generation segment of the industry historically has been characterized by regulated electric utilities producing and selling electricity to a captive customer base. However, the power generation market has been evolving from a regulated market based on cost of service pricing to a competitive market. In response to increasing customer demand for access to low-cost electricity and enhanced services, new regulatory initiatives have been and are continuing to be adopted to increase competition in the power industry.

Outside of the United States, governments in developed economies are privatizing their utilities and developing regulatory structures that are expected to encourage competition in the electricity sector, having realized that their energy assets can be sold to raise capital without hindering system reliability. In developing countries, the demand for electricity is expected to grow rapidly. In order to satisfy this anticipated increase in demand, many countries have adopted active government programs designed to encourage private investment in power generation facilities. NRG Energy believes that these market trends will continue to create opportunities to acquire and develop power generation facilities globally.

STRATEGY

NRG Energy's vision has been to be a leading global generation company with a top three position in selected core markets, which provides superior performance to all stakeholders. Central to this vision is the development and management of diverse regional portfolios of competitive power generating facilities. This diversity includes geographic location, fuel type and dispatch profile. Currently, approximately 78% of NRG Energy's net MW of generation in operation and under construction is located in the United States in five core markets: Northeast, South Central and West Coast regions and the recently added North Central and Mid Atlantic regions. With NRG Energy's diversified asset base, NRG Energy seeks to have generating capacity available to back up any given facility during its outages, whether planned or unplanned, while having ample resources to take advantage of peak power market price opportunities and periods of constrained availability of generating capacity, fuels and transmission. NRG Energy's primary focus has been on generation assets powered primarily by natural gas, coal, oil and to a lesser extent landfill gas, hydro, refuse derived fuel and biomass technologies.

NRG Energy's strategy is to capitalize on its acquisition, development, construction and operating skills to build a balanced portfolio of power generation assets. NRG Energy intends to implement this strategy by continuing a disciplined acquisition program, recognizing current market conditions. NRG Energy believes that its facility operations and engineering expertise, fuel and environmental strategies, labor and governmental relations expertise, legal and financial skills give it a competitive advantage in the independent power market.

NORTH AMERICAN POWER GENERATION

While NRG Energy expects the North American power generation market to continue to evolve from a regulated, utility dominated market based upon cost-of-service pricing to an independent power generation market based on competitive market pricing, the pace of this evolution slowed in 2001 as a result of the energy crisis in California, and more recently, the Enron bankruptcy. Most domestic generation capacity is still utility owned and subject to cost-of-service regulation. NRG Energy expects the evolution to continue as non-regulated power generators build new capacity to meet demand, but, in view of current market and forward

3

prices, and the credit and liquidity constraints reported by many competitive power producers in recent months, NRG Energy expects such new capacity development to be less than has been forecast.

Most of NRG Energy's North American projects are grouped under regional holding companies corresponding to their domestic core markets. In order to better manage NRG Energy's North American projects and to develop new projects in these regions more effectively, NRG Energy has established regional offices in Pittsburgh, Pennsylvania (Northeast region), Baton Rouge, Louisiana (South Central region) and San Diego, California (West Coast region). NRG Energy's recently added North Central and Mid Atlantic regions are managed from its Minneapolis headquarters and Wilmington, Delaware offices, respectively.

NRG Energy operates its generation facilities within each region as a separate operating unit within its power generation business. This regional portfolio structure allows NRG Energy to coordinate the operations of its assets to take advantage of regional opportunities, reduce risks related to outages, whether planned or unplanned, and pursue expansion plans on a regional basis.

NORTHEAST REGION

As of December 31, 2001, NRG Energy owned approximately 7,676 MW of net generating capacity (including projects under construction) in the Northeast United States and Canada, primarily in New York, Connecticut and Massachusetts. These generation facilities are well diversified in terms of dispatch level (base-load, intermediate and peaking), fuel type (coal, natural gas and oil) and customers. In addition, NRG Energy believes certain of its facilities and

facility sites in the Northeast provide opportunities for repowering or expanding existing generating capacity.

NRG Energy's Northeast facilities are generally competitively positioned within their respective market dispatch levels with favorable market dynamics and locations close to the major load centers in the New York Power Pool (NYPP) and New England Power Pool (NEPOOL).

SOUTH CENTRAL REGION

As of December 31, 2001, NRG Energy owned approximately 4,716 MW of net generating capacity (including projects under construction) in the South Central United States, primarily in Louisiana, Oklahoma, Texas and Mississippi. NRG Energy's South Central generating assets consist primarily of its net ownership of 1,947 MW of power generation facilities in New Roads, Louisiana (which are referred to as the Cajun facilities) that were acquired in March 2000 and the recently completed Big Cajun Peakers (238 MW). The South Central region also includes the Sterlington (202 MW), McClain (400 MW), Batesville (837 MW), Mustang (122 MW), and Sabine River (210 MW) generating facilities. In addition, the Bayou Cove (320 MW) and Brazos Valley (633 MW) facilities are under construction. The construction of the following additional facilities with a net generating capacity of 2,680 MW is planned: Kaufman (545 MW), Batesville expansion (292 MW), Big Cajun II, Unit 4 (675 MW) and Pike (1,168 MW).

WEST COAST REGION

As of December 31, 2001, NRG Energy owned approximately 1,596 MW of net generating capacity on the West Coast of the United States, primarily California and Nevada. NRG Energy's West Coast generation assets consist primarily of a 50% interest in West Coast Power LLC (West Coast Power), a 58% interest in the Crockett Cogeneration facility (138 MW) and a 50% interest in the Saguaro generation facility (53 MW). In May 1999, Dynegy Power Corporation (Dynegy) and NRG Energy formed West Coast Power to serve as the holding company for a portfolio of operating companies that own generation assets in Southern California. This portfolio currently is comprised of the El Segundo Generating Station (510 MW), the Long Beach Generating Station (265 MW), the Encina Generating Station (483 MW) and 17 combustion turbines in the San Diego area (127 MW). Dynegy provides power marketing and fuel procurement services to West Coast Power, and NRG Energy provides operations and management services. NRG Energy believes certain of its facilities and facility sites on the West Coast provide opportunities for repowering or expanding generating capacity.

NORTH CENTRAL REGION

As of December 31, 2001, NRG Energy owned approximately 3,706 MW of net generating capacity in the north central United States, primarily in Illinois, Missouri and Michigan. NRG Energy's North Central portfolio includes the 640 MW simple cycle, gas-fired Audrain power generation facility, located in Vandalia, Missouri. In August 2001, NRG Energy purchased a project portfolio from Indeck Energy Services which includes the Rockford I (342 MW) and Rockford II (171 MW) Energy Centers, located 75 miles west of Rockford, Illinois. Rockford II is currently under construction with commercial operation expected in June 2002. Other North Central projects in operation include Rocky Road (175 MW), Morris Cogeneration (23 MW) and Cadillac Renewable Energy (19 MW). Two additional projects in Illinois currently under construction will add 1,168 MW each to NRG Energy's North Central portfolio. Kendall is estimated to be in commercial operation in May 2002, and Nelson in the third quarter of 2003.

MID-ATLANTIC REGION

As of December 31, 2001, NRG Energy owned approximately 1,199 MW of net generating capacity in the Mid-Atlantic region of the United States, primarily Delaware, Maryland, Ohio and Pennsylvania. In June 2001, NRG Energy completed the acquisition of approximately 1,081 MW of operational generating facilities from Conectiv. In January 2002, NRG Energy closed the acquisition of the

Commonwealth Atlantic generating facility (188 MW) and the James River generating facility (55 MW) from Edison Mission and expects to close on the FirstEnergy acquisition of approximately 2,535 MW of generating facilities during the second quarter of 2002.

COMPETITIVE POWER GENERATION -- INTERNATIONAL

Historically, the majority of power generating capacity outside of the United States has been owned and controlled by governments. During the past decade, however, many foreign governments moved to privatize power generation plant ownership through sales to third parties and by encouraging new capacity development and refurbishment of existing assets by independent power developers. Governments have taken a variety of approaches to encourage the development of competitive power markets, from awarding long-term contracts for energy and capacity to purchasers of power generation to creating competitive wholesale markets for selling and trading energy, capacity and related products.

NRG Energy has taken advantage of opportunities to invest in attractive projects in international markets. To manage NRG Energy's international asset portfolio risks, NRG Energy utilizes a portfolio risk management discipline based upon country risk, as identified by an independent, internationally recognized organization. Using this tool, NRG Energy is able to monitor the exposure it is taking in emerging markets to maintain an appropriate balance in its asset portfolio. NRG Energy's international power generation projects are managed as three distinct markets, Asia Pacific, Europe and Other Americas.

ASIA PACIFIC

NRG Energy is one of the largest competitive power producers in Australia and, with its 2001 acquisitions in Taiwan and India, now has a net ownership interest of 2,297 MW, as of December 31, 2001, in power generation facilities.

EUROPE

NRG Energy is a participant in the competitive power generation markets in Germany, the Czech Republic, the United Kingdom, and Hungary. As of December 31, 2001, NRG Energy has a net ownership interest of 1,854 MW in power generation facilities (including projects under construction) in Europe. During 2001, NRG Energy increased its ownership interest in the MIBRAG and Schkopau projects in April 2001, both of which are located in Germany and completed its acquisition of the Csepel facility located in Hungary in June 2001.

OTHER AMERICAS

NRG Energy has pursued acquisition and development opportunities in Latin America since the mid-1990s. Initially, NRG Energy participated as one of four original sponsors of the Latin Power Fund, a private equity investment fund managed by Scudder. As of December 31, 2001, NRG Energy has ownership of 1,107 MW in Latin America. NRG Energy currently owns and operates 270 MW of hydro and thermal electric operating assets in Bolivia and is the second largest generator in that country. Similarly, NRG Energy owns and operates 111 MW of hydro and thermal electric operating assets in Peru. NRG Energy owns a 99% interest in a 156 MW hydro facility under construction in Brazil set to enter commercial operation in the third quarter 2002. In addition, NRG Energy recently formed a partnership venture with Petrobras Brasileiros SA, the large state owned Brazilian oil company, to construct, own and operate a 1,040 MW gas-fired thermal facility in which it will own a 50% share. The TermoRio Project, currently under construction, is expected to enter full commercial operations in March 2004.

ALTERNATIVE ENERGY

NRG Energy provides alternative energy through NEO Corporation (NEO), one of the largest landfill gas generation companies in the United States, and NRG Resource Recovery, which processes municipal solid waste as fuel used to

generate power.

NEO CORPORATION

NEO is a wholly owned subsidiary of NRG Energy that was formed to develop power generation facilities, ranging in size from 1 to 50 MW, in the United States. NEO is currently focusing on the development and acquisition of distributed generation and peaking facilities and the acquisition of small hydroelectric projects. NEO owns and operates 31 landfill gas collection systems and has 46 MW of net ownership interests in related electric generation facilities utilizing landfill gas as fuel. NEO also has 42 MW of net ownership interests in 18 hydroelectric facilities and 109 MW of net ownership interests in seven distributed generation facilities. The company's operations are located primarily in the east and west coast regions of the United States. NEO derives a substantial portion of its income as a result of the generation of Section 29 tax credits, which, for 2001, totaled \$48.6 million. The existing tax law authorizing these credits is scheduled to expire after 2007.

RESOURCE RECOVERY FACILITIES

NRG Energy's Resource Recovery business is focused on owning and operating alternative fuel/"green power" generation and fuels processing projects. The alternative fuels currently processed and combusted are municipal solid waste (MSW), of which more than 90% is processed into refuse derived fuel (RDF), urban wood waste (pallets, clean construction debris, etc.), forest industry waste wood (bark, sawmill waste, tree trimmings, etc.), agricultural waste (walnut shells, olive pits, peanut shells, etc.), and non-recyclable waste paper and compost. Processing and recovery for generation into electricity and other products is an environmentally superior method of waste management when compared to adding to existing or creating new landfills. NRG Energy's Resource Recovery business has MSW processing capacity of over 4,000 tons per day and generation capacity of 35 MW, of which its net ownership interest is 26 MW.

NRG Energy's Resource Recovery business owns and operates MSW processing and/or generation facilities in Maine and Minnesota. This business also owns and operates a biomass fired generation facility in Florida and a wood processing facility in Georgia, which supplies a portion of the biomass fuel to the power plant in Florida. In addition to the fuels processing and generation portfolio, Resource Recovery owns and operates several mono-ash landfills that receive ash from the biomass and waste-to-energy power plants that are owned and operated. Resource Recovery also owns and operates NRG Processing Solutions that includes thirteen composting and biomass fuel processing sites in Minnesota of which three sites are permitted to operate as MSW transfer stations. A majority of Resource Recovery's facilities are under long-term contract for either the fuel processing and/or its generation capacity.

6

THERMAL

NRG Energy has interests in district heating and cooling systems and steam transmission operations. NRG Energy's thermal and chilled water businesses have a steam and chilled water capacity equivalent to approximately of 1,641 MWt, of which its net ownership interest is 1,514 MWt.

NRG Energy owns and operates, through its holding company NRG Thermal Corporation, five district heating and cooling systems in Minneapolis, Minnesota, San Francisco, California, Pittsburgh, Pennsylvania, Harrisburg, Pennsylvania and San Diego, California. These systems provide steam heating to approximately 600 customers and chilled water to 90 customers. In addition, NRG Energy's thermal division operates five projects that serve industrial/government customers with high-pressure steam and hot water. NRG Thermal also owns and operates an 88 MW combustion turbine peaking generation facility and an 18 MW coal-fired cogeneration facility in Dover, Delaware.

POWER MARKETING

NRG Energy's energy marketing subsidiary, NRG Power Marketing, Inc. (NRG Power Marketing), began operations in 1998 to maximize the utilization of and return from its domestic generation assets and to mitigate the risks associated with those assets. This subsidiary markets energy and energy related commodities, including electricity, natural gas, oil, coal and emission allowance credits. By using internal resources to acquire fuel and market electricity, NRG Energy believes it can secure the best pricing available in the markets in which it sells power and enhance its ability to compete. NRG Power Marketing provides a full range of energy management services for NRG Energy's generation facilities in its Northeast, South Central, North Central and Mid Atlantic regions. These services are provided under power sales and agency agreements pursuant to which NRG Power Marketing manages the sales and marketing of energy, capacity and ancillary services from these facilities and also manages the purchase and sale of fuel and emission allowance credits needed to operate these facilities.

NRG Energy is very disciplined in its approach to power marketing risk management. NRG Power Marketing conducts its activities in accordance with risk management guidelines approved by the NRG Power Marketing Board of Directors, which has primary responsibility for oversight of NRG Power Marketing activities. Accordingly, NRG Energy has established counter-party concentration limits and portfolio VaR limits. NRG Energy's risk management guidelines require that its treasury department perform a credit review and approve all counter-parties and credit limits prior to NRG Power Marketing entering into a transaction with such counter-parties. NRG Energy attempts to balance its fixed-price physical and financial purchases and sales commitments in terms of contract volumes and the timing of performance and delivery obligations. However, uncovered market positions are taken within guidelines established by the board of directors of NRG Power Marketing. Contracts for the transmission and transportation of these commodities are also authorized, as necessary, in order to meet physical delivery requirements and obligations.

HOW NRG ENERGY SELLS ITS GENERATING CAPACITY AND ENERGY

NRG Energy's operating revenues are derived primarily from the sale of electrical energy, capacity and other energy products from its power generation facilities. Revenues from these facilities are received pursuant to:

- long-term contracts of more than one year including:
 - power purchase agreements with utilities and other third parties (generally 2-25 years);
 - standard offer agreements to provide load serving entities with a percentage of their requirements (generally 4-9 years); and
 - "transition" power purchase agreements with the former owners of acquired facilities (generally 3-5 years).

7

- short-term contracts or other commitments of one year or less and spot sales including:
 - spot market and other sales into various wholesale power markets; and
 - bilateral contracts with third parties.

NRG Energy strives to mitigate variability in its earnings by having approximately 50% of its capacity contracted for under contracts with lengths of greater than one year, generally seeking to enter into contracts with lengths of 1-5 years, selling half of its remaining capacity (25%) in the forward market for 30-365 days, and selling the other half of its remaining capacity (25%) in the spot market to capture opportunities in the market when prices are higher. By following this strategy, NRG Energy seeks to achieve positive, stable returns while retaining the flexibility to capture premium returns when available.

NRG Power Marketing handles fuel procurement and trading of emissions allowances in order to support NRG Energy's overall needs. Generally, NRG Energy seeks to hedge prices for 50% to 70% of its expected fuel requirements during the succeeding 12 to 24 month period. This provides NRG Energy with certainty as to a portion of its fuel costs while allowing it to maintain flexibility to address lower than expected dispatch rates and to take advantage of the dual fuel capabilities at many of its facilities.

SIGNIFICANT CUSTOMERS

During 2001, NRG Energy derived approximately 40.5% of its 2001 revenues from majority owned operations from two customers: New York Independent System Operator (26.7%) and Connecticut Light and Power Company (13.8%). During 2000, NRG Energy derived approximately 34.4% of its 2000 revenues from majority owned operations from two customers: New York Independent System Operator (22.2%) and Connecticut Light and Power Company (12.2%). During 1999, NRG Energy derived approximately 51.2% of total revenues from wholly owned operations from three customers: Niagara Mohawk Power Corporation (21%), Consolidated Edison Company of New York, Inc. (19.7%) and Eastern Utilities Associates (10.5%).

SEGMENT INFORMATION

For financial information on NRG Energy's operations on a geographical and on a segment basis, see Item 8 -- Note 18 to the Consolidated Financial Statements.

PLANT OPERATIONS

NRG Energy's success depends on its ability to achieve operational efficiencies and high availability at its generation facilities. In the new unregulated energy industries, minimizing operating costs without compromising safety or environmental standards while maximizing plant flexibility and maintaining high reliability is critical to maximizing profit margins. NRG Energy's operations and maintenance practices are designed to achieve these goals.

NRG Energy's overall corporate strategy of establishing a top three presence in certain core markets is in part driven by its operational strategy. NRG Energy's approach to plant management emphasizes the operational autonomy of its individual plant managers and staff to identify and resolve operational and maintenance issues at their respective facilities. NRG Energy has also implemented a regional shared practices system in order to facilitate the exchange of information and best practices among the plants in its various regions. NRG Energy has organized its operations geographically such that inventories, maintenance, backup and other operational functions are pooled within a region. This approach enables NRG Energy to realize cost savings and enhances its ability to meet its facility availability goals.

SIGNIFICANT ASSET AND BUSINESS ACQUISITIONS

GRANITE POWER PARTNERS

In January 2001, NRG Energy purchased from LS Power LLC a 5,339 MW portfolio of operating projects and projects in construction and advanced development that are located primarily in the north central

8

and south central United States. Approximately 3,295 MW are currently in operation or under construction. Each facility employs natural gas-fired, combined-cycle technology. Through December 31, 2005, NRG Energy also has the opportunity to acquire ownership interests in an additional 3,000 MW of generation projects developed and offered for sale by LS Power and its partners.

BATESVILLE

In March 2001, NRG Energy purchased from Cogentrix the remaining 430 MW or 51.37% interest, in a 837 MW natural gas-fired combined-cycle plant in

Batesville, Mississippi. NRG Energy acquired a 48.63% interest in the plant in January 2001 from LS Power.

AUDRAIN

In June 2001, NRG Energy purchased a 640 MW natural gas-fired power plant in Audrain County, Missouri from Duke Energy North America LLC.

BRAZOS VALLEY

In June 2001, NRG Energy closed on the construction financing for the Brazos Valley generating facility a 633 MW gas-fired power plant in Fort Bend County, Texas that NRG Energy will build, operate and manage. At the time of the closing, NRG Energy also became 100% owner of the project by purchasing STEAG Power LLC's 50% interest in the project. Commercial operation is expected in June 2003.

CONECTIV

In June 2001, NRG Energy purchased 1,081 MW of interests in power generation plants from a subsidiary of Conectiv. NRG Energy acquired a 100% interest in the 784 MW coal-fired Indian River Generating Station located near Millsboro, Delaware and in the 170 MW oil-fired Vienna Generating Station located in Vienna, Maryland. In addition, NRG Energy acquired 64 MW of the 1,711 MW coal-fired Conemaugh Generating Station located approximately 60 miles east of Pittsburgh, Pennsylvania and 63 MW of the 1,711 MW coal-fired Keystone Generating Station located approximately 50 miles east of Pittsburgh, Pennsylvania.

POWERGEN

In June 2001, NRG Energy purchased a 389 MW gas-fired power plant and a 116 MW thermal power plant, both of which are located on Csepel Island in Budapest, Hungary, from PowerGen. In April 2001, NRG Energy also purchased from PowerGen its interest in Saale Energie GmbH and its 33.3% interest in MIBRAG BV. By acquiring PowerGen's interest in Saale Energie, NRG Energy increased its ownership interest in the 960 MW coal-fired Schkopau power station located near Halle, Germany from 200 MW to 400 MW. By acquiring PowerGen's interest in MIBRAG, an integrated energy business in eastern Germany consisting primarily of two lignite mines and three power stations, and following MIBRAG's buy back of the shares NRG Energy acquired from PowerGen, NRG Energy increased its ownership of MIBRAG from 33.3% to 50%. The Washington Group International, Inc., MIBRAG's other shareholder, owns the remaining 50% of MIBRAG.

INDECK

In August 2001, NRG Energy acquired an approximately 2,255 MW portfolio of operating projects and projects in advanced development, including projects that NRG Energy intends to develop, that are located in Illinois and upstate New York from Indeck Energy Services, Inc. Approximately 402 MW are currently in operation.

MCCLAIN

In August 2001, NRG Energy acquired Duke Energy's 77% interest in the approximately 520 MW natural gas-fired McClain Energy Generating facility located near Oklahoma City, Oklahoma. The Oklahoma Municipal Power Authority owns the remaining 23% interest. The McClain facility became operational in June 2001.

TERMORIO

In September 2001, NRG Energy acquired a 50% interest in TermoRio SA, a 1,040 MW gas-fired cogeneration facility currently under construction in Rio de Janeiro State, Brazil from Petroleos Brasileiros SA. Commercial operation is

expected to begin in March 2004. NRG Energy has the option to put its interest in the project back to Petrobras after March 2002 if by that time certain milestones have not been met, including final agreement on the terms of all project documents.

MERIDEN

In December 2001, NRG Energy acquired a 540 MW natural gas fired generation facility being developed in Meriden, Connecticut. The plant has a planned commercial operation date of August 2003.

COMMONWEALTH ATLANTIC AND JAMES RIVER

In July 2001, NRG Energy signed agreements to acquire from Edison Mission Energy a 50% interest in the 375 MW Commonwealth Atlantic gas and oil-fired generating station located near Chesapeake, Virginia, and a 50% interest in the 110 MW James River coal-fired generating facility in Hopewell, Virginia. NRG Energy closed the acquisition of the Commonwealth Atlantic and James River generating facilities in January 2002.

OTHER PROJECTS

During fiscal year 2001, NRG Energy also acquired interests in projects in Taiwan, India, Peru and the State of Nevada.

SIGNIFICANT EQUITY INVESTMENTS

The following are the more significant equity investments included in NRG Energy's Power Generation Segment.

MIBRAG

NRG Energy indirectly purchased a 33 1/3% interest in the equity of Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG) in 1994 for \$10.6 million. In April 2001, NRG Energy purchased from PowerGen its 33.3% interest in MIBRAG Bv for \$35.3 million which was repaid by the project company in June 2001. By acquiring PowerGen's interest in MIBRAG, and following MIBRAG's buy back of the shares, NRG Energy acquired from PowerGen, NRG Energy increased its ownership of MIBRAG from 33.3% to 50%. The Washington Group International, Inc., MIBRAG's other shareholder owns the remaining 50% of MIBRAG. MIBRAG owns coal mining, power generation and associated operations, all of which are located south of Leipzig, Germany. MIBRAG was formed by the German government following the reunification of East and West Germany to hold two open-cast brown coal (lignite) mining operations, a lease on an additional mine, three lignite-fired industrial cogeneration facilities and briquette manufacturing and coal dust plants, all located in the former East Germany. MIBRAG's cogeneration operations consist of the 115 MW Mumsdorf facility, the 86 MW Deuben facility and the 37 MW Wahlitz facility. These facilities provide power and thermal energy for MIBRAG's coal mining operations and its briquette manufacturing plants. All power not consumed by MIBRAG's internal operations is sold under an eight-year power purchase agreement with

10

ENVIA the regional energy provider. MIBRAG's lignite mine operations include Profen and Schleenhain with total estimated reserves of 776 million metric tons, which are expected to last for more than 40 years. A dispute has arisen as to coal transportation compensation payments to be made to MIBRAG pursuant to the acquisition agreement by Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BvS), a German governmental entity that facilitated the privatization of MIBRAG. The size of the annual coal transportation compensation payments fluctuates based on the volume of coal transported to the Schkopau facility. The parties have reached a settlement, pending approval by the European Union. The settlement is not expected to have a material adverse impact on MIBRAG's operations.

GLADSTONE POWER STATION

The Gladstone facility is a 1,680 MW coal-fired power generation facility located in Gladstone, Australia. NRG Energy acquired a 37.5% ownership interest in the Gladstone facility for \$64.9 million when the facility was privatized in March 1994.

NRG Energy is responsible for the operation and maintenance of the Gladstone facility pursuant to a 17-year operation and maintenance agreement that commenced in 1994, which includes an annual bonus based on availability targets. The Gladstone facility sells electricity to the Enertrade, a government owned entity, and to Boyne Smelters Limited. Pursuant to an interconnection and power pooling agreement, Enertrade is obligated to accept all electricity generated by the facility, subject to merit order dispatch, for an initial term of 35 years.

Enertrade also entered into a 35-year capacity purchase agreement with each of the project's owners for such owner's percentage of the capacity of the Gladstone facility, excluding that sold directly to Boyne Smelters. Under the capacity purchase agreements, Enertrade pays the facility owners both a capacity and an energy charge. The capacity charge is designed to cover the projected fixed costs allocable to Enertrade, including debt service and an equity return, and is adjusted to reflect variations in interest rates.

The owners of Boyne Smelters have also entered into a power purchase agreement with each of the project's owners, providing for the sale and purchase of such owner's percentage share of capacity allocated to Boyne Smelters. The term of each of these power purchase agreements is 35 years. The owners of Boyne Smelters are obligated to pay to each of the project's owners a demand charge that is intended to cover the fixed costs of supplying capacity to Boyne Smelters, including debt service and return on equity. The owners of Boyne Smelters are also obligated to pay an energy charge based on the fuel cost associated with the production of energy from the Gladstone facility.

ENERGY CENTER KLDNO

The Energy Center Kladno project, located in Kladno, the Czech Republic consists of two phases. In 1994, NRG Energy acquired an interest in the existing coal-fired electricity and thermal energy facility that can supply 28 MW of electrical energy and 150 MW equivalent of steam and heated water. This facility historically supplied electrical and thermal energy to a nearby industrial complex and to a municipal heating company. The second phase was the expansion of the existing facility, which started commercial operation in January 2000, by the addition of 345 MW of new capacity, 271 MW of which is coal-fired and 74 MW of which is gas/oil-fired, facility acceptance was awarded in December 2001. The original project is owned by Energy Center Kladno, a Czech limited liability company in which NRG Energy owns a 44.5% interest. The expansion is held separately through ECK Generating, a Czech limited liability company in which NRG Energy owns a 44.5% interest.

COLLINSVILLE POWER STATION

The Collinsville Power Station is a 192 MW coal-fired power generation facility located in Collinsville, Australia. In March 1996, NRG Energy acquired a 50% ownership interest in the idled Collinsville facility for \$11.9 million when the Queensland State government privatized it. The Collinsville facility was recommis-

sioned and commenced operations on August 11, 1998. Transfield Holdings Pty Ltd, the project's other 50% owner, and NRG Energy have entered into an 18-year power purchase agreement with Enertrade under which Enertrade will pay both a capacity and an energy charge to the project's owners. The capacity charge is designed to cover the projected fixed costs allocable to Enertrade, including debt service and an equity return. The energy charge is based on the fuel costs associated with the production of energy from the facility.

Energy Developments Limited, a publicly traded company listed on the Australian Stock Exchange, owns and operates approximately 357 MW of generation with 77% of that generation located in Australia. Between February 1997 and April 1998, NRG Energy acquired a total of 14,609,670 common shares and 16,800,000 convertible, non-voting preference shares of Energy Developments. NRG Energy paid a total of approximately AUD\$69.1 million (US\$44.5 million at the time of acquisition), or AUD\$2.20 (US\$1.42) per share, for the shares, which represented approximately 29.1% ownership interest in Energy Developments. Since the acquisition NRG Energy's holding has been diluted to 26.3%. NRG Energy has agreed to restrictions on its ability to purchase more shares or to dispose of any existing shares of Energy Developments. The preference shares do not become convertible into common shares unless a takeover bid is made for Energy Developments. In such event, if Energy Developments fails to comply with an obligation to appoint directors, NRG Energy is entitled to nominate under the terms of the agreement with Energy Developments. In either of those circumstances, the preference shares can be converted at the option of the owner to common shares on a share-for-share basis.

LOY YANG POWER

NRG Energy has a 25.4% interest in Loy Yang Power, which owns and operates the 2,000 MW Loy Yang A brown coal fired thermal power station and the adjacent Loy Yang coal mine located in Victoria, Australia. This interest was purchased for AUD \$340 million (approximately US \$264.3 million at the time of the acquisition) in 1997. The power station has four units, each with a 500 MW boiler and turbo generator, which commenced commercial operation between July 1984 and December 1988. In addition, Loy Yang manages the common infrastructure facilities that are located on the Loy Yang site, which service not only the Loy Yang A facility, but also non-NRG facilities such as the adjacent Loy Yang B 1,000 MW power station, a pulverized dried brown coal plant, and several other nearby power stations.

The wholesale electricity market in Australia is regulated under the National Electricity Law, which provides for a legally enforceable National Electricity Code, which defines the market rules. The code also makes provision for the establishment of the National Electricity Market Management Company to manage the power system, maintain system security and administer the spot market. Under the rules of the National Electricity Market, the Loy Yang facility is required to sell all of its output of electricity through the competitive wholesale market for electricity operated and administered by the National Electricity Market. In the National Electricity Market power pool system, it is not possible for a generator such as Loy Yang to enter into traditional power purchase agreements. In order to provide a hedge against pool price volatility, generators have entered into "contracts for differences" with distribution companies, electricity retailers, industrial customers and other generators. These contracts for differences are financial hedging instruments, which have the effect of fixing the price for a specified quantity of electricity for a particular seller and purchaser over a defined period.

Energy prices in the Victoria region of the National Electricity Market of Australia into which the Loy Yang facility sells its power have been significantly lower than NRG Energy expected when it acquired its interest in the facility. Prices improved during 2001 producing a 14% increase in revenue improvement over the prior year.

Despite this improvement, a significant unplanned outage, beginning in late December 2001 and expected to last until April 2002, will result in a reduction in 2002 revenues and cash flows, and may cause the Loy Yang project company to fail its required coverage ratios under its loan agreements during the next 12 months,

which would constitute an event of default. In the case of default, the project company's lenders would be allowed to accelerate the project company's indebtedness. The ultimate financial impact of the outage is subject to

continuing investigation, and is also subject to several events including; the receipt and timing of insurance proceeds, the cost and timing of repairs to the damaged unit, the potential installation of a replacement unit while repairs are carried out to the original unit and electricity market conditions. Management is actively pursuing each of these options to mitigate the impact of the outage. However, in the event all factors are unfavorable, NRG Energy may be required to infuse equity or write-off all or a portion of its \$250 million investment in this project as a result of such acceleration.

In its current circumstances, Loy Yang Power is prohibited by its loan agreements from making equity distributions to the project owners.

In February 2000, CMS Energy announced its intention to divest its 49.6% ownership in the Loy Yang project but has established no deadline for completion of the sale. CMS Energy indicated that it intended to sell its interest because the project was no longer of strategic value to its portfolio and had not met its financial expectations. Under certain circumstances CMS will require the approval of Loy Yang Power's lenders and other parties to enable the sale to proceed. The impact (if any) of the proposed sale on NRG Energy's existing investment in Loy Yang Power is not known at the date of this report.

WEST COAST POWER

In May 1999, Dynegy and NRG Energy formed West Coast Power LLC (West Coast Power), 50% owned by affiliates of each sponsor. West Coast Power serves as the holding company for a portfolio of operating companies that own generating assets in Southern California. These assets are currently comprised of the El Segundo Generating Station, the Long Beach Generating Station, the Encina Generating Station and 17 Combustion Turbines in the San Diego area (the San Diego Combustion Turbines).

El Segundo Generating Station: The El Segundo Generating Station is a 1,020 MW plant consisting of four units: two units at 175 MW each and two units at 335 MW each. El Segundo was purchased from the Southern California Edison Company through a competitive bid process for \$88.3 million during April 1998.

Long Beach Generating Station: The Long Beach Generating Station is a 530 MW combined cycle plant with seven 56 MW gas turbine generators and, one 80 MW steam turbine unit and one 58 MW steam turbine unit. The Long Beach plant was purchased from Southern California Edison Company during April 1998 through a competitive bid process for \$29.9 million.

Encina Generating Station: The Encina Generating Station is located in Carlsbad, California and consists of five steam-electric generating units and one combustion turbine with net generating capacity of 965 MW. The Encina Generating Station was purchased from San Diego Gas & Electric during May 1999, at a purchase price of \$283.2 million.

San Diego Combustion Turbines: The San Diego Combustion Turbine assets consist of 17 combustion turbine generator sets (the CT's) with an aggregate capacity of 253 MW, located on seven different sites in San Diego County. During May 1999, Dynegy and NRG Energy purchased the CT's from San Diego Gas & Electric through a competitive bid process. The CT's acquisition had a purchase price of \$69.1 million. The CT's have the ability to provide spinning reserve, black start capability, quick start capability, voltage support and quick load capability for the ancillary services market.

In December 2000, NRG Energy and its partner submitted permit applications in respect of a planned repowering of the jointly-owned El Segundo station. The planned repowering will add approximately 621 MW of generating capacity to the facility at a cost of approximately \$368 million. Prior to the repowering, approximately 350 MW at the El Segundo Station will be decommissioned. The repowering project is expected to be permitted by the third quarter of 2003.

For additional information regarding the California utility liquidity crisis see Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- California Liquidity Crisis.

KONDAPALLI

During 2001, NRG Energy acquired a 30% interest in Lanco Kondapalli Power Private Limited and 100% of Eastern Generation Services (India) Private Limited for US \$27 million. Kondapalli is a 355 MW combined cycle power plant located in Andhra Pradesh, India. Eastern Generation Services is the plant operator.

Kondapalli earns revenue under a 15 year power purchase agreement with the state owned distributor and retailer Andhra Pradesh Transmission Corporation. The plant is natural gas fired and uses diesel/naptha as a backup fuel supply.

NRG Energy is responsible for the operation and maintenance of the Kondapalli facility via Eastern Generation Services. The Operations and Management Agreement is a cost plus contract that provides financial incentives to ensure the plant is operated efficiently.

SAGUARO POWER COMPANY

In September 2001, NRG Energy, acquired, for \$66 million, a 50% interest in Saguaro Power Company, L.P. Other partners include Manga Energy Systems, Inc and Black Mountain Power Company, a wholly owned subsidiary of Boulder Power, LLC. The partnership owns a 105 MW natural gas fired cogeneration facility in Hendersen, Nevada, a suburb of Las Vegas. Nevada Power Company is obligated to purchase 90 MW per hour of electric energy under a long-term power purchase agreement. The facility is also capable of generating 50 to 160 thousand pounds per hour of export steam. Under long-term steam purchase and sales agreements, a combined total of 50 thousand pounds per hour of high-pressure steam is committed to be sold to both Pioneer Chlor Akali Company, Inc. and Ocean Spray Cranberries, Inc. Fuel gas requirements are provided to the facility under a long-term purchase agreement with Burlington.

SIGNIFICANT MAJORITY- AND WHOLLY-OWNED OPERATIONS

The following are the more significant majority- and wholly-owned operations included in NRG Energy's Independent Power Generation segment.

CROCKETT COGENERATION

Pacific Crockett Energy, Inc., an indirect, wholly owned subsidiary of NRG Energy, is the general partner of the Crockett Cogeneration Project (Crockett). Crockett, a 240 MW gas fired plant, began operations in May 1996. Pacific Generation Company, another wholly owned subsidiary of NRG Energy, owns a 56.67 percent limited partnership interest in Crockett through ENI Crockett LP (ENI Crockett). ENI Crockett is a limited partnership in which Pacific Generation Company is the general partner and El Paso Energy is a limited partner. The project sells 240 MW of capacity and energy to Pacific Gas & Electric Company under a modified Standard Offer No. 4 Purchase Power Agreement (PPA) extending to 2026. The PPA provides for a fixed capacity payment and a variable energy payment based on the market price of gas. In addition, Crockett provides up to 450,000 lbs/hr of steam to the adjacent C&H Sugar refinery under a steam sales agreement that expires in 2026. Natural gas is supplied to the project by BP Canada Energy Marketing. ESOCO operates the project under a renewable 15-year contract that provides for reimbursement of all costs within an approved budget, plus a fee and provision for a performance bonus. Other limited partners include Energy Investors Fund LP and Energy Investors Fund II, LP and a subsidiary of Tomen Power Corp. Crockett was originally financed with a \$260 million construction and term loan facility provided by a commercial bank syndicate led by ABN-AMRO. On December 15, 1999, Crockett was refinanced with a \$255 million term loan facility provided by a commercial bank syndicate led by ABN-AMRO, maturing in December 31, 2014.

NRG Energy has acquired, through subsidiaries, in five separate transactions, certain generating assets from Niagara Mohawk Power Corporation (NIMO), Consolidated Edison Company of New York (ConEd), Montaup Electric Company (MEC), a wholly owned subsidiary of Eastern Utilities Association (EUA), and Connecticut Light & Power Company (CL&P) for a total cost of approximately \$1.5 billion. NRG Energy has aggregated these assets into a regional generating company, NRG Northeast Generating LLC (NRG Northeast) (collectively, the NRG Northeast assets).

The NRG Northeast assets represent competitive, low cost units with favorable market dynamics and locations close to major load centers in the NYPP and NEPOOL.

Huntley and Dunkirk: In June 1999, NRG Energy completed the acquisition of the Huntley and Dunkirk generating stations from NIMO for \$355 million. The two coal-fired power generation facilities are located near Buffalo, New York and have a combined capacity rating of 1,360 MW. In connection with this acquisition, NRG Energy entered into a 4-year agreement with NIMO that requires NRG Energy to provide to NIMO, pursuant to a predetermined schedule, fixed quantities of energy and capacity at a fixed price.

Oswego: In October 1999, NRG Energy completed the acquisition of the 1,700 MW oil and gas fired Oswego generating station for approximately \$85 million from NIMO and Rochester Gas and Electric Corporation.

Astoria Gas Turbines and Arthur Kill: In June 1999, NRG Energy completed the acquisition of the Astoria gas turbine facility and the Arthur Kill Generating Station from ConEd for \$505 million. These facilities, which are located in the New York City area, have a combined capacity rating of 1,456 MW.

Somerset: In April 1999, NRG Energy completed the acquisition of the Somerset power station for approximately \$55 million from MEC. The Somerset station includes two coal fired base-load generating facilities supplying a total of 181 MW and two aeroderivative combustion turbine peaking units supplying a total of 48 MW, including 69 MW on deactivated reserve. It is located on the west bank of the Taunton River in Somerset, Massachusetts and is interconnected with the NEPOOL market.

Connecticut stations: In December 1999, NRG Energy completed the acquisition of four fossil fuel electric generating stations and six remote gas turbines totaling 2,235 MW from CL&P for \$460 million, plus adjustments for working capital. The assets acquired from CL&P (CL&P Assets) are comprised of the Middletown, Montville, Devon and Norwalk Harbor gas- and oil-fired steam generating stations totaling 2,108 MW and 127 MW of remote gas turbines at Branford, Torrington and Cos Cob, Connecticut. NRG Energy also entered into a 4-year standard offer agreement that requires NRG Energy to provide to CL&P a portion of its load requirements through the year 2003 at a substantially fixed price.

Middletown station, an 856 MW gas- and oil-fired plant, is located in Middletown, Connecticut. The 498 MW Montville Station in Uncasville, Connecticut is composed of one gas- or oil-fired unit, one oil-fired unit and two diesel generators. Norwalk Station, with 353 MW of capacity from two oil-fired units and one gas turbine, is located on Manresa Island at the mouth of Norwalk Harbor. Devon Station, consisting of 401 MW of generation capacity derived from two gas- or oil-fired units and five gas turbines, is located at Milford, Connecticut.

NRG SOUTH CENTRAL GENERATING LLC

In March 2000, the South Central facilities were acquired in a competitive bidding process following a Chapter 11 bankruptcy filing by their former owner, Cajun Electric. NRG Energy paid approximately \$1,055.9 million for these facilities. NRG South Central Generating LLC, an indirect wholly-owned subsidiary of NRG Energy, Inc, through its wholly-owned subsidiaries, Louisiana Generating LLC (Louisiana Generating), NRG New Roads Holdings LLC, NRG Sterlington Power LLC, Big Cajun I Peaking Power LLC (Big Cajun 1 Peakers), NRG

Sabine River Works GP LLC, NRG Sabine River Works LP LLC and NRG Bayou Cove LLC owns approximately 2,679 MW of net electric generating capacity as of December 31, 2001 (including projects under construction).

15

Through its subsidiaries, Louisiana Generating and Big Cajun 1 Peakers, NRG South Central owns the Big Cajun I and Big Cajun II generating facilities in New Roads, Louisiana (the Cajun facilities). The Cajun facilities consist of 100% ownership of four gas-fired intermediate/peaking power generation units which NRG Energy collectively refers to as Big Cajun I. Two of these units were completed and commenced commercial operation in May and June 2001. The Cajun facilities also include 100% interest of two coal-fired, base-load power generation units, and a 58% interest in a third coal-fired, base load unit, which NRG Energy refers to collectively as Big Cajun II. The Cajun facilities were acquired through a competitive bidding process following a Chapter 11 bankruptcy filing by Cajun Electric Power Cooperative, Inc., a non-profit Louisiana electric membership cooperative corporation. Cajun Electric sold wholesale energy and capacity generated by the Cajun facilities to its cooperative members for more than 20 years under long-term, all-requirements power supply agreements. NRG Energy sells most of the energy and capacity of the Cajun facilities to 11 of Cajun Electric's former power cooperative members. Seven of these cooperatives have entered into 25-year power purchase agreements with NRG Energy, and four have entered into two to four year power purchase agreements. In addition, NRG Energy sells power under contract to two municipal power authorities and one investor-owned utility that were former customers of Cajun Electric.

In March 2000, NRG South Central formed NRG New Roads Holdings LLC (New Roads) to hold certain assets that were acquired in conjunction with the purchase of the Cajun facilities but which are not necessary for the operation of the Cajun facilities. NRG Sterlington Power LLC (Sterlington), which was acquired by NRG Energy and contributed to NRG South Central in August 2000, was formed for the purpose of developing, constructing, owning and operating an approximately 202 MW simple cycle gas peaking facility in Sterlington, Louisiana. Louisiana Generating has a right of first refusal on any sale of capacity or energy by Sterlington. In December 2000, NRG Sabine River Works LP and NRG Sabine River Works GP acquired, respectively, a 49% limited partnership interest and a 1% general partnership interest in SRW Cogeneration Limited Partnership, that owns and operates an approximately 420 MW natural gas-fired cogeneration plant at the DuPont Company's Sabine River Works petrochemical facility near Orange, Texas. Subsidiaries of Conoco, Inc. own the other 50% interest in SRW Cogeneration Limited Partnership. Commercial operation of the plant commenced in November 2001.

KILLINGHOLME

In March 2000, NRG Energy acquired the 680 MW gas-fired Killingholme combined cycle, baseload facility in North Lincolnshire, England from National Power plc. The purchase price was L390 million (approximately U.S. \$615.0 million at the time of acquisition), subject to post closing adjustments. NRG Energy financed the acquisition with a 19-year non-recourse credit facility that provides for L235 million (approximately U.S. \$374 million at the time of acquisition) for the costs of the acquisition and L90 million (approximately U.S. \$143 million at the time of acquisition) for letters of credit and working capital needs. NRG Energy sells power from the facility into the wholesale electricity market of England and Wales. The facility has a ten and one half year contract to purchase up to 70% of its natural gas requirements from a subsidiary of Centrica plc. From January 1, 2000 through the date of the acquisition, NRG Energy entered into a tolling agreement with National Power pursuant to which NRG Energy received revenues based on the prevailing market prices for electricity in exchange for payments to National Power based on the incremental operating costs of the facility.

Prices for power in the wholesale electricity market of England and Wales have decreased since the acquisition date due to new trading rules that are expected to come into effect and increase competition in this market. NRG Energy

has entered into short-term agreements to sell a portion of the output of the Killingholme facility, and, in the future, NRG Energy intends to enter into similar short-term and long-term agreements that will provide a degree of stability to its revenues from the facility.

FLINDERS POWER

In September 2000, NRG Energy completed the acquisition of Flinders Power, South Australia's final generation company to be privatized. NRG Energy paid approximately AUD \$314.4 million (approximately

16

U.S. \$180 million at the date of acquisition) for a 100-year lease of certain Flinders Power assets, including two power stations totaling 760 MW. In addition, NRG Energy received a 20-year lease, renewable for additional 10-year terms, for the Leigh Creek coal mine and a dedicated rail line. The 100-year lease agreement also includes managing the long-term fuel supply and power purchase agreement of the 180 MW Osborne Cogeneration Station. Since that original acquisition, NRG Energy has also announced that it will undertake a refurbishment of its 240 MW Playford Power Station, being one of the two coal-fired plants that form the central part of the Flinders business.

GRANITE POWER PARTNERS

NRG Energy has acquired, in two separate transactions a 5,339 MW portfolio of operating projects and projects in construction and advanced development from LS Power, LLC and Cogentrix for a total cost of approximately \$830 million. Through 2005, NRG has the opportunity to acquire ownership interests in an additional 3,000 MW of generation projects developed and offered for sale by LS Power and its partners.

Batesville: NRG Energy, through subsidiaries acquired approximately 100% ownership of a natural gas-fired combined-cycle electric generating facility with a design capacity of approximately 837 megawatts located in Batesville, Mississippi. All of the electric power generation is sold under long-term tolling agreements with Virginia Electric and Power and Aquila. Additionally, a 292 MW expansion scheduled for operation in 2005 is currently in development.

Mustang: NRG Energy acquired a 25% ownership interest in an approximately 122 MW electric generating facility located in Texas. The facility sells its energy under a long-term power purchase agreement.

Kendall: Scheduled to be commercially operable in the second quarter 2002, the Kendall facility located just south of Chicago, Illinois will generate approximately 1,168 MW of electric power utilizing combined cycle gas turbines. Tolling agreements with Dynegy and Minnesota Power are in place for 870 MW with the remaining generation available for merchant markets. Additionally, a 584 MW expansion scheduled for operation in 2006 is currently in development.

Pike: Construction began in February 2002 for a 1,168 MW natural gas fired facility located near McComb, Mississippi. This facility will use combined cycle gas turbines and is scheduled to be commercially operable in 2003.

Nelson: Scheduled to be commercially operable in 2003, the Nelson facility to be located just west of Chicago, Illinois will generate approximately 1,168 MW of electric power utilizing combined cycle gas turbines.

SCHKOPAU POWER STATION

In 1993, NRG Energy acquired for \$18.2 million an indirect 50% interest in a German limited liability company, Saale Energie GmbH, which then acquired a 41.9% participation interest in a 960 MW coal-fired power plant that was under construction in the East German city of Schkopau. The first 425 MW unit of the Schkopau plant began operation in January 1996, the 110 MW turbine in February 1996, and the second 425 MW unit in July 1996. The coal is provided under a long-term contract by MIBRAG's Profen lignite mine.

Saale Energie sells its allocated 400 MW portion of the plant's capacity under a 25-year contract with VEAG, a major German utility that controls the high-voltage transmission of electricity in the former East Germany. VEAG pays a price that is made up of three components, the first of which is designed to recover installation and capital costs, the second to recover operating and other variable costs, and the third to cover fuel supply and transportation costs. In April 2001, NRG Energy acquired the remaining 50% of Saale Energie GmbH for \$37.3 million which effectively increased NRG Energy's participation interest in Schkopau to 41.9% totaling 400 MW.

17

COBEE

In December 1996, NRG Energy acquired for \$81.8 million a 49.1% interest in COBEE, the second largest generator of electricity in Bolivia. In June 2001, NRG Energy increased its interest in COBEE as part of a large portfolio acquisition of assets. COBEE has entered into contracts, which expire in 2008, with two Bolivian distribution companies pursuant to which COBEE supplies electricity. All payments under these contracts are made in United States dollars.

COBEE operates its electric generation business under a 40-year concession granted by the Bolivian government in 1990. Under this concession, COBEE is entitled to earn a return of 9.0% on assets within its rate base. The Bolivian Electricity Code also provides for the adjustment of rates to compensate COBEE for any shortfall or to recapture any excess in COBEE's actual rate of return during the previous year. COBEE periodically applies to the Superintendent of Electricity for rate increases sufficient to provide its 9.0% rate of return based on COBEE's current operating results and its projection of future revenues and expenses. Under COBEE's concession, COBEE's assets are required to be removed from the rate base in 2008.

CSEPEL

The Csepel facility is a 389 MW gas-fired power plant and a 116 MW thermal power plant, both of which are located on Csepel Island in Budapest, Hungary. In June 2001, NRG Energy acquired a 100% interest in the Csepel project for \$111.4 million. The Csepel facility was the first new independent power station in Hungary. Csepel commenced operations in November 2000.

The Csepel facility has a signed 20-year purchase power agreement with MVM, the Hungarian state owned utility. At commercial operation the purchase power agreement was replaced with an annual administrative price set by the Hungarian Energy office and approved by the Economic Ministry. Since commercial operation, the administrative price followed in line with the purchase power agreement pricing. In addition, the fuel is supplied to Csepel through a 20-year "back to back" gas supply agreement.

MIDATLANTIC

In June 2001 NRG Energy acquired 1,081 MW of baseload electric generating plants from Delmarva Power and Light, a subsidiary of Wilmington, Delaware-based Conectiv. As part of the agreement, NRG entered into both short- and long-term purchase power contracts with Delmarva Power to provide energy and capacity for the Delmarva Peninsula. Under the long-term agreement, Conectiv is obligated to purchase 500 MW through 2005 at contracted prices.

The 784 MW coal-fired Indian River Generating Station is located on the Delmarva Peninsula near Millsboro, Delaware. The Vienna Generating Station is a 170 MW oil-fired generating station located along the Nanticoke River in the town of Vienna, Maryland. Of the 1,711 MW coal-fired Conemaugh Generating Station, NRG acquired 64 MW. The plant is located on the Conemaugh River, approximately 60 miles east of Pittsburgh, Pennsylvania. NRG Energy also acquired 63 MW of the 1,711 MW coal-fired Keystone Generating Station, located approximately 50 miles east of Pittsburgh, Pennsylvania.

INDECK

In August 2001, NRG Energy acquired a 2,255 MW project portfolio from Indeck Energy Services, Inc. The portfolio primarily serves the Chicago, Illinois energy market.

NRG Energy acquired full ownership in five projects in operation, construction and advanced development. The portfolio includes combined-cycle and peaking power plants that employ natural gas-fueled combustion technology. Operational facilities include the Rockford I and Ilion Energy Centers. Projects under construction and development include the Rockford II Energy Center, Bourbonnais I and II Energy Centers.

Rockford I is a 342 MW simple cycle power generation plant designed to produce peaking electricity located in Rockford, Illinois. Power is contracted to ComEd under a long-term power sales agreement. Under

18

the agreement, ComEd delivers natural gas and the facility generates electricity to ComEd that amounts to a tolling arrangement. Ilion, located in central upstate New York, is a 60 MW combined cycle cogeneration plant. Ilion operates as a merchant power plant while selling its steam to Remington Arms Company. The Rockford II project is scheduled for commercial operation in 2002 while the Bourbonnais projects are planned for 2004 and 2005.

HSIN YU ENERGY DEVELOPMENT CO. LIMITED

During 2001, NRG Energy acquired approximately 60% ownership in Hsin Yu Energy Development Co. LTD for NT \$1.6 billion (approximately \$46.7 million at the date of acquisition). Hsin Yu is a Taiwan company that owns a 170 MW cogeneration facility located near Taipei. Hsin Yu is developing a 245 MW expansion of the facility and has rights to develop a 490 MW Greenfield project near Tainan. Hsin Yu sells power to industrial customer under short-term power purchase agreements and sells residual power to Tai Power. Hsin Yu secures gas supply through a 12-year contract with China Petroleum Corp. the state owned gas supplier.

SIGNIFICANT PENDING ACQUISITIONS AND PROJECTS UNDER DEVELOPMENT

Due to the many complexities inherent in the acquisition, development and financing of projects, there can be no assurance that any of NRG Energy's pending acquisitions and projects under development, including those described below, will be consummated.

FIRSTENERGY

In November 2001, NRG Energy signed purchase agreements to acquire or lease four coal-fired generating facilities totaling approximately 2,535 MW and two ash disposal sites from subsidiaries of FirstEnergy Corporation. The four generating facilities are located in Ohio, along the shore of Lake Erie, and the approximately 376 MW Ashtabula facility in Ashtabula, Ohio, the approximately 249 MW Lake Shore facility in downtown Cleveland, the approximately 1,262 MW Eastlake facility near Cleveland and the approximately 648 MW Bay Shore facility near Toledo. NRG Energy is also acquiring all of the equity interests in Bay Shore Power Company, which is a subsidiary of FirstEnergy and the owner of a 136 MW petroleum coke-fired steam generating project on the Bay Shore facility site. The acquisition is expected to close in the second quarter of 2002. In connection with the acquisition of these facilities, NRG Energy also entered into a Transition Power Purchase Agreement with FirstEnergy, pursuant to which NRG Energy will supply to FirstEnergy approximately 95% of the output from the facilities through 2005.

CONECTIV ASSETS

In June and October 2001, NRG Energy extended purchase agreements that NRG Energy entered into with a subsidiary of Conectiv in January 2000 to acquire 794 MW of coal and oil-fired electric generating capacity and other assets in New Jersey and Pennsylvania, including an additional 66 MW of Conemaugh Generating

Station and an additional 42 MW of the Keystone Generating Station. By their terms these purchase agreements became terminable by either party after February 28, 2002, and on April 1, 2002 NRG Energy exercised its right to terminate the agreements.

REGULATION

NRG Energy is subject to a broad range of federal, state and local energy and environmental laws and regulations applicable to the development, ownership and operation of its United States and international projects. These laws and regulations generally require that permits and approvals be obtained before siting a power plant, during the plants construction, and after it becomes fully operational. Throughout each phase of the project's implementation, all operations must be conducted in compliance with the terms specified in such permits and approvals.

19

NRG Energy strives to comply with the terms of all applicable laws, regulations, permits and licenses and believes that all of its ongoing operations are in material compliance with all such requirements. Even so, due to the promulgation of increasingly stringent regulatory requirements and/or local opposition to its projects, NRG Energy cannot presently assure its ability to obtain all future permits and approvals nor guarantee 100% regulatory compliance. In order to approach such levels of regulatory certainty, prohibitive expenditures could force projects to be abandoned, create the risk of expensive delays or materially impair project values.

In particular, the competitive power markets in the United States, United Kingdom, Australia and other countries are dependent on the existing regulatory structure, and while NRG Energy strives to take advantage of the opportunities created by regulatory changes, it is impossible to predict the impact of regulatory changes on its operations. The level of environmental awareness and enforcement is growing in most countries, including most of the countries in which NRG Energy intends to develop and operate new projects. Accompanying such awareness is the requirement to achieve stringent emission limitations. NRG Energy believes that the nature and level of environmental regulation to which it is subject will become more stringent. Therefore, NRG Energy's policy is to integrate the consideration of potential environmental impacts into every decision it makes, and by doing so strive to improve its competitive advantage by meeting or exceeding environmental requirements pertaining to the management and operation of its assets.

COMPETITION

The independent power industry is characterized by numerous strong and capable competitors, some of which may have more extensive operating experience, more extensive experience in the acquisition and development of power generation facilities, larger staffs or greater financial resources than NRG Energy does. In recent years, the independent power industry has been characterized by increased competition for asset purchases and development opportunities. In recent months there have been announcements from several of NRG Energy's competitors that they will be scaling back their growth plans and delaying construction expenditures.

In addition, regulatory changes have also been proposed to increase access to transmission grids by utility and non-utility purchasers and sellers of electricity. Industry deregulation may encourage the disaggregation of vertically integrated utilities into separate generation, transmission and distribution businesses.

The United States electric utility industry is currently experiencing increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas-fired generation that is more efficient than NRG Energy's generation facilities and other factors. The Federal Energy Regulatory Commission (FERC) has implemented and continues to propose regulatory changes to increase access

to the nationwide transmission grid by utility and non-utility purchasers and sellers of electricity.

Proposals have been introduced in Congress to repeal PURPA and PUHCA, and FERC has publicly indicated support for the PUHCA repeal effort. If the repeal of PURPA or PUHCA occurs, either separately or as part of legislation designed to encourage the broader introduction of wholesale and retail competition, the significant competitive advantages that independent power producers currently enjoy over certain regulated utility companies would be eliminated or sharply curtailed, and the ability of regulated utility companies to compete more directly with independent power companies would be increased. To the extent competitive pressures increase and the pricing and sale of electricity assumes more characteristics of a commodity business, the economics of domestic independent power generation projects may come under increasing pressure. Deregulation may not only continue to fuel the current trend toward consolidation among domestic utilities, but may also encourage the disaggregation of vertically-integrated utilities into separate generation, transmission and distribution businesses.

In addition, the independent system operators who oversee most of the wholesale power markets have in the past imposed, and may in the future continue to impose, price limitations and other mechanisms to address some of the volatility in these markets. For example, the independent system operator for the New York power Pool and the California independent system operator have recently imposed price limitations. These types of price limitations and other mechanisms in New York, California, the New England Power Pool and elsewhere may adversely impact the profitability of NRG Energy's generation facilities that sell energy into the

20

wholesale power markets. Finally, the regulatory and legislative changes that have recently been enacted in a number of states in an effort to promote competition are novel and untested in many respects. These new approaches to the sale of electric power have very short operating histories, and it is not yet clear how they will operate in times of market stress or pressure, given the extreme volatility and lack of meaningful long-term price history in many of these markets and the imposition of price limitations by independent system operators.

EMPLOYEES

At December 31, 2001, NRG Energy had 3,888 employees, approximately 496 of whom are employed directly by NRG Energy and approximately 3,392 of whom are employed by its wholly owned subsidiaries and affiliates. Approximately 1,825 employees are covered by bargaining agreements. NRG Energy has experienced no significant labor stoppages or labor disputes at its facilities.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

The information presented in this annual report includes forward-looking statements in addition to historical information. These Statements involve known and unknown risks and relate to future events, or projected business results. In some cases forward-looking statements may be identified by their use of such words as "may," "expects," "plans," "anticipates," "believes," and similar terms. Forward-looking statements are only predictions, and actual results may differ materially from the expectations expressed in any forward-looking statement. While NRG Energy believes that the expectations expressed in such forward-looking statements are reasonable, we can give no assurances that these expectations will prove to have been correct. In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, factors that could cause actual results to differ materially from those contemplated in any forward-looking statements include, among others, the following:

- General economic conditions including inflation rates and monetary or currency exchange rate fluctuations; the risk of a significant slowdown in growth in the U.S. economy or risk of delay in growth recovery in the

U.S. as a consequence of the September 11, 2001 terrorist attacks and other factors;

- Trade, monetary, fiscal, taxation, and environmental policies of governments, agencies and similar organizations in geographic areas where NRG Energy has a financial interest;
- Customer business conditions including demand for their products or services and supply of labor and materials used in creating their products and services;
- Financial or regulatory accounting principles or policies imposed by the Financial Accounting Standards Board, the Securities and Exchange Commission, the Federal Energy Regulatory Commission and similar entities with regulatory oversight;
- Factors affecting the availability or cost of capital such as changes in interest rates; market perceptions of the power generation industry, the Company or any of its subsidiaries; or credit ratings;
- Factors affecting power generation operations such as unusual weather conditions; catastrophic weather-related damage; unscheduled generation outages, maintenance or repairs; unanticipated changes to fossil fuel, or gas supply costs or availability due to higher demand, shortages, transportation problems or other developments; environmental incidents; or electric transmission or gas pipeline system constraints;
- Employee workforce factors including loss or retirement of key executives, collective bargaining agreements with union employees, or work stoppages;
- Volatility of energy prices in a deregulated market environment;
- Increased competition in the power generation industry;
- Cost and other effects of legal and administrative proceedings, settlements, investigations and claims;

21

- Technological developments that result in competitive disadvantages and create the potential for impairment of existing assets;
- The completion of the Xcel Energy exchange offer transaction and the business plan Xcel Energy puts in place following such completion;
- Factors associated with various investments including conditions of final legal closing, partnership actions, competition, operating risks, dependence on certain suppliers and customers, domestic and foreign environmental and energy regulations;
- Limitations on NRG Energy's ability to control the development or operation of projects in which the Company has less than 100% interest;
- The lack of operating history at development projects, the lack of NRG Energy's operating history at the projects not yet owned and the limited operating history at the remaining projects provide only a limited basis for management to project the results of future operations;
- Risks associated with timely completion of projects under construction, including obtaining competitive contracts, obtaining regulatory and permitting approvals, local opposition, construction delays and other factors beyond NRG Energy's control;
- The failure to timely satisfy the closing conditions contained in the definitive agreements for the acquisitions of projects subject to definitive agreements but not yet closed, many of which are beyond NRG

Energy's control;

- Factors challenging the successful integration of projects not previously owned or operated by NRG Energy, including the ability to obtain operating synergies;
- Factors associated with operating in foreign countries including: delays in permitting and licensing, construction delays and interruption of business, political instability, risk of war, expropriation, nationalization, renegotiation, or nullification of existing contracts, changes in law, and the ability to convert foreign currency into United States dollars;
- Changes in government regulation or the implementation of government regulations, including pending changes within or outside of California as a result of the California energy crisis, which could result in NRG Energy's failure to obtain regulatory approvals required to close project acquisitions, and which could adversely affect the continued deregulation of the electric industry;
- Other business or investment considerations that may be disclosed from time to time in NRG Energy's Securities and Exchange Commission filings or in other publicly disseminated written documents, including NRG Energy's Registration Statement No. 333-62958, as amended, and all supplements therein.

NRG Energy undertakes no obligation or publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause our actual results to differ materially from those contemplated in any forward-looking statements included in this annual report should not be construed as exhaustive.

ITEM 2 -- PROPERTIES

Listed below are descriptions of NRG Energy's interests in facilities, operations and/or projects under construction as of December 31, 2001.

INDEPENDENT POWER PRODUCTION AND COGENERATION FACILITIES

NAME AND LOCATION OF FACILITY	PURCHASER/POWER MARKET	NET OWNED CAPACITY (MW)	NRG'S PERCENTAGE OWNERSHIP INTEREST	FUEL TYPE
NORTHEAST REGION:				
Oswego, New York.....	Niagara Mohawk/NYISO	1,700	100%	Oil/Gas
Huntley, New York.....	Niagara Mohawk/NYISO	760	100%	Coal
Dunkirk, New York.....	Niagara Mohawk/NYISO	600	100%	Coal
Arthur Kill, New York.....	NYISO	842	100%	Gas/Oil
Astoria Gas Turbines, New York.....	NYISO	614	100%	Gas/Oil
Ilion, New York.....	NYISO	60	100%	Gas/Oil
Somerset, Massachusetts.....	Eastern Utilities Associates	229	100%	Coal/Oil/Jet
Middletown, Connecticut.....	Connecticut Light & Power	856	100%	Oil/Gas/Jet
Meriden Power, Connecticut.....	ISO-NE	540	100%	Gas/Oil
Montville, Connecticut.....	Connecticut Light & Power	498	100%	Oil/Gas
Devon, Connecticut.....	Connecticut Light & Power	401	100%	Gas/Oil/Jet
Norwalk Harbor, Connecticut.....	Connecticut Light & Power	353	100%	Oil
Connecticut Jet Power, Connecticut.....	Connecticut Light & Power	127	100%	Jet
Other -- 7 projects.....	Various	96	Various	Various
SOUTH CENTRAL REGION:				
Big Cajun II, Louisiana.....	Cooperatives/SERC-Entergy	1,489	86.04%	Coal
Big Cajun I, Louisiana.....	Cooperatives/SERC-Entergy	458	100%	Gas
Bayou Cove, Louisiana.....	SERC-Entergy	320	100%	Gas
Sterlington, Louisiana.....	Louisiana Generating	202	100%	Gas
Batesville, Mississippi.....	SERC-TVA	837	100%	Gas
McClain, Oklahoma.....	SPP-Southern	400	77%	Gas
Brazos Valley, Texas.....	ERCOT	633	100%	Gas

Sabine River Works, Texas.....	Dupont/SERC-Entergy	210	50%	Gas
Mustang, Texas.....	Golden Spread Electric Coop	122	25%	Gas
Other -- 3 projects.....	Various	45	Various	Various
WEST COAST REGION:				
El Segundo Power, California.....	California DWR	510	50%	Gas
Encina, California.....	California DWR	483	50%	Gas/Oil
Long Beach Generating, California.....	California DWR	265	50%	Gas
San Diego Combustion Turbines, California.....	Cal ISO	127	50%	Gas/Oil
Crockett Cogeneration, California.....	PG&E	138	57.67%	Gas
Mt. Poso Cogeneration, California.....	PG&E	20	39.50%	Coal
Saguaro Power Co., Nevada.....	Nevada Power	53	50.00%	Gas/Oil
NORTH CENTRAL REGION:				
Kendall, Illinois.....	MAIN	1,168	100%	Gas
Nelson, Illinois.....	MAIN	1,168	100%	Gas
Rockford I, Illinois.....	ComEd	342	100%	Gas
Rockford II, Illinois.....	MAIN	171	100%	Gas
Rocky Road Power, Illinois.....	MAIN	175	50%	Gas
Audrain, Missouri.....	MAIN/SERC-Entergy	640	100%	Gas
Other -- 2 projects.....	Various	42	Various	Various
MID-ATLANTIC REGION:				
Indian River, Delaware.....	Delmarva/PJM	784	100%	Coal/Oil
Dover, Delaware.....	PJM	106	100%	Gas/Coal
Vienna, Maryland.....	Delmarva/PJM	170	100%	Oil
Conemaugh, Pennsylvania.....	PJM	64	3.72%	Coal/Oil
Keystone, Pennsylvania.....	PJM	63	3.70%	Coal/Oil
Paxton Creek Cogeneration, Pennsylvania.....	Virginia Electric & Power	12	100%	Gas
OTHER NORTH AMERICA:				
NEO Corporation, Various.....	Various	197	71.57%	Various
Energy Investors Funds, Various.....	Various	11	0.73%	Various

23

NAME AND LOCATION OF FACILITY	PURCHASER/POWER MARKET	NET OWNED CAPACITY (MW)	NRG'S PERCENTAGE OWNERSHIP INTEREST	FUEL TYPE
INTERNATIONAL PROJECTS:				
Asia-Pacific:				
Lanco Kondapalli Power, India.....	APTRANSCO	107	30%	Gas/Oil
Hsinchu, Taiwan.....	Industrials	102	60%	Gas
Australia:				
Flinders, South Australia.....	South Australian Pool	760	100%	Coal
Gladstone Power Station, Queensland....	Enertrade/Boyne Smelters	630	37.50%	Coal
Loy Yang Power A, Victoria.....	Victorian Pool	507	25.37%	Coal
Collinsville Power Station, Queensland.....	Enertrade	96	50%	Coal
Energy Developments Limited, Various...	Various	95	25.10%	Various
Europe:				
Killingholme Power A, UK.....	UK Electricity Grid	680	100%	Gas
Enfield Energy Centre, UK.....	UK Electricity Grid	99	25%	Gas/Oil
Schkopau Power Station, Germany.....	VEAG/Industrials	400	41.67%	Coal
MIBRAG mbH, Germany.....	ENVI/MIBRAG Mines	119	50%	Coal
Csepel II, Hungary.....	MVM	389	100%	Gas/Oil
ECK Generating, Czech Republic.....	STE/Industrials	166	44.50%	Coal/Gas/Oil
CEEP Fund, Poland.....	Industrials	1	9.33%	Gas/Coal
Other Americas:				
TermoRio, Brazil.....	Petrobras	520	50%	Gas/Oil
Itiquira Energetica, Brazil.....	COPEL/Tradener	154	98.73%	Hydro
COBEE, Bolivia.....	Electropaz/ELF	217	98.90%	Hydro/Gas
Bulo Bulo, Bolivia.....	Bolivian Grid	53	60%	Gas
Energia Pacasmayo, Peru.....	Electroperu/Peruvian Grid	66	100%	Hydro/Oil
Cahua, Peru.....	Quimpac/Industrials	45	100%	Hydro
Latin Power, Various.....	Various	52	6.75%	Various

THEMAL ENERGY PRODUCTION AND TRANSMISSION FACILITIES
AND RESOURCE RECOVERY FACILITIES

NAME AND LOCATION OF FACILITY	DATE OF ACQUISITION	NET OWNED CAPACITY (1)	NRG'S PERCENTAGE OWNERSHIP INTEREST	THERMAL ENERGY PURCHASER/MSW SUPPLIER
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NRG Energy Center Minneapolis, Minnesota.....	1993	Steam: 1,403 mmBtu/hr. (411 MWt) Chilled water: 42,450 tons (149 MWt)	100%	Approximately 100 steam customers and 40 chilled water customers
NRG Energy Center San Francisco, California.....	1999	Steam: 490 mmBtu/hr. (144 MWt)	100%	Approximately 185 steam customers
NRG Energy Center Harrisburg, Pennsylvania.....	2000	Steam: 490 mmBtu/hr. (144 MWt) Chilled water: 1,800 tons (6 MWt)	100%	Approximately 295 steam customers and 2 chilled water customers
NRG Energy Center Pittsburgh, Pennsylvania.....	1999	Steam: 260 mmBtu/hr. (76 MWt) Chilled water: 12,580 tons (44 MWt)	100%	Approximately 30 steam and 30 chilled water customers
NRG Energy Center San Diego, California.....	1997	Chilled water: 8,000 tons (28 MWt)	100%	Approximately 20 chilled water customers
Hennepin Co. Energy Center, Minnesota.....	N/A	Steam: 140 mmBtu/hr. (41 MWt)	--	NRG Energy Center Minneapolis Customers

24

NAME AND LOCATION OF FACILITY	DATE OF ACQUISITION	NET OWNED CAPACITY (1)	NRG'S PERCENTAGE OWNERSHIP INTEREST	THERMAL ENERGY PURCHASER/MSW SUPPLIER
NRG Energy Center Rock-Tenn, Minnesota.....	1992	Steam: 430 mmBtu/hr. (126 MWt)	100%	Rock-Tenn Company
Camas Power Boiler, Washington.....	1997	Steam: 200 mmBtu/hr. (59 MWt)	100%	Georgia-Pacific Corp.
NRG Energy Center Dover, Delaware.....	2000	Steam: 190 mmBtu/hr. (56 MWt)	100%	Kraft Foods Inc.
NRG Energy Center Washco, Minnesota.....	1992	Steam: 160 mmBtu/hr. (47 MWt)	100%	Andersen Corporation, Minnesota Correctional Facility
Energy Center Kladno, Czech Republic (2).....	1994	227 mmBtu/hr. (67 MWt)	44.40%	City of Kladno
Csepel I, Budapest, Hungary.....	2001	396 mmBtu/hr. (116 MWt)	100%	Industrial customers
RESOURCE RECOVERY FACILITIES				
Newport, Minnesota.....	1993	MSW: 1,500 tons/day	100%	Ramsey and Washington Counties
Elk River, Minnesota.....	2001	MSW: 1,275 tons/day	85%	Anoka, Hennepin, and Sherburne Counties; Tri-County Solid Waste Management Commission
Penobscot Energy Recovery, Maine.....	1997	MSW: 590 tons/day	59%	Bangor Hydroelectric Company

(1) Thermal production and transmission capacity is based on 1,000 Btus per pound of steam production or transmission capacity. The unit mmBtu is equal to one million Btus.

(2) Kladno also is included in the Independent Power Production and Cogeneration Facilities table on the preceding page, under the name ECK Generating.

OTHER PROPERTIES

In addition to the above, NRG Energy leases its corporate offices at 901 Marquette, Suite 2300, Minneapolis, Minnesota 55402 and various other office spaces.

25

ITEM 3 -- LEGAL PROCEEDINGS

FORTISTAR CAPITAL V. NRG ENERGY

In July 1999, Fortistar Capital Inc., a Delaware corporation, filed a complaint in District Court (Fourth Judicial District, Hennepin County) in

Minnesota against NRG Energy asserting claims for injunctive relief and for damages as a result of NRG Energy's alleged breach of a confidentiality letter agreement with Fortistar relating to the Oswego facility in New York. NRG Energy disputed Fortistar's allegations and asserted numerous counterclaims, and in October 1999, NRG Energy, through a wholly-owned subsidiary, closed on the acquisition of the Oswego facility. In April and December 2000, NRG Energy filed summary judgment motions to dispose of the litigation. A hearing on these motions was held in February 2001 and certain of Fortistar's claims were dismissed. NRG Energy intends to continue to vigorously defend the suit and believes Fortistar's claims to be without merit. A trial date of May 13, 2002 has been set in respect of the remaining claims.

NEW YORK ENVIRONMENTAL LITIGATION

In January 2002 the New York Attorney General and the New York Department of Environmental Control (NYDEC) filed suit in the western district of New York against NRG Energy and Niagara Mohawk Power Corporation (Niagara Mohawk), the prior owner of the Huntley and Dunkirk facilities in New York. The lawsuit relates to physical changes made at those facilities prior to NRG Energy's assumption of ownership. The complaint alleges that these changes represent major modifications undertaken without the required permits having been obtained. Although NRG Energy has a right to indemnification by the previous owner for fines, penalties, assessments and related losses resulting from the previous owner's failure to comply with environmental laws and regulations, NRG Energy could be enjoined from operating the facilities if the facilities are found not to comply with applicable permit requirements.

In July 2001, Niagara Mohawk Power Corporation filed a declaratory judgment action in the Supreme Court for the State of New York, County of Onondaga, against NRG Energy and its wholly-owned subsidiaries, Huntley Power LLC and Dunkirk Power LLC. Niagara Mohawk requests a declaration by the Court that, pursuant to the terms of the Assets Sales Agreement under which NRG Energy purchased the Huntley and Dunkirk generating facilities from Niagara Mohawk (the ASA), defendants have assumed liability for any costs for the installation of emissions controls or other modifications to or related to the Huntley or Dunkirk plants imposed as a result of violations or alleged violations of environmental law. Niagara Mohawk also requests a declaration by the Court that, pursuant to the ASA, defendants have assumed all liabilities, including liabilities for natural resource damages, arising from emissions or releases of pollutants from the Huntley and Dunkirk plants, without regard to whether such emissions or releases occurred before, on or after the closing date for the purchase of the Huntley and Dunkirk plants. NRG Energy has counterclaimed against Niagara Mohawk, and the parties have exchanged discovery requests.

NYDEC OPACITY NOTICE OF VIOLATION

NRG Energy became part of an opacity consent order as a result of acquiring its Huntley, Dunkirk and Oswego plants from Niagara Mohawk. At the time of financial close on these assets, a consent order was being negotiated between Niagara Mohawk and the NYDEC; it required Niagara Mohawk to pay a stipulated penalty for each opacity event at these facilities. On January 14, 2002, the NYDEC issued NRG Energy Notices of Violations (NOV) for opacity events which had occurred since the time NRG Energy assumed ownership of the Huntley, Dunkirk and Oswego generating stations. The NOV's allege that a total of 7,231 events had occurred where the average opacity during a six minute block of time had exceeded 20%. The NYDEC set the penalty associated with the NOV's at \$900,000.

CALIFORNIA LITIGATION

NRG Energy and other power generators and power traders have been named as defendants in certain private plaintiff class actions filed in the Superior Court of the State of California for the County of San Diego in San Diego, California in November 2000 (Pamela R. Gordon v. Reliant Energy, Inc., et al. and Ruth Hendricks

v. Dynegy Power Marketing Inc., et al). NRG Energy has also been named in another suit filed in January 2001 in San Diego County and brought by three California water districts, as consumers of electricity (Sweetwater Authority v. Dynegy, Inc., et al.), and in two suits filed in San Francisco County, one brought by the San Francisco City Attorney on behalf of the people of the State of California (The People of the State of California v. Dynegy Power Marketing, Inc., et al.) and one brought by Pier 23 Restaurant as a class action (Pier 23 Restaurant v. PG&E Energy Trading, et al.). Certain NRG Energy affiliates in NRG Energy's West Coast power partnership with Dynegy (Cabrillo I and II, Long Beach Generation and El Segundo Power) have been named as defendants in a state court action in Los Angeles County (Bustamonte v. Dynegy, Inc., et al.).

Although the complaints contain a number of allegations, the basic claim is that, by underbidding forward contracts and exporting electricity to surrounding markets, the defendants, acting in collusion, were able to drive up wholesale prices on the Real Time and Replacement Reserve markets, through the Western Coordinating Council and otherwise. The complaints allege that the conduct violated California antitrust and unfair competition laws. NRG Energy does not believe that it has engaged in any illegal activities, and intends to vigorously defend these lawsuits. These six civil actions brought against NRG Energy and other power generators and power traders in California have been consolidated and assigned to the presiding judge of the San Diego County Superior Court, and a pre-trial conference has been scheduled for March 2002. The plaintiffs in these six consolidated civil actions have filed a master amended complaint with the Superior Court of the State of California, County of San Diego. The plaintiffs reiterate the allegations contained in their complaints and allege that defendants' anti-competitive conduct damaged the general public and class members in an amount in excess of \$1.0 billion.

On March 20, 2002 the Attorney General of California filed at the Federal Energy Regulatory Commission a complaint against specific named generators and marketers (including Dynegy Power Marketing, Inc., which serves as the scheduling coordinator for certain NRG affiliates) and against "all other public utility sellers of energy and ancillary services into markets operated by the California Power Exchange and California Independent System Operator." The complaint alleges that defendants have violated FERC's grant of market-based rate authority by failing to file their rates, as required by Section 205(c) of the Federal Power Act and numerous FERC orders requiring the filing of transaction-specific information about defendants' sales and purchases at market-based rates. The plaintiff seeks injunctive relief to compel defendants' prospective compliance with Section 205 of the Federal Power Act, as well as refunds on behalf of California purchasers to the extent prior transactions are found to exceed just and reasonable price levels.

On March 27, 2002, the Attorney General of California requested that Xcel, Inc., NRG Energy, Inc., Dynegy, Inc., Dynegy Power Marketing, Inc., and certain NRG affiliates agree to toll the statute of limitations for a threatened action under the Clayton Antitrust Act. The Attorney General has neither provided a draft complaint nor served an actual complaint, but the Company expects to see a draft complaint within the next several weeks.

SHAREHOLDER LITIGATION

On February 15, 2002, Xcel Energy announced its intention to commence an exchange offer to acquire all of the outstanding publicly held shares of NRG Energy. Following this announcement, nine separate but similar civil actions were filed in the Court of Chancery of the State of Delaware in and for New Castle County by owners of NRG Energy common stock, against Xcel Energy, NRG Energy and NRG Energy's directors. The complaints contain a number of allegations, but the basic claim is that Xcel proposes to acquire the remaining ownership of NRG Energy for inadequate consideration and without full and complete disclosure of all material information, in breach of defendants' fiduciary duties. The complaints request the court to enjoin the proposed transaction and, in the event the exchange offer is consummated, to award damages to plaintiffs. An NRG Energy stockholder has also filed a class action complaint challenging the transaction in a Minnesota state court against Xcel Energy, NRG Energy, and seven of the nine NRG Energy directors, alleging essentially the same charges.

ANCILLARY SERVICES

On March 11, 2002, the Attorney General of California filed a civil complaint against NRG Energy, certain NRG Energy affiliates, Xcel Energy, Dynege, Inc. and Dynege Power Marketing, Inc., alleging antitrust violations in the ancillary services market. The complaint alleges that defendants repeatedly sold electricity generating capacity to the California ISO for use as a reserve and subsequently, and impermissibly, sold the same capacity into the "spot" market for wholesale power, unlawfully collecting millions of dollars. Similar complaints were filed against other power generators. The plaintiff seeks an injunction against further similar acts by the defendants, and also seeks restitution, disgorgement of all proceeds, including profits, gained from these sales, and certain civil penalties.

There are no other material legal proceedings pending to which NRG Energy is a party. There are no material legal proceedings to which an officer or director is a party or has a material interest adverse to NRG Energy or its subsidiaries. There are no other material administrative or judicial proceedings arising under environmental quality or civil rights statutes pending or known to be contemplated by governmental agencies to which NRG Energy is or would be a party.

ITEM 4 -- SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were considered during the fourth quarter of 2001.

PART II

ITEM 5 -- MARKET PRICE FOR THE REGISTRANT'S
COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

QUARTERLY STOCK DATA

NRG Energy's common stock is traded principally on the New York Stock Exchange (the Exchange). The common stock was first traded on the Exchange on May 31, 2000, concurrent with the underwritten initial public offering of shares of NRG Energy's common stock at an initial price to the public of \$15.00 per share. The following table reflects the range of high and low selling prices of NRG Energy's common stock by quarter from May 31, 2000 through December 31, 2001. This information is based on selling prices as reported by the New York Stock Exchange.

	2001		2000	
	HIGH	LOW	HIGH	LOW
First Quarter.....	\$36.40	\$22.19	N.A.	N.A.
Second Quarter.....	\$35.75	\$21.38	\$18.15	\$16.25
Third Quarter.....	\$25.30	\$13.72	\$36.50	\$18.15
Fourth Quarter.....	\$20.47	\$12.24	\$36.50	\$22.50

N.A. -- Not available -- stock not publicly traded

HOLDERS

At March 6, 2002, there were approximately 278 holders of record of common stock and 1 holder of Class A common stock.

DIVIDENDS ON COMMON STOCK

NRG Energy has not paid and does not currently intend to distribute any earnings as dividends.

ITEM 6 -- SELECTED FINANCIAL DATA

The following table presents selected financial data of NRG Energy. This historical data should be read in conjunction with the Consolidated Financial Statements and the related notes thereto in Item 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7.

(In thousands, except per share data.)	YEAR ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
Total operating revenues and equity earnings.....	\$ 3,008,640	\$2,157,986	\$ 500,018	\$ 182,130	\$ 118,252
Total operating costs and expenses...	2,293,818	1,584,913	390,498	125,118	100,143
Net Income.....	265,204	182,935	57,195	41,732	21,982
Weighted Average Number of Common Shares Outstanding -- Basic.....	194,929	165,861	147,605	147,605	147,605
Weighted Average Number of Common Shares Outstanding -- Diluted....	196,439	166,989	147,605	147,605	147,605
Earnings per Weighted Average Common Share -- Basic.....	\$ 1.36	\$ 1.10	\$.39	\$.28	\$.15
Earnings per Weighted Average Common Share -- Diluted.....	1.35	1.10	.39	.28	.15
Total Assets.....	12,894,545	5,978,992	3,431,684	1,293,426	1,168,102
Long-term debt, including current Maturities.....	8,343,986	3,797,318	1,971,860	626,476	620,855

* Earnings Per Share amounts for the years 1999 and earlier have been restated to reflect the issuance of Class A common stock.

ITEM 7 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2001 COMPARED TO THE YEAR ENDED DECEMBER 31, 2000

EARNINGS PER SHARE

Earnings per share on a fully diluted basis for 2001 were \$1.35, compared to \$1.10 for 2000, an increase of \$0.25 or approximately 22.7%. During the year 2001, earnings per share were adversely affected through additional dilution resulting from the issuance of 18.4 million shares of common stock in March 2001 and through the issuance and exercise of stock options throughout the year, as compared to 2000.

NET INCOME

Net income for 2001 was \$265.2 million, compared to \$182.9 million for 2000, an increase of \$82.3 million or approximately 45.0%. Net income for 2001 increased by \$82.3 million due to the factors described below.

REVENUES AND EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES

For the year ended December 31, 2001, NRG Energy had total revenues and equity earnings of \$3.0 billion, compared to \$2.2 billion for 2000, an increase of \$850.7 million or approximately 39.4%.

REVENUES FROM MAJORITY-OWNED OPERATIONS

NRG Energy's operating revenues from majority-owned operations were \$2.8 billion compared to \$2.0 billion, an increase of \$780 million or approximately 38.6%. Revenues from majority-owned operations for the year ended December 31, 2001, consisted primarily of power generation revenues from domestic operations of approximately \$1.8 billion, operations in Europe of \$490.9 million, Asia-Pacific \$239.1 million and Other Americas \$34.7 million, resulting in increases of \$256.5 million, \$293.2 million, \$144.4 million and \$34.4 million compared to 2000, respectively. In addition, NRG Energy recognized revenues from majority-owned operations from its alternative energy, thermal and other operations of approximately \$79.5 million, \$108.3 million and \$10.9 million respectively, resulting in increases of \$37.9 million, \$20.5 million and a decrease of \$6.9 million compared to 2000, respectively.

The increase of \$256.5 million related to NRG Energy's domestic power generation operations is due primarily to additional sales at NRG Energy's Mid Atlantic region facilities which were acquired in June 2001 from Conectiv and increased sales at NRG Energy's South Central region facilities which were primarily acquired in March 2000 from Cajun Electric and expanded with the acquisition of the Batesville facility from LS Power in January 2001 and completion of the Sterlington and Big Cajun 1 peaking facilities in 2001.

The increase of \$293.2 million related to NRG Energy's Europe power generation operations is due primarily to operations at Entrade, the Csepel facility in Hungary and Saale Energia in Germany (SEG). Entrade was acquired in November 2000, Csepel was acquired in June 2001 and SEG through an increase in ownership became consolidated in March 2001.

The increase of \$144.4 million related to NRG Energy's Asia-Pacific's power generation operations is due primarily to a full year of operations at the Flinders Power facilities which was acquired in August 2000 and to a lesser degree the addition of the Hsin Yu Development Company facilities in July 2001.

The increase of \$34.4 million related to NRG Energy's Other America's power generation operations is due primarily to the consolidation in 2001 of the COBEE and Bulo Bulu facilities which were previously accounted for under the equity method.

EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES

For the year ended December 31, 2001, NRG Energy had equity in earnings of unconsolidated affiliates of \$210.0 million, compared to \$139.4 million for 2000, an increase of \$70.6 million or approximately 50.7%. The increase of \$70.6 million is primarily comprised of favorable results from NRG Energy's domestic and

30

international power generation equity investments. During 2001, NRG Energy's domestic power generation investment in West Coast Power contributed \$41.0 million of this increase. NRG Energy's international power generation investments in MIBRAG, Loy Yang and Kladno (ECKG) also favorably contributed to equity in earnings for 2001 in comparison to 2000. MIBRAG favorably contributed \$13.3 million, Loy Yang favorably contributed \$11.7 million due to improved market prices in Australia, Kladno contributed \$6.6 million, Enfield contributed \$7.4 million and Kondapalli contributed \$3.8 million. These increases were partially offset by unfavorable results at NRG Energy's other investments accounted for under the equity method and continued reductions in the equity earnings attributable to NEO Corporation. NEO Corporation derives a significant portion of its net income from Section 29 tax credits.

OPERATING COSTS AND EXPENSES

For the year ended December 31, 2001, cost of majority-owned operations was \$1.9 billion compared to \$1.3 billion for 2000, an increase of \$566.2 million or approximately 43.9%. For the years ended December 31, 2001 and 2000, cost of majority-owned operations represented approximately 66.3% and 63.9% of revenues from majority-owned operations, respectively. Cost of majority-owned operations

consists primarily of cost of energy (primarily fuel costs), labor, operating and maintenance costs and non-income based taxes related to NRG Energy's majority-owned operations.

Approximately 89% of the increase in operating costs and expenses for 2001 compared to 2000 of \$566.2 million is primarily due to increased cost of energy incurred at NRG Energy's generating facilities.

The majority of the growth in cost of majority owned operations was due to NRG Energy's recent international acquisitions. In the third and fourth quarters of 2000, NRG Energy completed the Flinders and Entrade acquisitions, during the second quarter of 2001, NRG Energy increased its ownership in the Schkopau, Cobee and Bulo Bulo projects as well as acquired the Csepel facility in Hungary. During the third quarter NRG Energy acquired a 60% interest in the Hsin Yu Energy Development Company. These recent acquisitions accounted for approximately \$370.7 million of the increase in the cost of majority-owned operations the remaining increase is due primarily to increased operating costs at the South Central region generating facilities, the recently acquired Mid-Atlantic generating facilities and costs incurred by NRG Energy's power marketing operations.

DEPRECIATION AND AMORTIZATION

For the year ended December 31, 2001, depreciation and amortization was \$212.5 million, compared to \$122.9 million for the year ended December 31, 2000, an increase of \$89.5 million or approximately 72.8%. This increase is primarily due to the addition of property, plant and equipment related to NRG Energy's recently completed acquisitions of electric generating facilities. Approximately \$57.2 million of this increase is related to increased depreciable balances resulting from recently completed domestic acquisitions and the remainder is related to recently completed international acquisitions. Through primarily acquisitions NRG Energy's net property, plant and equipment balance has grown to \$9.4 billion, at the end of 2001 from \$4.0 billion, at the end of 2000, an increase of \$5.4 billion, or approximately 133.4%.

GENERAL, ADMINISTRATIVE AND DEVELOPMENT

For the year ended December 31, 2001, general, administrative and development costs were \$225.7 million, compared to \$172.5 million, an increase of \$53.2 million or approximately 30.8%. This increase is primarily due to increased business development activities, associated legal, technical and accounting expenses, employees and equipment resulting from expanded operations and pending acquisitions. This also includes a \$10.3 million expense related to Enron's bankruptcy. This amount includes a pre-tax charge of \$22.4 million to establish bad debt reserves, which was partially offset by a pre-tax gain of \$12.1 million on a credit swap agreement entered into as part of the NRG Energy's credit risk management program.

31

OTHER INCOME (EXPENSE)

For the year ended December 31, 2001, total other expense was \$416.2 million, compared to \$297.4 million for the year ended December 31, 2000, an increase of \$118.8 million or approximately 40.0%. The increase in total other expense of \$118.8 million, from 2000, consisted primarily of an increase in interest expense that was partially offset by an increase in other income and a reduction in minority interest in earnings of consolidated subsidiaries.

For the year ended December 31, 2001, interest expense (which includes both corporate and project level interest expense) was \$443.7 million, compared to \$293.9 million in 2000, an increase of \$149.8 million or approximately 51.0%. This increase is due to increased corporate and project level debt issued during 2001. During 2001, NRG Energy issued substantial amounts of long-term debt at both the corporate level (recourse debt) and project level (non-recourse debt) to either directly finance the acquisition of electric generating facilities or refinance short-term bridge loans incurred to finance such acquisitions. NRG

Energy also completed its issuance of a \$2 billion construction revolver during 2001 of which approximately \$697.5 million is outstanding as of December 31, 2001. NRG Energy's outstanding debt balances has grown to \$9.2 billion at the end of 2001 from \$3.8 billion at the end of 2000. The growth in the outstanding debt balance has contributed directly to the growth in interest expense during 2001, as compared to 2000.

For the year ended December 31, 2001, minority interest in earnings of consolidated subsidiaries was \$6.6 million, compared to \$11.3 million, a decrease of \$4.7 million or approximately 42.1%, as compared to 2000. The decrease is primarily due to lower earnings from the Crockett Cogeneration project which resulted from bad debt reserves established in 2001.

For the year ended December 31, 2001, other income, net, was \$34.1 million, as compared to \$7.9 million, for the year ended December 31, 2000, an increase of \$26.2 million, or approximately 333.8%. Other income, net consists primarily of interest income on cash balances and loans to affiliates, and miscellaneous other items, including the income statement impact of certain foreign currency translation adjustments and the impact of gains and losses on the dispositions of investments. Approximately \$18.0 million of the increase relates to interest on cash balances and loans to affiliates, primarily West Coast Power. The increase also includes gains on foreign currency translation adjustments and miscellaneous asset sales that were partially offset by a \$3.8 million charge to write-off capitalized costs associated with the Estonia project.

INCOME TAX

For the year ended December 31, 2001, income tax expense was \$33.4 million, compared to an income tax expense of \$92.7 million for the year ended December 31, 2000, a decrease of \$59.3 million, or approximately 64.0%. Approximately \$14.7 million of the decrease is attributed to additional IRC Section 29 energy credits that were recorded in 2001, as compared to the same period in 2000. NRG Energy reported a worldwide effective tax rate of approximately 27.5% (before tax credits) for the year ended December 31, 2001, compared to approximately 46.0% for the year ended December 31, 2000. The overall reduction in tax rates was primarily due to the implementation of state tax planning strategies and a higher percentage of NRG's overall earnings derived from foreign projects in lower tax jurisdictions.

FOR THE YEAR ENDED DECEMBER 31, 2000 COMPARED TO THE YEAR ENDED DECEMBER 31, 1999

For the year ended December 31, 2000, net income was \$182.9 million compared to \$57.2 million for 1999, an increase of \$125.7 million or 219.8%. This increase was due to the factors described below.

REVENUES AND EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES

For the year ended December 31, 2000, NRG Energy had total revenues and equity earnings of \$2.2 billion, compared to \$500.0 million for the year ended December 31, 1999, an increase of \$1.7 billion or approximately 331.6%. NRG Energy's operating revenues from majority-owned operations were \$2.0 billion compared to \$432.5 million, an increase of \$1.6 billion or approximately 366.7%. The increase in revenues from majority-owned operations is primarily due to increased sales resulting from recently completed acquisitions of electric generating facilities, primarily during the later portion of 1999 and the first and third

quarters of 2000. During the later portion of 1999, NRG Energy acquired certain electric generating facilities in the northeastern region of the United States. In addition, NRG Energy acquired certain electric generating facilities located in Louisiana and the United Kingdom at the end of the first quarter of 2000. During the third quarter of 2000, NRG Energy acquired Flinders Power and certain thermal operations. In addition, NRG Energy's increased ownership in Crockett Cogeneration has contributed significantly to its revenue growth during 2000, as compared to 1999.

For the year ended December 31, 2000, NRG Energy had equity in earnings of unconsolidated affiliates of \$139.4 million, compared to \$67.5 million for the year ended December 31, 1999, an increase of \$71.9 million or 106.5%. The increase in equity earnings of unconsolidated affiliates is due primarily to NRG Energy's investment in West Coast Power LLC, which benefited from favorable market conditions in California. In addition, NRG Energy's investment in Rocky Road LLC, in the fourth quarter of 1999, also contributed favorably to the increase in equity earnings, compared to the prior year. These increases were partially offset by reductions in the earnings attributable to NRG Energy's international equity investments and its investment in NEO Corporation. NEO Corporation derives a significant portion of its net income from Section 29 tax credits.

OPERATING COSTS AND EXPENSES

For the year ended December 31, 2000, cost of majority-owned operations, was \$1.3 billion, compared to \$269.9 million, an increase of \$1.0 billion or approximately 377.8%. For the year ended December 31, 2000 and 1999, cost of majority-owned operations represented approximately 59.8% and 54.0% of total operating revenues and equity earnings, respectively.

For the year ended December 31, 2000, the increase of \$1.0 billion is primarily due to NRG Energy's recent acquisitions of electric generating facilities during the later portion of 1999 and primarily the first and third quarters of 2000. During the later portion of 1999, NRG Energy acquired certain electric generating facilities in the northeastern region of the United States. In addition, NRG Energy acquired certain electric generating facilities located in Louisiana and the United Kingdom at the end of the first quarter of 2000. During the third quarter of 2000, NRG Energy acquired Flinders Power and certain thermal operations. In addition, NRG Energy's ownership in Crockett Cogeneration has contributed significantly to the growth the cost of majority-owned operations during 2000, as compared to 1999.

DEPRECIATION AND AMORTIZATION

For the year ended December 31, 2000, depreciation and amortization was \$122.9 million, compared to \$37.0 million for the year ended December 31, 1999, an increase of \$85.9 million or 232.1%. This increase is primarily due to the addition of property, plant and equipment related to NRG Energy's recently completed acquisitions of electric generating facilities during the later portion of 1999 and primarily the first and third quarters of 2000. In addition the consolidation of NRG Energy's investment in Crockett Cogeneration at the end of 1999 also contributed to the increase in depreciation and amortization during 2000. Through these acquisitions NRG Energy's net property, plant and equipment balance has grown to \$4.0 billion at the end of 2000 from \$2.0 billion at the end of 1999, an increase of \$2.0 billion or approximately 104.6%.

GENERAL, ADMINISTRATIVE AND DEVELOPMENT

For the year ended December 31, 2000, general, administrative and development costs were \$172.5 million, compared to \$83.6 million, an increase of \$88.9 million or approximately 106.4%. This increase is primarily due to increased business development activities, associated legal, technical and accounting expenses, employees and equipment resulting from expanded operations and pending acquisitions. NRG Energy's asset base has grown to \$6.0 billion at the end of 2000, compared to \$3.4 billion at the end of 1999, an increase of \$2.5 billion or approximately 74.2%. NRG Energy expects this trend to continue as it continues to be successful in expanding its operations through closure of its pending acquisitions and business development activities.

OTHER INCOME (EXPENSE)

For the year ended December 31, 2000, total other expense was \$297.4 million, compared to \$78.4 million for the year ended December 31, 1999, an

increase of \$219.0 million or approximately 279.3%.

The increase in total other expense of \$219.0 million, as compared to 1999, consisted primarily of an increase in Interest expense and Minority interest in earnings of consolidated subsidiary. These increases were partially offset by decreases in other income, net and gain on sale of interest in projects, in comparison to 1999.

For the year ended December 31, 2000, interest expense (which includes both corporate and project level interest expense) was \$293.9 million, as compared to \$93.4 million in 1999, an increase of \$200.5 million or approximately 214.8%. This increase is due to increased corporate and project level debt issued during 2000 as compared to 1999. During 2000, NRG Energy issued substantial amounts of long term debt at both the corporate level (recourse debt) and project level (non-recourse debt) to either directly finance the acquisition of electric generating facilities or refinance short term bridge loans incurred to finance such acquisitions. NRG Energy's outstanding long-term debt balances have grown to \$3.8 billion at the end of 2000 from \$2.0 billion at the end of 1999. The growth of such outstanding debt balances has contributed directly to the growth in interest expense during 2000 as compared to 1999.

For the year ended December 31, 2000, minority interest in earnings of consolidated subsidiaries was \$11.3 million, compared to \$2.5 million, an increase of \$8.8 million or approximately 361.5% as compared to 1999. The increase is due to the consolidation of NRG Energy's 58% interest in Crockett Cogeneration at the end of 1999 and the recognition of the minority interest in the project.

For the year ended December 31, 2000, NRG Energy did not recognize any gains on the sale of any project interests. During 1999 NRG Energy recognized a gain of \$11.0 million related to the reduction in its ownership of Cogeneration Corporation of America (CogenAmerica). For the year ended December 31, 2000, other income, net, was \$7.9 million, as compared to \$6.4 million, for the year ended December 31, 1999, an increase of \$1.5 million, or approximately 22.2%. Other income, net consists primarily of interest income on loans to affiliates, and miscellaneous other items, including the income statement impact of certain foreign currency translation adjustments and the impact of project write-downs and gains and losses on the dispositions of investments. The increase of \$1.5 million is primarily due to an increase in interest income in 2000.

INCOME TAX

For the year ended December 31, 2000, income tax expense was \$92.7 million, compared to an income tax benefit of \$26.1 million, an increase of \$118.8 million or approximately 455.6%, compared to 1999. The increase in tax expense in 2000 compared to 1999 is due primarily to higher domestic taxable income. This increase was partially offset by additional IRC Section 29 energy credits. For the year ended December 31, 2000, NRG Energy's overall effective income tax rate was approximately 34%. NRG Energy's effective income tax rate before recognition of tax credits is 46%. This rate is higher than a combined federal and Minnesota statutory rate because a significant portion of NRG Energy's income is generated in New York City, an area with high state and local tax rates. In addition, NRG Energy has recorded a valuation allowance on certain state and foreign tax losses, also increasing the effective tax rate.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

NRG Energy's discussion and analysis of its financial condition and results of operations are based upon NRG Energy's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements and related disclosures in compliance with generally accepted accounting principles (GAAP) requires the application of appropriate technical accounting rules and guidance as well as the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. The application of these policies necessarily involves judgments regarding future events, including the likelihood of success of particular projects, legal and regulatory challenges. These

judgments, in and of themselves, could materially impact the financial statements and disclosures based on varying

assumptions, which may be appropriate to use. In addition, the financial and operating environment also may have a significant effect, not only on the operation of the business, but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies have not changed.

On an ongoing basis, NRG Energy, evaluates its estimates, utilizing historic experience, consultation with experts and other methods NRG Energy considers reasonable in particular circumstances. In any case, actual results may differ significantly from NRG Energy's estimates. Any effects on NRG Energy's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

NRG Energy's significant accounting policies are summarized in Item 8 -- Note 2 of the Consolidated Financial Statements. The following table identifies certain of the significant accounting policies listed in Item 8 -- Note 2 of the Consolidated Financial Statements. The table also identifies the judgments required and uncertainties involved in the application of each. These policies, along with the underlying assumptions and judgments made by NRG Energy's management in their application, have a significant impact on NRG Energy's consolidated financial statements. NRG Energy identifies its most critical accounting policies as those that are the most pervasive and important to the portrayal of NRG Energy's financial position and results of operations, and that require the most difficult, subjective and/or complex judgments by management regarding estimates about matters that are inherently uncertain.

ACCOUNTING POLICY -----	JUDGMENTS/UNCERTAINTIES AFFECTING APPLICATION -----
Consolidation Policy	- Determination of control of investments with less than or equal to 50% interest - Consistent application of accounting policies of partnerships and joint ventures
Capitalization Practices	- Determination of beginning and ending of capitalization periods
Asset Valuation/Purchase Accounting	- Recoverability of investment through future operations - Regulatory and political environments and requirements - Estimated useful lives of assets
Revenue Recognition	- Allocation of purchase prices to identified assets - Customer/counter-party dispute resolution practices - Market maturity and economic conditions - Contract interpretation
Uncollectible Receivables	- Economic conditions affecting customers, counter parties, suppliers and market prices - Regulatory environment and impact on customer financial condition
Derivative Financial Instruments	- Outcome of litigation and bankruptcy proceedings - Market conditions in the energy industry, especially the effects of price volatility on contractual commitments - Assumptions used in valuation models - Counter party credit risk - Market conditions in foreign countries
Environmental Issues	- Regulatory and political environments and requirements - Government regulations and standards - Results of ongoing research and development regarding environmental impacts - Cost of remediation
Benefit Plan Accounting	- Future rate of return on pension and other plan assets - Interest rates used in valuing benefit obligation

ACCOUNTING POLICY

JUDGMENTS/UNCERTAINTIES AFFECTING APPLICATION

Income Tax Reserves

- Application of tax statutes and regulations to transactions
- Anticipated future decisions of tax authorities
- Ability of tax authority decisions/positions to withstand legal challenges and appeals
- Ability to utilize tax benefits through future earnings

Of all of the accounting policies identified in the above table, NRG Energy believes that the following policies and the application thereof to be those having the most direct impact on NRG Energy's financial position and results of operations.

CONSOLIDATION POLICY

NRG Energy's consolidated financial statements include NRG Energy's accounts and those of its subsidiaries. The accounting policies for all of NRG Energy's operations are in accordance with accounting principles generally accepted in the United States. NRG Energy has investments in partnerships, joint ventures and projects, investments such as these in which NRG Energy does not have control, but has the ability to exercise significant influence over the operating and financial policies, are accounted for under the equity method.

CAPITALIZATION PRACTICES, ASSET VALUATION AND PURCHASE ACCOUNTING

As of December 31, 2001, NRG Energy has a carrying value of approximately \$9.4 billion of net property, plant and equipment, \$2.9 billion of which is under construction, representing approximately 73.1% and 22.8% of total assets, respectively. The majority of the carrying value of property, plant and equipment is the result of NRG Energy's recent asset acquisitions. These amounts represent the estimated fair values at the date of acquisition. These estimates may be adjusted based upon completion of certain procedures including third party valuations. For those assets that were or are being constructed by NRG Energy the carrying value reflects the application of NRG Energy's property, plant and equipment policies which incorporate estimates, assumptions and judgments by management relative to the capitalized costs and useful lives of NRG Energy's generating facilities. NRG Energy periodically evaluates the recoverability of the carrying value of its property, plant and equipment when events or changes in circumstances indicate that the carrying value of such assets may be impaired. Asset impairment evaluations are, by nature highly subjective.

REVENUE RECOGNITION AND UNCOLLECTIBLE RECEIVABLES

NRG Energy is primarily an electric generation company, operating a portfolio of majority-owned electric generating plants and certain plants in which its ownership is 50% or less which are accounted for under the equity method of accounting. NRG Energy also produces thermal energy for sale to customers and collects methane gas from landfill sites, which is then used for the generation of electricity. Both physical and financial transactions are entered into to optimize the financial performance of NRG Energy's generating facilities. Electric energy is recognized upon transmission to the customer. Capacity and ancillary revenue is recognized when contractually earned. Revenues from operations and maintenance services, is recognized when the services are performed. NRG Energy uses the equity method of accounting to recognize its pro rata share of the net income or loss of its unconsolidated investments. NRG Energy continually assesses the collectibility of its receivables and in the event it believes a receivable to be uncollectible an allowance for doubtful accounts is recorded or in the event of a contractual dispute the receivable and corresponding revenue may be considered unlikely of recovery and not recorded in the financial statements until management is satisfied that it will be collected.

DERIVATIVE FINANCIAL INSTRUMENTS

In January 2001, NRG Energy adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 requires NRG Energy to record all derivatives on the balance sheet

at fair value. Changes in the fair value of non-hedge derivatives

36

are immediately recognized in earnings. Changes in the fair value of derivatives accounted for as hedges are either recognized in earnings as offset to the charges in the fair value of the related hedged assets, liabilities and firm commitments or for forecasted transactions, deferred and recorded as a component of accumulated other comprehensive income (OCI) until the hedged transactions occur and are recognized in earnings. NRG Energy primarily applies SFAS No. 133 to long-term power sales contracts, long-term gas purchase contracts and other energy related commodities financial instruments used to mitigate variability in earnings due to fluctuations in spot market prices, hedge fuel requirements at generation facilities and protect investments in fuel inventories. SFAS No. 133 also applies to interest rate swaps and foreign currency exchange rate contracts. The application of SFAS No. 133 results in increased volatility in earnings due to the impact market prices have on the market positions and financial instruments that NRG Energy has entered into. In determining the fair value of these derivative/financial instruments NRG Energy uses estimates, various assumptions, judgement of management and when considered appropriate third party experts in determining the fair value of these derivatives.

LIQUIDITY AND CAPITAL RESOURCES

Historically, NRG Energy and its subsidiaries have obtained cash from operations, issuance of debt and equity securities, borrowings under credit facilities, capital contributions from Xcel Energy, reimbursement by Xcel Energy of tax benefits pursuant to a tax sharing agreement and proceeds from non-recourse project financings. NRG Energy has used these funds to finance operations, service debt obligations, fund the acquisition, development and construction of generation facilities, finance capital expenditures and meet other cash and liquidity needs.

NRG Energy targets a financial strategy that sustains investment grade ratings and diversifies investment risk. Specifically, NRG Energy seeks to fund an average of 50% of its project investments with non-recourse project level debt, 20% with senior unsecured recourse debt, and 30% with equity and internal cash generation. The proportion of project financing varies depending on the dispatch and the quantity of revenues under contract so that base load or highly contracted plants will typically support greater than 50% non-recourse debt; whereas merchant or peaking assets will support less than 50% financing. When taken in total NRG Energy has and will continue to arrange 50% of its financing with non-recourse project level debt.

Substantially all of NRG Energy's operations are conducted by project subsidiaries and project affiliates. NRG Energy's cash flow and ability to service corporate-level indebtedness when due is dependent upon receipt of cash dividends and distributions or other transfers from NRG Energy's projects and other subsidiaries. The debt agreements of NRG Energy's subsidiaries and project affiliates generally restrict their ability to pay dividends, make distributions or otherwise transfer funds to NRG Energy. As of December 31, 2001, six of NRG Energy's subsidiaries and project affiliates are restricted from making cash payments to NRG Energy. Loy Yang, Killingholme, Energy Center Kladno and Louisiana Generating do not currently meet the minimum debt service coverage ratios required for these projects to make payments to NRG Energy; Batesville is resolving equipment problems that will cause its debt service coverage ratio to fall below the minimum required for distribution, though, irrespective of the debt service coverage ratio, no distributions to NRG Energy were anticipated from Batesville in 2002; and Crockett Cogeneration is limited in its ability to make distributions to NRG Energy and the other partners.

NRG Energy believes that the situations at Louisiana Generating, Energy Center Kladno, Batesville and Killingholme do not create an event of default and will not allow the lenders to accelerate the project financings. The forced outage of one 500 MW unit at Loy Yang combined with current market prices may lead to an event of default and the possible acceleration of the Loy Yang project debt in the fourth quarter of 2002, but if insurance claims are paid and

budgeted revenues and costs are achieved, along with replacement of the damaged unit as scheduled, default will be avoided. Loy Yang then has an AUD \$500 million repayment due in May 2003 that will need to be refinanced prior to maturity.

The bankruptcy of PG&E creates the potential for a covenant default that would result in the acceleration of the debt at Crockett if not resolved with the lenders. Management has engaged in active discussions with the lenders to Crockett since PG&E filed for bankruptcy in April 2001, and Crockett is being paid each month

by PG&E since the bankruptcy filing. Thus NRG Energy believes that an acceleration of the Crockett debt is unlikely. The U.S. Federal Bankruptcy Court recently approved the power purchase agreement thereby increasing the likelihood that Crockett soon will be permitted by the lenders to distribute any excess cash flows to the partners.

In all of these cases NRG Energy's corporate-level financial obligations to project lenders is limited to no more than six-months debt service.

CASH FLOWS

	2001 ----	2000 ----	1999 ----
Net cash provided by (used in) operating activities (in thousands).....	\$276,014	\$361,678	(\$11,380)

Net cash provided by operating activities decreased during 2001 compared with 2000, primarily due to adverse changes to working capital and increased undistributed equity earnings from unconsolidated affiliates. These decreases to net cash were partially offset by increases in net income after non-cash adjustments for depreciation and amortization in 2001 as compared to 2000. The adverse changes to working capital are primarily due to increases in inventory balances, accrued income taxes receivables and changes in other long term assets and liabilities, partially offset by a favorable change in other current liabilities.

Net cash provided by operating activities increased during 2000 compared with 1999, primarily due to increased earnings during the year, increased depreciation and amortization and deferred income tax and investment tax credits, non-cash reductions in earnings and improved working capital.

	2001 ----	2000 ----	1999 ----
Net cash used in investing activities (in thousands).....	(\$4,335,641)	(\$2,204,148)	(\$1,668,613)

Net cash used in investing activities increased in 2001, compared with 2000, primarily due to additional acquisitions of electric generating facilities and increased capital expenditures and project investments. Net cash used in investing activities increased in 2000, compared with 1999, primarily due to acquisitions of electric generating facilities and increased capital expenditures and project investments.

2001 ----	2000 ----	1999 ----
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Net cash provided by financing activities (in thousands).....	\$4,153,546	\$1,905,870	\$1,705,095
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Net cash provided by financing activities during 2001 increased, compared to 2000 due to the issuance of debt and equity securities to finance asset acquisitions. Net cash provided by financing activities during 2000 increased, compared to 1999, primarily due to the issuance of debt and equity securities to finance asset acquisitions.

PROSPECTIVE CAPITAL REQUIREMENTS

In 2002, NRG Energy expects to complete the acquisition from FirstEnergy, for approximately \$1.6 billion in cash and assumed debt, of a portfolio of assets. The FirstEnergy acquisition is expected to be financed with an \$875 million lease with limited recourse to NRG Energy, the assumption of \$145 million of municipal debt secured by the Bay Shore facility, and \$575 million of capital raised directly by NRG Energy through internal cash flow and the sale of existing assets.

CONSTRUCTION PROGRAM REQUIREMENTS

As of December 31, 2001, NRG Energy estimates its capital expenditure program to be approximately \$7.5 billion for the period 2002 - 2006. NRG Energy expects to spend approximately \$1.9 billion in 2002, \$1.8 billion in 2003 and \$1.6 billion in 2004. These estimated expenditures are primarily for NRG Energy's project development program. For 2002, NRG Energy's capital requirements reflect the expected construction costs for those projects currently under construction and those expected to begin construction in the near future. In January 2002, NRG Energy announced that it planned to scale back its previously announced acquisition and construction plans in order to enhance its financial position and improve liquidity in 2002. The

above amounts reflect this previously announced scaled back construction schedule. In March 2002, Xcel Energy commenced an exchange offer by which Xcel Energy would acquire all of the outstanding publicly held shares of NRG Energy. If successful, Xcel Energy has stated that it intends to delay or cancel \$1.6 billion of planned projects, among other actions. The proposed delays or cancellations have not been factored into the above expected capital expenditures.

NRG Energy's capital expenditure program is subject to continuing review and modification. Actual expenditures may differ significantly depending upon such factors as the success, timing of and the level of involvement in projects under consideration.

ACQUISITION AND CONSTRUCTION PROGRAM CAPITAL SOURCES

NRG Energy has generally financed the acquisition and development of its projects under financing arrangements to be repaid solely from each of its project's cash flows, which are typically secured by the plant's physical assets and equity interests in the project company.

Financing needs are subject to continuing review and can change depending on market and business conditions and changes, if any, in the capital requirements of NRG Energy and its subsidiaries. During the year ended December 31, 2001, NRG Energy financed its acquisition program and construction activities through a combination of the following corporate level and project level financings and operating cash flows. The specifics of such financing arrangements are detailed below:

As of December 31, 2001, NRG Energy had a \$500 million recourse revolving credit facility under a commitment fee arrangement that matures in March of 2002. This facility provided short-term financing in the form of bank loans. At December 31, 2001, NRG Energy had \$170 million outstanding under this facility.

In March 2002, the revolving credit facility terminated and was replaced with a \$1.0 billion 364-day corporate level unsecured revolving line of credit with ABN AMRO Bank, N.V. as Administrative Agent.

NRG Energy's \$1.0 billion 364-day revolving line of credit terminates on March 7, 2003. The facility is unsecured and provides for borrowings of "Base Rate Loans" and "Eurocurrency Loans". The Base Rate Loans bear interest at the greater of the Administrative Agent's prime rate or the sum of the prevailing per annum rates for overnight funds plus 0.5% per annum, plus an additional margin which varies based upon NRG Energy's utilization of the facility and its then-current senior debt credit rating. The Eurocurrency loans bear interest at an adjusted rate based on LIBOR plus an adjustment percentage which varies depending on NRG Energy's senior debt credit rating and the amount outstanding under the facility. The facility contains covenants that, among other things, restrict the incurrence of liens and require NRG Energy to maintain a net worth of at least \$500 million plus 25% of NRG Energy's consolidated net income from January 1, 2002 through the determination date. In addition, NRG Energy must maintain a debt to capitalization ratio of not more than 0.68 to 1.00, and must maintain an interest coverage ratio of not less than 2.00 to 1.00, as determined at the end of each fiscal quarter. The failure to comply with any of these covenants would be an Event of Default under the terms of the credit agreement.

In May 2001, NRG Energy's wholly-owned subsidiary, NRG Finance Company I LLC, entered into a \$2 billion revolving credit facility. The facility has been and will be used to finance the acquisition, development and construction of power generating plants located in the United States and to finance the acquisition of turbines for such facilities. The facility provides for borrowings of base rate loans and Eurocurrency loans and is secured by mortgages and security agreements in respect of the assets of the projects financed under the facility, pledges of the equity interests in the subsidiaries or affiliates of the borrower that own such projects, and by guaranties from each such subsidiary or affiliate. Provided that certain conditions are met that assure the lenders that sufficient security remains for the remaining outstanding loans, the borrower may repay loans relating to one project and have the liens relating to that project released. Loans that have been repaid may be re-borrowed, as permitted by the terms of the facility. The facility terminates on May 8, 2006. The facility is non-recourse to NRG Energy other than its obligation to contribute equity at certain times in respect of projects and turbines financed under the facility. As of December 31, 2001, the aggregate amount outstanding under this facility was \$697.5 million.

39

In January 2001, NRG Energy entered into a bridge credit agreement, with a final maturity date of December 31, 2001. Approximately \$600 million was borrowed under this facility to partially finance NRG Energy's acquisition of the LS Power generation assets.

During March of 2001, NRG Energy raised net proceeds of approximately \$473.4 million through a second common stock offering of 18.4 million shares of common stock. In addition, approximately \$278.4 million of net proceeds were raised through the issuance of 11.5 million equity units. Each equity unit initially comprises a \$25 principal amount of NRG Energy's senior debentures and an obligation to acquire shares of NRG Energy's common stock no later than May 18, 2004. A portion of the combined net proceeds were used to repay a \$600 million bridge credit agreement entered into in January 2001 to acquire certain generating facilities and projects from LS Power; the remaining net proceeds were used for general corporate purposes.

In April 2001, NRG Energy issued \$690 million of senior notes in two tranches. The first tranche of \$350 million matures in April 2011 and bears an interest rate of 7.75%. The second tranche of \$340 million matures in April 2031 and bears an interest rate of 8.625%. The net proceeds of the issuance were used for repayment of short-term indebtedness incurred to fund acquisitions, for investments, general corporate purposes and to provide capital for future planned acquisitions.

In June 2001, NRG Energy entered into a \$600 million term loan facility. The facility was unsecured and provided for borrowings of base rate loans and Eurocurrency loans. The facility had a termination date of June 21, 2002. As of December 31, 2001, the aggregate amount outstanding under this facility was \$600 million. NRG Energy repaid this facility in March 2002 in conjunction with the closing of its new \$1.0 billion unsecured corporate level revolving line of credit and the receipt of \$300 million of cash from Xcel Energy.

On June 22, 2001, NRG Mid Atlantic Generating LLC (Mid Atlantic), a wholly owned subsidiary of NRG Energy, borrowed approximately \$420.9 million under a five year term loan agreement (Agreement) to finance, in part, the acquisition of certain generating facilities from Conectiv. The Agreement terminates in November 2005 and provides for a total credit facility of \$580 million.

In June 2001, NRG Energy through its wholly owned subsidiaries, Brazos Valley Energy LP and Brazos Valley Technology LP, entered into a \$180 million non-recourse construction credit facility to fund the construction of the 600 MW Brazos Valley gas-fired combined cycle merchant generation facility located in Fort Bend County, Texas. As of December 31, 2001, there exists an outstanding balance of \$159.8 million under this credit agreement.

In connection with NRG Energy's acquisition of the Audrain facilities, NRG Energy has recognized a capital lease on its balance sheet in the amount of \$239.9 million, as of December 31, 2001. The capital lease obligation is recorded at the net present value of the minimum lease obligation payable. The lease terminates in May 2023. In addition, approximately \$326 million was drawn down on NRG Energy's construction revolver to refinance NRG Energy's investment in the Audrain County Municipal bonds originally issued to finance the construction of the Audrain generating facility.

In July 2001, NRG Energy completed the sale of \$500 million of unsecured senior notes. The senior notes were issued in two tranches, the first tranche of \$340 million of 6.75% Senior Notes is due July 2006 and the second tranche of \$160 million of 8.625% Senior Notes is due April 2031. NRG Energy received net proceeds from the sale of both series of notes of approximately \$505.2 million, including interest on the senior notes due 2031, accrued from April 5, 2001. The net proceeds were used to repay all amounts outstanding under NRG Energy's revolving credit agreement and for investments, other general corporate purposes and to provide capital for planned acquisitions.

In August 2001, NRG Energy entered into a 364-day term loan of up to \$296 million. The credit facility was structured as a senior unsecured loan and was partially non-recourse to NRG Energy. The proceeds were used to finance the McClain generating facility acquisition. In November 2001 the credit facility was repaid from the proceeds of a \$181.0 million term loan and \$8.0 million working capital facility entered into by NRG McClain LLC, with Westdeutsche Landesbank Girozentrale, New York branch, as agent (Non-recourse to

40

NRG Energy). The final maturity date of the facility is November 30, 2006. As of December 31, 2001, the aggregate amount outstanding under this facility was \$159.9 million.

REGISTRATION STATEMENTS

In December 2000, NRG Energy filed a universal shelf registration statement with the SEC. Based on this registration, NRG Energy could issue up to \$1.65 billion of debt securities, preferred stock, common stock, depositary shares, warrants and convertible securities. This registration statement included \$150 million of securities that were carried forward from a previous shelf registration. During March 2001, NRG Energy issued 18.4 million shares of common stock and 11.5 million corporate units under this shelf registration. There are no remaining amounts available under this shelf registration as of December 31, 2001.

In June 2001, NRG Energy filed a shelf registration with the SEC to sell up to \$2 billion in debt securities, common and preferred stock, warrants and other

securities. NRG Energy expects to use the net proceeds for general corporate purposes, which may include the financing and development of new facilities, working capital and debt reduction. In July 2001, NRG Energy completed the sale of \$500 million of unsecured senior notes under this shelf registration, approximately \$1.5 billion remains available under this facility at December 31, 2001.

PREVIOUSLY EXISTING DEBT AND DEBT ASSUMED UPON ACQUISITION

For additional information on NRG Energy's short term and long term borrowing arrangements, see Item 8 -- Note 9 to the Consolidated Financial Statements.

PROJECTED FINANCING NEEDS

NRG Energy expects to meet its future financing requirements through a combination of internally generated cash, corporate and project level long term and short term debt, equity securities and equity like securities. As outlined above, NRG Energy is expected to need approximately \$7.5 billion during the period 2002 - 2006 in order to meet its planned construction schedule. NRG Energy plans to issue equity in the total amount of \$1.1 billion during the period 2002 - 2006, and project level long term debt financing in the amount of \$6.3 billion during this same period of time. If Xcel Energy successfully completes its tender offer, NRG Energy's equity capital requirements would come from cash infusions from Xcel Energy. NRG Energy believes it will be able to raise the necessary funding in the capital markets in the near term because most of the project level construction financing has already been committed either through the \$2.0 billion construction revolver or project specific construction financings.

IMPACT OF A DOWNGRADE OF CREDIT RATING

NRG Energy's unsecured credit rating is BBB- from Standard & Poors's and Baa3 from Moody's Investors Service. In December 2001, Moody's placed NRG Energy's credit rating on review for potential downgrade. NRG Energy's credit rating remains under review by Moody's for potential downgrade.

As of December 31, 2001, NRG Energy's off-balance sheet obligations pursuant to its guarantees of performance, equity and indebtedness obligations of its subsidiaries totaled approximately \$721.7 million. NRG Energy is directly liable for the obligations of certain of its project affiliates and other subsidiaries pursuant to guarantees relating to certain of their indebtedness, equity and operating obligations. In addition, in connection with the purchase and sale of fuel emission credits and power generation products to and from third parties with respect to the operation of some of NRG Energy's generation facilities in the United States, NRG Energy may be required to guarantee a portion of the obligations of certain of its subsidiaries.

If Moody's or Standard & Poor's were to downgrade NRG Energy, many of the corporate guarantees and commitments currently in place would need to be supported with letters of credit or cash collateral within 5 to 30 days. As of December 31, 2001, the amount of collateral required, if NRG Energy were downgraded, was approximately \$960 million, to satisfy certain of the above mentioned guarantees and obligations associated with the \$2 billion construction/acquisition revolver. Of the \$960 million in collateral that could be required,

approximately \$200 million relates to NRG Energy's guarantees of debt service reserve accounts required by some of its project-level financings; approximately \$400 million relates to NRG Energy's power marketing activities; and \$360 million would be required to support its Contingent Equity Guarantee associated with the \$2 billion construction/acquisition revolver.

Because NRG Energy limits the amount of the guarantees it issues to support NRG Power Marketing's activities, and because of the relatively small number of

margin accounts in place, even very large changes in market conditions would not have a material impact on the \$400 million of collateral that would be required for NRG Power Marketing in the event of a downgrade.

In the event of a downgrade, NRG Energy would expect to meet its collateral obligations with cash on hand, available credit lines provided under its revolving line of credit potentially from, liquidity support from Xcel Energy and the issuance of debt into capital markets. Xcel Energy has stated its plan to infuse approximately \$600 million of equity into NRG Energy in 2002 in connection with its exchange offer and merger. Of this amount, \$300 million has already been provided in the form of a convertible subordinated note that Xcel Energy has said it will cancel if its exchange offer and merger are completed. If the offer and merger are not completed, Xcel Energy has said it will continue to evaluate the terms and timing of any additional investment in NRG Energy. In March 2002, NRG Energy successfully replaced its corporate level \$500 million unsecured revolving line of credit facility with a new 364-day \$1.0 billion corporate level unsecured revolving line of credit. In addition, NRG Energy will maintain its \$125 million letter of credit facility and plans to secure an additional \$125 million credit facility for total credit facilities of \$1.25 billion to be available in 2002.

The Contingent Equity Guarantee associated with NRG Energy's construction/acquisition revolver could increase to a maximum of \$850 million by the end of 2002 as NRG Energy utilizes the capacity of the construction/acquisition revolver. Therefore, the amount of collateral required by the end of 2002 could increase to \$1.45 billion.

ASSET SALES

In January 2002, NRG Energy also announced that it has reviewed its portfolio of operating assets and has identified approximately 650 MW of less strategic facilities that it plans to put up for sale in the near term and expects to raise an additional \$350-\$400 million cash after paying off any project level debt.

OFF BALANCE-SHEET ITEMS

As of December 31, 2001, NRG Energy does not have any significant relationships with structured finance or special purpose entities that provide liquidity, financing or incremental market risk or credit risk. However, as noted in Item 8 -- Note 9 to the Consolidated Financial Statements, NRG Energy issued \$250 million of 8.70% ROARS due March 2020 through an unconsolidated guarantor trust. The sole assets of the trust consist of \$160 million of Reset senior notes due March 2020. NRG Energy has numerous investments of generally less than 50% interests in numerous energy and energy related entities that are accounted for under the equity method of accounting as disclosed in Item 8 -- Note 6 to the Consolidated Financial Statements. NRG Energy's pro-rata share of non-recourse debt held by unconsolidated affiliates was approximately \$940 million as of December 31, 2001. In the normal course of business NRG Energy may be asked to loan funds to these entities on both a long and short-term basis. Such transactions are generally accounted for as accounts payables and receivables to/from affiliates and notes receivables from affiliates and if appropriate, bear market based interest rates. For additional information regarding amounts accounted for as notes receivables to affiliates see Item 8 -- Note 8 to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

NRG Energy has a variety of contractual obligations and other commercial commitments that represent prospective cash requirements in addition to its capital expenditure programs. The following is a summarized

table of contractual obligations. See additional discussion in Item 8 -- Notes 9 and 17 to the Consolidated Financial Statements.

PAYMENTS DUE BY PERIOD AS OF DECEMBER 31, 2001 (IN THOUSANDS)

CONTRACTUAL CASH OBLIGATIONS	TOTAL	SHORT TERM	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Long term debt.....	\$ 7,791,660	\$ 477,638	\$274,914	\$2,052,963	\$4,986,145
Capital lease obligations.....	552,326	22,516	45,010	45,010	439,790
Operating leases.....	87,779	10,742	19,111	16,311	41,615
Unconditional purchase obligations.....	1,900,000	1,900,000	--	--	--
Short term debt.....	832,156	832,156	--	--	--
Total contractual cash obligations.....	\$11,163,921	\$3,243,052	\$339,035	\$2,114,284	\$5,467,550

AMOUNT OF COMMITMENT EXPIRATION PER PERIOD AS OF DECEMBER 31, 2001 (IN THOUSANDS)

OTHER COMMERCIAL COMMITMENTS	TOTAL AMOUNTS COMMITTED	SHORT TERM	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Lines of credit.....	\$2,540,000	\$540,000	\$ --	\$ --	\$2,000,000
Stand by letters of credit.....	170,287	170,287	--	--	--
Guarantees.....	721,730	149,450	37,300	19,000	515,980
Standby repurchase obligations.....	--	--	--	--	--
Other commercial commitments.....	--	--	--	--	--
Total commercial commitments.....	\$3,432,017	\$859,737	\$37,300	\$19,000	\$2,515,980

INTERDEPENDENT RELATIONSHIPS

NRG Energy does not have any significant interdependent relationships. Since it is a majority owned subsidiary of Xcel Energy there are certain related party transactions that take place in the normal course of business. For additional information regarding NRG Energy's related party transactions see Item 8 -- Note 7 to the Consolidated Financial Statements and Item 13 -- Certain Relationships and Related Transactions.

DOMESTIC ENVIRONMENTAL MATTERS

The construction and operation of power projects are subject to stringent environmental protection and land use regulation in the United States. These laws and regulations generally require lengthy and complex processes to obtain licenses, permits and approvals from federal, state and local agencies. If such laws and regulations are tightened and NRG Energy's facilities are not exempted from coverage, extensive modifications to further reduce environmental impacts could be required.

NRG Energy and its subsidiaries continue to strive to exceed compliance with all environmental regulations currently applicable to their operations. However, it is not possible at this time to determine when or to what extent additional facilities or modifications of existing or planned facilities will be required as a result of changes to environmental regulations, interpretations or enforcement policies or, generally, what effect future laws or regulations may have upon NRG Energy's operations. For more information on Environmental Matters see Item 8 -- Note 17 to the Consolidated Financial Statements.

FEDERAL INITIATIVES

Numerous Federal and legislative initiatives are being undertaken to control pollutant emissions from fossil-fuel-fired combustion units. All of NRG Energy's power plants will be affected in some manner by

changes that are expected to occur. In Congress, legislation is being proposed that would impose annual caps on U.S. power plant emissions of nitrogen oxide (NO(X)), sulfur dioxide (SO(2)), mercury, and, in some instances, carbon dioxide (CO(2)). NRG Energy is currently participating in the debates around such legislative proposals as a member of the Electric Power Supply Association. The U.S. Environmental Protection Agency (USEPA) is set to propose in December 2003 rules governing mercury emissions from power plants; these rules are set to be finalized on December 2004. In support of maintaining this schedule, a thorough review of existing power plant mercury emissions data is underway by USEPA and critical stakeholders.

Federal rules governing ozone season NO(X) emissions across the eastern United States have been finalized and will now occur in two phases. The first phase of restrictions will occur in the Ozone Transport Commission region during the 2003 and subsequent ozone seasons; all of NRG Energy's existing, wholly owned generating units in the Northeast and Mid-Atlantic regions are included in this part of the program. The second phase of NO(X) reductions will extend to states within the ozone transport assessment region and restrict 2004 and subsequent ozone season NO(X) emissions in most states east of the Mississippi River.

New rules governing cooling water intake structures at existing facilities are to be proposed during the first quarter of 2002 and finalized in August of 2003. These rules will specify rules governing the location, design, construction, and capacity of cooling water intake structures and reflect the best technology available for minimizing adverse environmental impact therewith.

Other Federal initiatives that would govern regional haze and fine particulate matter are underway, but under extended compliance timeframes.

REGIONAL INITIATIVES

WEST COAST REGION

The California Air Resources Board (CARB) is required under Senate Bill 28 (SB 28) to develop a schedule for retrofiting, by December 31, 2004, emission controls on existing power generation facilities. SB 28 requires that the emission control retrofit schedule be completed by CARB on or before July 1, 2002. CARB's current schedule for implementing the requirements of SB 28 show final rulemaking by spring of 2003. Because the SB 28 emission control retrofit requirements are not intended to change local or regional air quality control requirements, it is difficult to predict what, if any, additional emission controls would be required on NRG Energy's California assets.

The El Segundo and Long Beach Generating Stations are both regulated by the South Coast Air Quality Management District's (SCAQMD) Regional Clean Air Incentives Market (RECLAIM) program. This program, which regulates NO(X) emissions in the Los Angeles area, was amended on May 11, 2001 and included major changes with respect to power generation facilities. New RECLAIM Rule 2009 requires all existing power generation facilities to meet Best Available Retrofit Control Technology (BARCT) for NO(X) emissions from all utility boilers by January 1, 2003, and for all gas turbine units by January 1, 2004. Under the new rule, existing power generation facilities were required to submit compliance plans by September 1, 2001, listing how each unit at the stations would meet BARCT by the deadlines. El Segundo's compliance plan did not plan for any additional NO(X) controls to meet BARCT since Units 3 & 4 are already equipped with SCR technology (first installed on Unit 4 in 1995 and on Unit 3 in 2001) and Units 1 & 2 are expected to be decommissioned in order to build a new 621 MW combined cycle plant. The SCAQMD denied the El Segundo Compliance Plan in late 2001, citing that the SCRs on Units 3 & 4 could be cost effectively modified to meet a lower NO(X) emission rate. El Segundo Power, LLC has appealed this denial because the SCAQMD criteria for cost effectiveness assumes the units operate at 100% capacity factor, which is not how they truly operate and is contradictory to SCAQMD rules. The appeal case is still pending. The Long Beach Generating Station's compliance plan demonstrated that SCR technology is neither technically feasible nor cost effective and called for approximately \$1 million

in modifications to the existing steam injection system to meet BARCT. This compliance plan is still pending a decision by SCAQMD.

44

NORTHEAST REGION

Final rules implementing changes in air regulations in the states of Massachusetts and Connecticut were promulgated in 2000. The Connecticut rules required that existing facilities reduce their emissions of SO(2) in two steps, the first of which took place on January 1, 2002. The second milestone change is set to occur on January 1, 2003. NRG Energy is operating in full compliance with the first phase now and expects to comply with step phase changes in accordance with the established schedule. Connecticut's rules governing emissions of NO(X) were modified to restrict the average, non-ozon season NO(X) emission rate to 0.15 pound per million Btu heat input. NRG Energy will comply with the new NO(X) rules, in part, through selective firing of natural gas.

The new Massachusetts rules set forth schedules under which six existing coal-fired power plants were required to meet stringent emission limits for NO(X), SO(2), mercury, and CO(2). Control of carbon monoxide and particulate matter emissions were reserved for future consideration. NRG Energy has submitted an Emission Control Plan (ECP) to the Massachusetts Department of Environmental Protection (MADEP) which identified natural gas reburn technology as an option for meeting the NO(X) and SO(2) limits specified in the new rule. NRG Energy is conducting ongoing discussions with MADEP with respect to finalizing its ECP. By December 1, 2002, MADEP is to complete an evaluation of the technological and economic feasibility of controlling and eliminating emissions of mercury from the combustion of solid fossil fuel in Massachusetts. Within six months of completing the feasibility evaluation, MADEP must propose emission standards for mercury, with a proposed compliance date of October 1, 2006. NRG Energy is still considering its options with respect to how it will address MADEP's CO(2) emission standards. Such options include filing a legal challenge with respect to MADEP's legal authority to regulate CO(2) emissions.

New rules reducing allowable SO(2) and NO(X) emissions from large, fossil-fuel-fired combustion units in New York State were expected to be proposed in January 2002. No word has been released with regard to the reason the proposal of these rules has been delayed. NRG Energy has provided comments as part of New York State coalition of electricity producers on major conceptual flaws contained in pre-publication releases of the proposed rule.

SOUTH-CENTRAL REGION

The Louisiana Department of Environmental Quality has promulgated State Implementation Plan revisions to bring the Baton Rouge ozone non-attainment area into compliance with National Ambient Air Quality Standards. NRG Energy participated in development of the revisions which require NO(X) emissions to be reduced at the Big Cajun II Power Station to 0.21 pounds per million Btu heat input. This revision of the Louisiana air rules would appear to constitute a change-in-law covered by agreement between Louisiana Generating LLC and the electric cooperatives allowing the costs of added controls to be passed through to the cooperatives.

MID-ATLANTIC AND NORTH-CENTRAL REGION

No material impending rule changes affecting NRG Energy's existing facilities have been proposed in either of these regions.

INTERNATIONAL ENVIRONMENTAL MATTERS

Most of the foreign countries in which NRG Energy owns or may acquire or develop independent power projects have laws or regulations relating to the ownership or operation of electric power generation facilities. These laws and regulations are typically significant for independent power producers because they are still changing and evolving.

NRG Energy retains appropriate advisors in foreign countries and seeks to design its international development and acquisition strategy to comply with and take advantage of opportunities presented by each

45

country's energy laws and regulations. There can be no assurance that changes in such laws or regulations could not adversely affect NRG Energy's international operations.

RECENT ACCOUNTING DEVELOPMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized but instead be tested for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-lived assets and for Long-lived Assets to Be Disposed Of." Goodwill will no longer be amortized to comply with the provisions of SFAS No. 142. Instead, goodwill and intangible assets that will not be amortized should be tested for impairment annually and on an interim basis if an event occurs or a circumstance changes between annual tests that may reduce the fair value of a reporting unit below its carrying value. An impairment test is required to be performed within six months of the date of adoption, and the first annual impairment test must be performed in the year the statement is initially adopted.

NRG Energy and its subsidiaries, as required, adopted SFAS No. 142 on January 1, 2002. At December 31, 2001, NRG Energy had intangible assets of \$97.1 million, including \$56.6 million of goodwill. These amounts and all intangible assets and goodwill acquired in the future will be accounted for under the new accounting standard. The new accounting standard is expected to initially increase earnings by an immaterial amount due to the elimination of regular amortization expense, but occasionally cause reductions in earnings when impairment write-downs of goodwill and/or intangible assets are required. Expense recognized for amortization of goodwill in 2001 was \$3.8 million. NRG Energy does not expect to recognize any asset impairments as a result of adopting SFAS No. 142 in the first quarter of 2002.

In June 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires an entity to recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred. Upon initial recognition of a liability for an asset retirement obligation, an entity shall capitalize an asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. NRG Energy has not completed its analysis of SFAS No. 143.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 retains and expands upon the fundamental provisions of existing guidance related to the recognition and measurement of the impairment of long-lived assets to be held and used and the measurement of long-lived assets to be disposed of by sale. Generally, the provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001.

CALIFORNIA LIQUIDITY CRISIS

NRG Energy's California generation assets include a 57.67% interest in Crockett Cogeneration, a 39.5% interest in the Mt. Poso facility and a 50% interest in the West Coast Power partnership with Dynegy.

In March 2001, the California PX filed for bankruptcy under Chapter 11 of

the Bankruptcy Code, and in April 2001, Pacific Gas & Electric Company (PG&E) also filed for bankruptcy under Chapter 11. PG&E's filing delayed collection of receivables owed to the Crockett facility. In September 2001, PG&E filed a proposed plan of reorganization. Under the terms of the proposed plan, which is subject to challenge by interested parties, unsecured creditors such as NRG Energy's California affiliates would receive 60% of the amounts owed upon approval of the plan. The remaining 40% would be paid in negotiable debt with terms from 10 to 30 years. The California Power Exchange's (PX) ability to repay its debt is dependent on the extent to which it receives payments from PG&E and SCE. On December 21, 2001, the California bankruptcy court affirmed the Mt. Poso and Crockett Power Purchase Agreement (it had previously affirmed Mt. Poso's agreement) with PG&E and, in respect of the Crockett Power Purchase Agreement, approved a twelve-month

46

repayment schedule of all past due amounts totaling \$49.6 million, plus interest. The first payment of \$6.2 million, including accrued interest, was received on December 31, 2001.

NRG Energy's share of the net amounts owed to West Coast Power by the California ISO and PX totaled approximately \$85.1 million as of December 31, 2001, compared to \$101.8 million at December 31, 2000. These amounts reflect NRG Energy's share of (a) total amounts owed to West Coast Power less (b) amounts that are currently treated as disputed revenues and are not recorded as accounts receivable in the financial statements of West Coast Power LLC, and reserves taken against accounts receivable that have been recorded in the financial statements. The decrease is primarily attributed to cash collections from the California ISO during the fourth quarter of 2001.

ENRON EXPOSURE

During the fourth quarter of 2001, NRG Energy recorded a net after-tax expense of approximately \$6.7 million related to Enron Corp.'s bankruptcy. This amount includes a \$14.2 million after-tax charge to establish bad debt reserves, which was partially offset by a \$7.5 million after-tax gain on a credit swap agreement entered into as part of NRG Energy's credit risk management program. NRG Energy has fully provided for its exposure to Enron; however, as with any receivable, NRG Energy will pursue collection of all amounts outstanding through the ordinary course of business.

In addition, an Enron subsidiary, NEPCO, is serving as the construction contractor for two greenfield development projects, the Kendall and Nelson projects (2,336 MW combined) currently under construction in Illinois. Enron guaranteed NEPCO's obligations under the construction contracts. To date, the actual construction and engineering work on both projects has continued without disruption and NRG Energy expects the projects to achieve commercial operations on schedule. NRG Energy believes its overall construction costs for these two projects will increase by approximately \$22 per kilowatt, as a result of the need to restructure the underlying construction contracts following the Enron bankruptcy.

CERTAIN TRADING ACTIVITIES

The tables below disclose the trading activities that include non-exchange traded contracts accounted for at fair value. Specifically, these tables disaggregate realized and unrealized changes in fair value; identifies changes in fair value attributable to changes in valuation techniques; disaggregates estimated fair values at December 31, 2001 based on whether fair values are determined by quoted market prices or more subjective means; and indicates the maturities of contracts at December 31, 2001.

TRADING ACTIVITY (Gains/(Losses), in thousands)

Fair Value of contracts outstanding at the beginning of the

period.....	\$ (75,188)
Contracts realized or otherwise settled during the period...	(38,097)
Fair value of new contract when entered into during the period.....	--
Changes in fair values attributable to changes in valuation techniques.....	--
Other changes in fair values.....	185,521

Fair value of contracts outstanding at the end of the period.....	\$ 72,236
	=====

47

SOURCES OF FAIR VALUE (Gains/(Losses), in thousands)

	FAIR VALUE OF CONTRACTS AT PERIOD-END				
	MATURITY LESS THAN 1 YEAR	MATURITY 1-3 YEARS	MATURITY 4-5 YEARS	MATURITY IN EXCESS OF 5 YEARS	TOTAL FAIR VALUE
Prices actively quoted.....	\$ (18,826)	\$ (18,553)	\$ 8,200	\$ 2,823	\$ (26,356)
Prices provided by other external sources.....	--	--	--	--	--
Prices based on models & other valuation methods.....	58,890	156,326	(10,087)	(106,537)	98,592
	-----	-----	-----	-----	-----
	\$ 40,064	\$137,773	\$ (1,887)	\$ (103,714)	\$ 72,236
	=====	=====	=====	=====	=====

48

ITEM 7A -- QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NRG Energy uses a variety of financial instruments to manage its exposure to fluctuations in foreign currency exchange rates on its international project cash flows, interest rates on its cost of borrowing and energy and energy related commodities prices.

CURRENCY EXCHANGE RISK

NRG Energy has an investment in the Kladno project in the Czech Republic. Statement of Financial Accounting Standard (SFAS) No. 52, "Foreign Currency Translation," requires foreign currency gains and losses to flow through the income statement if settlement of an obligation is in a currency other than the local currency of the entity. A portion of the Kladno project debt is in a non-local currency (U.S. dollars and German deutsche marks). As of December 31, 2001, if the value of the Czech koruna decreases by 10% in relation to the U.S. dollar and the German deutsche mark, NRG Energy would record a \$4.2 million loss (after tax) on the currency transaction adjustment. If the value of the Czech koruna increased by 10%, NRG Energy would record a \$4.2 million gain (after tax) on the currency transaction adjustment. Additionally, NRG Energy has an investment in Hsin Yu in Taiwan which holds a payable denominated in U.S. Dollars. If the New Taiwan Dollar increased by 10%, NRG Energy would record a \$0.8 million gain (after tax) on the currency adjustment. These currency fluctuations are inherent to the debt structure of the projects and not indicative of the long-term earnings potential of the investments.

NRG Energy is also subject to currency risks associated with foreign denominated distributions from international investments. In the normal course of business NRG Energy receives distributions denominated in Australian Dollar, British Pound, Euro, Hungarian Forint and Czech Koruna. Upon completion of the Itiquira plant in Brazil, NRG Energy will also be subject to currency risk with

the Brazilian Real. NRG Energy engages in a Board approved strategy of hedging foreign denominated cash flows through a program of matching currency inflows and outflows, and to the extent required, fixing the U.S. Dollar equivalent of net foreign denominated distributions with currency forward and swap agreements with highly credit worthy financial institutions.

As of December 31, 2001, NRG Energy had two foreign currency exchange contracts with notional amounts of \$46.3 million. If the contracts had been discontinued on December 31, 2001, NRG Energy would have owed the counter-parties approximately \$2.4 million.

INTEREST RATE RISK

In order to minimize NRG Energy's exposure to changes in interest rates, NRG Energy attempts to maintain 60-70% of its debt as fixed rate, which has proven historically to provide the lowest volatility and price, when calculated on an annual basis. When necessary, NRG Energy will employ the use of interest rate swaps with highly credit worthy counter-parties to maintain this mix of fixed and floating rates.

As of December 31, 2001, NRG energy had various interest rate swap agreements with notional amounts totaling approximately \$2.4 billion. If the swaps had been discontinued on December 31, 2001, NRG Energy would have owed the counter parties approximately \$81.5 million. Based on the investment grade rating of the counter parties, NRG Energy believes that its exposure to credit risk due to nonperformance by the counter-parties to its hedging contracts is insignificant.

NRG Energy and its subsidiaries have both long and short-term debt instruments that subject it to the risk of loss associated with movements in market interest rates. As of December 31, 2001, a 100 basis point change in the benchmark rate on NRG Energy's variable rate debt would impact net income by approximately \$16.6 million. As of December 31, 2000, NRG Energy did not have a material interest rate exposure as a result of interest rate swaps, which convert floating rate debt into fixed rate debt.

COMMODITY PRICE

NRG Energy is exposed to commodity price variability in electricity, emission allowances and natural gas, oil and coal used to meet fuel requirements. To manage earnings volatility associated with these

commodity price risks, NRG Energy enters into financial instruments, which may take the form of fixed price, floating price or indexed sales or purchases, and options, such as puts, calls, basis transactions and swaps.

NRG Energy utilizes a "Value-at-Risk" (VAR) model to estimate a maximum potential loss in the fair value of its commodity portfolio including generation assets, load obligations and bilateral physical and financial transactions. The key assumptions for the NRG Energy VaR model include (1) a lognormal distribution of price returns (2) three day holding period and (3) a 95% confidence interval. The volatility estimate is based on the implied volatility for at the money call options. This model encompasses the following generating regions: Entergy, NEPOOL, NYPP, PJM, WSCC, SPP and Main.

The estimated maximum potential three-day loss in fair value of its commodity portfolio, calculated using the VAR model is as follows:

	(IN MILLIONS)

Year end December 31, 2001.....	\$ 71.7
Average.....	78.8

High.....	126.6
Low.....	58.6
Year end December 31, 2000.....	\$116.0
Average.....	80.0
High.....	125.0
Low.....	50.0

CREDIT RISK

NRG Energy is exposed to credit risk in its risk management activities. Credit risk relates to the risk of loss resulting from the nonperformance by a counter party of its contractual obligations. NRG Energy actively manages its counter-party credit risk. NRG Energy has an established credit policy in place to minimize overall credit risk. Important elements of this policy include ongoing financial reviews of all counter-parties, established credit limits, as well as monitoring, managing, and mitigating credit exposure.

ITEM 8 -- FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of NRG Energy, Inc. as of December 31, 2001 and 2000, and for the years then ended together with the Report of Independent Accountants are included in this Form 10-K on the pages indicated below.

	PAGE NO.

Report of Independent Accountants.....	51
Consolidated Statement of Income.....	52
Consolidated Statement of Cash Flows.....	53
Consolidated Balance Sheet.....	54
Consolidated Statement of Stockholders' Equity.....	56
Notes to Consolidated Financial Statements.....	57
Schedule II. Valuation and Qualifying Accounts.....	93

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of NRG Energy, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of NRG Energy, Inc. and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 21 to the financial statements, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" on January 1, 2001.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
 Minneapolis, Minnesota
 February 21, 2002

51

NRG ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
OPERATING REVENUES AND EQUITY EARNINGS			
Revenues from majority-owned operations.....	\$2,798,608	\$2,018,622	\$432,518
Equity in earnings of unconsolidated affiliates.....	210,032	139,364	67,500
Total operating revenues and equity earnings.....	3,008,640	2,157,986	500,018
OPERATING COSTS AND EXPENSES			
Cost of majority-owned operations.....	1,855,631	1,289,471	269,900
Depreciation and amortization.....	212,493	122,953	37,026
General, administrative and development.....	225,694	172,489	83,572
Total operating costs and expenses.....	2,293,818	1,584,913	390,498
OPERATING INCOME.....	714,822	573,073	109,520
OTHER INCOME (EXPENSE)			
Minority interest in earnings of consolidated subsidiaries.....	(6,564)	(11,335)	(2,456)
Gain on sale of interest in projects.....	--	--	10,994
Other income, net.....	34,084	7,857	6,432
Interest expense.....	(443,734)	(293,922)	(93,376)
Total other expense.....	(416,214)	(297,400)	(78,406)
INCOME BEFORE INCOME TAXES.....	298,608	275,673	31,114
INCOME TAX EXPENSE (BENEFIT).....	33,404	92,738	(26,081)
NET INCOME.....	\$ 265,204	\$ 182,935	\$ 57,195
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
OUTSTANDING - BASIC.....	194,929	165,861	147,605
EARNINGS PER WEIGHTED AVERAGE COMMON SHARE - BASIC.....	\$ 1.36	\$ 1.10	\$ 0.39
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
OUTSTANDING - DILUTED.....	196,439	166,989	147,605
EARNINGS PER WEIGHTED AVERAGE COMMON SHARES - DILUTED.....	\$ 1.35	\$ 1.10	\$ 0.39

See notes to consolidated financial statements.

52

NRG ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999

	-----	-----	-----
	(IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income.....	\$ 265,204	\$ 182,935	\$ 57,195
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Undistributed equity in earnings of unconsolidated affiliates.....	(119,002)	(43,258)	(27,181)
Depreciation and amortization.....	212,493	122,953	37,026
Deferred income taxes and investment tax credits.....	45,556	38,458	(3,401)
Unrealized (gains)/losses on energy contracts.....	(13,257)	--	--
Minority interest.....	6,564	4,993	857
Gain on sale of investments.....	--	--	(10,994)
Cash provided by (used in) changes in certain working capital items, net of effects from acquisitions and dispositions.....			
Accounts receivable.....	89,523	(198,091)	(99,608)
Accounts receivable-affiliates.....	--	10,703	9,964
Inventory.....	(111,131)	(12,316)	(17,287)
Prepayments and other current assets.....	(36,530)	(608)	(13,433)
Accounts payable.....	(4,512)	143,045	40,616
Accounts payable-affiliates.....	4,989	--	--
Accrued income taxes.....	(75,132)	39,137	25,834
Accrued property and sales taxes.....	4,054	3,743	1,740
Accrued salaries, benefits, and related costs.....	15,785	(8,153)	1,955
Accrued interest.....	35,637	38,479	5,192
Other current liabilities.....	37,675	(5,136)	(3,533)
Cash provided by (used by) changes in other assets and liabilities.....	(81,902)	44,794	(16,322)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	276,014	361,678	(11,380)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions, net of liabilities assumed.....	(2,813,117)	(1,912,957)	(1,519,365)
Consolidation of equity subsidiaries.....	--	--	20,181
Proceeds from sale of investments.....	4,063	8,917	43,500
Decrease/(increase) in restricted cash.....	(99,707)	5,306	(13,067)
Decrease/(increase) in notes receivable.....	45,091	(5,444)	58,331
Capital expenditures.....	(1,322,130)	(223,560)	(94,853)
Proceeds from sale of property.....	--	9,785	--
Investments in projects.....	(149,841)	(86,195)	(163,340)
NET CASH USED BY INVESTING ACTIVITIES.....	(4,335,641)	(2,204,148)	(1,668,613)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (payments)/borrowings under line of credit agreement.....	202,000	(367,766)	216,000
Proceeds from issuance of stock.....	475,464	453,719	--
Proceeds from issuance of corporate units (warrants).....	4,080	--	--
Proceeds from issuance of short term debt.....	622,156	--	682,096
Capital contributions from parent.....	--	--	250,000
Proceeds from issuance of long-term debt.....	3,268,017	3,034,909	575,633
Principal payments on long-term debt.....	(418,171)	(1,214,992)	(18,634)
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	4,153,546	1,905,870	1,705,095
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	(3,055)	360	--
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	90,864	63,760	25,102
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	95,243	31,483	6,381
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 186,107	\$ 95,243	\$ 31,483
	=====	=====	=====

See notes to consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

DECEMBER 31,

2001	2000
-----	-----

(IN THOUSANDS)

ASSETS

CURRENT ASSETS

Cash and cash equivalents.....	\$ 186,107	\$ 95,243
Restricted cash.....	161,842	12,135
Accounts receivable-trade, less allowance for doubtful accounts of \$33,962 and \$21,199.....	346,154	360,075
Income tax receivable.....	28,118	--
Inventory.....	331,323	174,864
Current portion of notes receivable.....	737	267
Derivative instruments valuation -- at market.....	54,934	--
Prepayments and other current assets.....	78,142	30,074
	-----	-----
Total current assets.....	1,187,357	672,658
	-----	-----

PROPERTY, PLANT AND EQUIPMENT, AT ORIGINAL COST

In service.....	7,005,680	4,106,653
Under construction.....	2,942,993	206,992
	-----	-----
Total property, plant and equipment.....	9,948,673	4,313,645
Less accumulated depreciation.....	(516,454)	(271,977)
	-----	-----
Net property, plant and equipment.....	9,432,219	4,041,668
	-----	-----

OTHER ASSETS

Equity investments in affiliates.....	1,050,510	973,261
Capitalized project costs.....	2,581	10,262
Notes receivable, less current portion.....	775,865	76,745
Decommissioning fund investments.....	4,336	3,863
Intangible assets, net of accumulated amortization of \$15,311 and \$8,951.....	97,133	101,570
Debt issuance costs, net of accumulated amortization of \$17,250 and \$6,443.....	110,708	48,773
Derivative instruments valuation -- at market.....	179,605	--
Other assets, net of accumulated amortization of \$13,323 and \$10,628.....	54,231	50,192
	-----	-----
Total other assets.....	2,274,969	1,264,666
	-----	-----
TOTAL ASSETS.....	\$12,894,545	\$5,978,992
	=====	=====

See notes to consolidated financial statements.

54

NRG ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31,

-----	-----
2001	2000
-----	-----

(IN THOUSANDS)

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Current portion of project level long-term debt.....	\$ 500,154	\$ 146,469
Revolving line of credit.....	170,000	8,000
Revolving line of credit, non-recourse debt.....	40,000	--
Project-level, non-recourse debt.....	22,156	--
Corporate level, recourse debt.....	600,000	--
Accounts payable-trade.....	330,471	255,917
Accounts payable-affiliate.....	16,867	7,191
Accrued income taxes.....	--	43,870
Accrued property, sales and other taxes.....	14,585	10,531
Accrued salaries, benefits and related costs.....	40,043	24,830
Accrued interest.....	96,479	51,962
Derivative instruments valuation -- at market.....	21,910	--
Other current liabilities.....	97,939	14,220
	-----	-----

Total current liabilities.....	1,950,604	562,990
OTHER LIABILITIES		
Project-level, long-term, non-recourse debt.....	4,871,432	2,146,953
Corporate level long-term, recourse debt.....	2,972,400	1,503,896
Deferred Income Taxes.....	445,736	55,642
Postretirement and other benefit obligations.....	75,455	83,098
Derivative instruments valuation -- at market.....	51,520	--
Other long-term obligations and deferred income.....	222,468	149,640
Minority interest.....	67,801	14,685
	-----	-----
Total liabilities.....	10,657,416	4,516,904
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Class A - Common stock; \$.01 par value; 250,000,000 shares authorized; 147,604,500 shares issued and outstanding.....	1,476	1,476
Common stock; \$.01 par value; 550,000,000 shares authorized; 50,939,875 shares and 32,395,500 shares issued and outstanding at December 31, 2001 and 2000...	509	324
Additional paid-in capital.....	1,713,984	1,233,833
Retained earnings.....	635,349	370,145
Accumulated other comprehensive income.....	(114,189)	(143,690)
	-----	-----
Total Stockholders' Equity.....	2,237,129	1,462,088
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$12,894,545	\$5,978,992
	=====	=====

See notes to consolidated financial statements.

55

NRG ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	CLASS A COMMON		COMMON		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
	STOCK	SHARES	STOCK	SHARES				
	(IN THOUSANDS)							
BALANCES AT DECEMBER 31, 1998.....	\$1,476	147,605	\$ --	--	\$ 530,438	\$130,015	\$ (82,597)	\$ 579,332
Net Income.....						57,195		57,195
Foreign currency translation adjustments.....							7,127	7,127
Comprehensive income for 1999....								64,322
Capital contribution from parent.....					250,000			250,000
BALANCES AT DECEMBER 31, 1999.....	\$1,476	147,605	\$ --	--	\$ 780,438	\$187,210	\$ (75,470)	\$ 893,654
Net Income.....						182,935		182,935
Foreign currency translation adjustments.....							(68,220)	(68,220)
Comprehensive income for 2000....								114,715
Issuance of common stock, net of issuance costs of \$32.2 million.....			324	32,396	453,395			453,719
BALANCES AT DECEMBER 31, 2000.....	\$1,476	147,605	\$324	32,396	\$1,233,833	\$370,145	\$ (143,690)	\$1,462,088
Net Income.....						265,204		265,204
Foreign currency translation adjustments and other.....							(41,600)	(41,600)
Deferred unrealized gains, net on derivatives.....							71,101	71,101
Comprehensive income for 2001....								294,705
Capital stock activity:								
-Issuance of corporate units/ warrant.....					4,080			4,080
-Tax benefits of stock option issuance.....					792			792
-Issuance of common stock, net of issuance costs of \$23.5 million.....			185	18,543	475,279			475,464
BALANCES AT DECEMBER 31, 2001.....	\$1,476	147,605	\$509	50,939	\$1,713,984	\$635,349	\$ (114,189)	\$2,237,129

See notes to consolidated financial statements.

NOTE 1 -- ORGANIZATION

NRG Energy, Inc., (NRG Energy), was incorporated as a Delaware corporation on May 29, 1992. Beginning in 1989, NRG Energy conducted business through its predecessor companies, NRG Energy, Inc. and NRG Group, Inc., Minnesota corporations, which were merged into NRG Energy subsequent to its incorporation. NRG Energy, together with its majority owned subsidiaries and affiliates, is a leading global energy company primarily engaged in the acquisition, development, ownership and operation of power generation facilities and the sale of energy, capacity and related products.

On June 5, 2000, NRG Energy completed its initial public offering. Prior to completing its initial public offering, NRG Energy was a wholly owned subsidiary of Northern States Power Company (NSP). During August 2000, NSP and New Century Energies, Inc. completed their merger. The surviving company operates under the new name Xcel Energy, Inc. (Xcel Energy). The shares of NRG Energy's class A common stock previously held by NSP are now owned by Xcel Energy. As of December 31, 2001, Xcel Energy owned a 74% interest in NRG Energy's outstanding common and class A common stock, representing 97% of the total voting power of NRG Energy's common stock and class A common stock.

In February 2002, Xcel Energy announced its intention to commence an exchange offer to acquire all of NRG Energy's outstanding common stock, and stated its intention to close this transaction in April 2002 (See Note 23).

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The consolidated financial statements include NRG Energy's accounts and those of its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Accounting policies for all of NRG Energy's operations are in accordance with accounting principles generally accepted in the United States of America. As discussed in Note 6, NRG Energy has investments in partnerships, joint ventures and projects. Investments in such businesses in which NRG Energy does not have control, but has the ability to exercise significant influence over the operating and financial policies, are accounted for under the equity method. Earnings from equity in international investments are recorded net of foreign income taxes.

CASH AND CASH EQUIVALENTS

Cash equivalents include highly liquid investments (primarily commercial paper) with an original maturity of three months or less at the time of purchase.

RESTRICTED CASH

Restricted cash consists primarily of cash collateral for letters of credit issued in relation to project development activities and funds held in trust accounts to satisfy the requirements of certain debt agreements.

INVENTORY

Inventory is valued at the lower of weighted average cost or market and consists principally of fuel oil, spare parts, coal, kerosene, emission allowance credits and raw materials used to generate steam.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at original cost or the present value of minimum lease payments for assets under capital leases. Significant additions or improvements extending asset lives are capitalized,

while repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Facilities and improvements.....	10-45 years
Machinery and equipment.....	7-30 years
Office furnishings and equipment.....	3-5 years

The assets and related accumulated depreciation amounts are adjusted for asset retirements and disposals with the resulting gain or loss included in operations. NRG Energy analyzes property, plant and equipment quarterly for potential impairment, assessing the appropriateness of lives and recoverability of net balances in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of."

IMPAIRMENT OF LONG LIVED ASSETS

Long-lived assets and intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell.

CAPITALIZED INTEREST

Interest incurred on funds borrowed to finance projects expected to require more than three months to complete is capitalized. Capitalization of interest is discontinued when the asset under construction is ready for its intended use. Capitalized interest was approximately \$27,175,000, \$2,667,000, and \$287,000 in 2001, 2000 and 1999, respectively.

CAPITALIZED PROJECT COSTS

Development costs and capitalized project costs include third party professional services, permits, and other costs which are incurred incidental to a particular project. Such costs are expensed as incurred until an acquisition agreement or letter of intent is signed, and the project has been approved by NRG Energy's Board of Directors. Additional costs incurred after this point are capitalized. When a project begins operation, previously capitalized project costs are reclassified to equity investments in affiliates or property plant and equipment and amortized on a straight-line basis over the lesser of the life of the project's related assets or revenue contract period.

DEBT ISSUANCE COSTS

Debt issuance costs are capitalized and amortized over the terms of the related debt.

INTANGIBLE ASSETS

Goodwill results when NRG Energy purchases a business at a price higher than the underlying fair value of the net assets. Effective January 1, 2002, NRG Energy implemented SFAS No. 142, "Goodwill and Other Intangible Assets." (SFAS No. 142). At December 31, 2001, NRG Energy had intangible assets of \$97.1 million including \$56.6 million of goodwill. These amounts and all intangible assets and goodwill acquired in the future will be accounted for under the new accounting standard. The new accounting can be expected to initially increase earnings due to the elimination of regular amortization expense, but

periodically cause reductions in earnings when impairment write-downs of goodwill and/or intangible assets are required.

58

INCOME TAXES

In March 2001, NRG Energy was deconsolidated from Xcel Energy for Federal income tax purposes. Prior to March 13, 2001, NRG Energy was included in the consolidated tax returns of Xcel Energy. NRG Energy calculated its income tax provision on a separate return basis under a tax sharing agreement with Xcel Energy as discussed in Note 10. Current Federal and certain state income taxes were payable to or receivable from Xcel Energy.

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

REVENUE RECOGNITION

NRG Energy is primarily an electric generation company, operating a portfolio of majority-owned electric generating plants and certain plants in which its ownership interest is 50% or less and which are accounted for under the equity method. In connection with its electric generation business, NRG Energy also produces thermal energy for sale to customers, principally through steam and chilled water facilities. NRG Energy also collects methane gas from landfill sites, which is then used for the generation of electricity. In addition, NRG Energy sells small amounts of natural gas and oil to third parties. NRG Energy's wholly owned subsidiary, NRG Power Marketing, Inc. enters into both physical and financial transactions on behalf of the entities which own the electric generating plants in order to optimize the financial performance of the plants.

Electrical energy revenue is recognized upon transmission to the customer. Capacity and ancillary revenue is recognized when contractually earned. Disputed revenues are not recorded on the financial statements and will not be recognized as income until disputes are resolved and collection is assured.

NRG Energy also performs operations and maintenance services for some of the projects in which it has an interest. Revenue is recognized as service contract revenue on these contracts when the services are performed.

NRG Energy uses the equity method of accounting to recognize as revenue its pro rata share of the net income or loss of the unconsolidated investment until such time as the company's investment is reduced to zero, at which time equity income is generally recognized only upon receipt of cash distributions from the investee.

NRG Energy recognizes other income for interest income on loans to affiliates as the interest is earned and realizable.

FOREIGN CURRENCY TRANSLATION

The local currencies are generally the functional currency of NRG Energy's foreign operations. Foreign currency denominated assets and liabilities are translated at end-of-period rates of exchange. Revenues, expenses and cash flows are translated at weighted-average rates of exchange for the period. The resulting currency adjustments are accumulated and reported as a separate component of stockholders' equity and are not included in the determination of the results of operations.

CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject NRG Energy to

concentrations of credit risk consist primarily of cash, accounts receivable, and notes receivable. Cash accounts are generally held in Federally insured banks. Accounts receivable, notes receivable and derivative instruments are concentrated within entities engaged in the energy industry. These industry concentrations may impact NRG Energy's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. Receivables are generally not collateralized; however, NRG

59

Energy believes the credit risk posed by industry concentration is offset by the diversification and creditworthiness of its customer base. See Note 17.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, receivables, accounts payables, and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables approximate fair value as the effective rates for these instruments are comparable to market rates at year end, including current portions. The carrying amount of long term debt was approximately \$8.3 billion and \$3.8 billion at December 31, 2001 and 2000, respectively. The estimated fair value of long-term debt is based on borrowing rates currently available with similar terms and average maturities.

STOCK BASED COMPENSATION

In 1995, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock Based Compensation." NRG Energy has elected to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principle Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, NRG Energy records expense in an amount equal to the excess of the quoted market price on the grant date over the option price. Such expense is recognized at the grant date for options fully vested. For options with a vesting period, the expense is recognized over the vesting period. NRG Energy has recognized approximately \$1.9 million and \$7.3 million of stock based compensation expense for the periods ended December 31, 2001 and 2000, respectively.

NET INCOME PER SHARE

Basic net income per share is calculated based on the weighted average of common shares outstanding during the period. Net income per share, assuming dilution is computed by dividing net income by the weighted average number of common and common equivalent shares outstanding. NRG Energy's only common equivalent shares are those that result from dilutive common stock options and NRG Energy's Corporate Units (see Note 15).

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

In recording transactions and balances resulting from business operations, NRG Energy uses estimates based on the best information available. Estimates are used for such items as plant depreciable lives, tax provisions, un-collectible accounts and actuarially determined benefit costs and the valuation of long-term energy commodities contracts, among others. As better information becomes available (or actual amounts are determinable), the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized but instead be tested for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-lived assets and for Long-lived Assets to Be Disposed Of." Goodwill will no longer be amortized to comply with the provisions of SFAS No. 142. Instead, goodwill and intangible assets that will not be amortized should be tested for impairment annually and on an interim basis if an event occurs or a circumstance changes between annual tests that may reduce the fair value of a reporting unit below its carrying value. An impairment test is

60

required to be performed within six months of the date of adoption, and the first annual impairment test must be performed in the year the statement is initially adopted.

NRG Energy and its subsidiaries, as required, adopted SFAS No. 142 on January 1, 2002. At December 31, 2001, NRG Energy had intangible assets of \$97.1 million, including \$56.6 million of goodwill. These amounts and all intangible assets and goodwill acquired in the future will be accounted for under the new accounting standard. The new accounting standard is expected to initially increase earnings by an immaterial amount due to the elimination of regular amortization expense, but occasionally cause reductions in earnings when impairment write-downs of goodwill and/or intangible assets are required. Expense recognized for amortization of goodwill in 2001 was \$3.8 million (pre-tax). NRG Energy does not expect to recognize any asset impairments as a result of adopting SFAS No. 142 in the first quarter of 2002.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires an entity to recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred. Upon initial recognition of a liability for an asset retirement obligation, an entity shall capitalize an asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. NRG Energy has not completed its analysis of SFAS No. 143.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 retains and expands upon the fundamental provisions of existing guidance related to the recognition and measurement of the impairment of long-lived assets to be held and used and the measurement of long-lived assets to be disposed of by sale. Generally, the provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001.

RECLASSIFICATIONS

Certain prior-year amounts have been reclassified for comparative purposes. These reclassifications had no effect on net income or total stockholders' equity as previously reported.

NOTE 3 -- ASSET ACQUISITIONS

During the year ended December 31, 2001, NRG Energy completed numerous acquisitions. These acquisitions have been recorded using the purchase method of accounting. Accordingly, these purchase prices have been preliminarily allocated to assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. These estimates may be adjusted based upon completion of certain procedures including third party valuations. Operations of

the acquired companies have been included in the operations of NRG Energy since the date of the respective acquisitions.

In January 2001, NRG Energy purchased from LS Power, LLC a 5,339 MW portfolio of operating projects and projects in construction and advanced development that are located primarily in the north central and south central United States. Each facility employs natural gas-fired, combined-cycle technology. Through December 31, 2005, NRG Energy also has the opportunity to acquire ownership interests in an additional 3,000 MW of generation projects developed and offered for sale by LS Power and its partners.

In March 2001, NRG Energy purchased from Cogentrix the remaining 430 MW, or 51.37% interest, in an 837 MW natural gas-fired combined-cycle plant in Batesville, Mississippi. NRG Energy acquired a 48.63% interest in the plant in January 2001 from LS Power.

In June 2001, NRG Energy purchased a 640 MW natural gas-fired power plant in Audrain County, Missouri from Duke Energy North America LLC.

In June 2001, NRG Energy closed on the construction financing for the Brazos Valley generating facility, a 633 MW gas-fired power plant in Fort Bend County, Texas that NRG Energy will build, operate and

61

manage. At the time of the closing, NRG Energy also became the 100% owner of the project by purchasing STEAG Power LLC's 50% interest in the project. NRG Energy expects the project to begin commercial operation in February 2003.

In June 2001, NRG Energy purchased 1,081 MW of interests in power generation plants from a subsidiary of Conectiv. NRG Energy acquired a 100% interest in the 784 MW coal-fired Indian River Generating Station located near Millsboro, Delaware and in the 170 MW oil-fired Vienna Generating Station located in Vienna, Maryland. In addition, NRG Energy acquired 64 MW of the 1,711 MW coal-fired Conemaugh Generating Station located approximately 60 miles east of Pittsburgh, Pennsylvania and 63 MW of the 1,711 MW coal-fired Keystone Generating Station located approximately 50 miles east of Pittsburgh, Pennsylvania.

In June 2001, NRG Energy purchased a 389 MW gas-fired power plant and a 116 MW thermal power plant, both of which are located on Csepel Island in Budapest, Hungary, from PowerGen. In April 2001, NRG Energy also purchased from PowerGen its interest in Saale Energie GmbH and its 33.3% interest in MIBRAG BV. By acquiring PowerGen's interest in Saale Energie, NRG Energy increased its ownership interest in the 960 MW coal-fired Schkopau power station located near Halle, Germany from 200 MW to 400 MW.

By acquiring PowerGen's interest in MIBRAG, an integrated energy business in eastern Germany consisting primarily of two lignite mines and three power stations, and following MIBRAG's buy back of the shares NRG Energy acquired from PowerGen, NRG Energy increased its ownership of MIBRAG from 33.3% to 50%. The Washington Group International, Inc., owns the remaining 50% of MIBRAG.

In August 2001, NRG Energy acquired an approximately 2,255 MW portfolio of operating projects and projects in advanced development, including projects that NRG Energy intends to develop, that are located in Illinois and upstate New York from Indeck Energy Services, Inc.

In August 2001, NRG Energy acquired Duke Energy's 77% interest in the approximately 520 MW natural-gas fired McClain Energy Generating Facility located near Oklahoma City, Oklahoma. The Oklahoma Municipal Power Authority owns the remaining 23% interest. The McClain facility commenced operations in June 2001.

In September 2001, NRG Energy acquired a 50% interest in TermoRio SA, a 1,040 MW gas-fired cogeneration facility currently under construction in Rio de Janeiro State, Brazil, from Petroleos Brasileiros SA (Petrobras). Commercial

operation of the facility is expected to begin in March 2004. NRG Energy has the option to put its interest in the project back to Petrobras after March 2002 if by that time certain milestones have not been met, including final agreement on the terms of all project documents.

During fiscal year 2001, NRG Energy also acquired other minor interests in projects in Taiwan, India, Peru and the State of Nevada.

The respective purchase prices have been allocated to the net assets of the acquired entities as follows:

	DECEMBER 31, 2001

	(IN THOUSANDS)
Current assets.....	\$ 307,654
Property plant and equipment.....	4,173,509
Non-current portion of notes receivable.....	736,041
Current portion of long term debt assumed.....	(61,268)
Other current liabilities.....	(99,666)
Long term debt assumed.....	(1,586,501)
Deferred income taxes.....	(149,988)
Other long term liabilities.....	(202,411)
Other non-current assets and liabilities.....	(181,473)

Total purchase price.....	2,935,897
Less -- Cash balances acquired (excluding restricted cash).....	(122,780)

Net purchase price.....	\$ 2,813,117
	=====

NOTE 4 -- PROPERTY, PLANT AND EQUIPMENT

The major classes of property, plant and equipment at December 31, were as follows:

	2001	2000
	-----	-----
	(IN THOUSANDS)	
Facilities and equipment.....	\$6,863,930	\$4,009,244
Land and improvements.....	111,368	79,190
Office furnishings and equipment.....	30,382	18,219
Construction in Progress.....	2,942,993	206,992
	-----	-----
Total property, plant and equipment.....	9,948,673	4,313,645
Accumulated depreciation.....	(516,454)	(271,977)
	-----	-----
Net property, plant and equipment.....	\$9,432,219	\$4,041,668
	=====	=====

NOTE 5 -- INVENTORY

Inventory, which is stated at the lower of weighted average cost or market, at December 31, consists of:

	2001	2000
	-----	-----
	(IN THOUSANDS)	
Fuel oil.....	\$ 89,318	\$ 48,541
Coal.....	96,193	17,439
Kerosene.....	1,267	1,524
Spare parts.....	121,622	85,136
Emission credits.....	16,995	871
Natural gas.....	1,395	--
Other.....	4,533	21,353
	-----	-----
Total Inventory.....	\$331,323	\$174,864
	=====	=====

NOTE 6 -- INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

NRG Energy has investments in various international and domestic energy projects. The equity method of accounting is applied to such investments in affiliates, which include joint ventures and partnerships, because the ownership structure prevents NRG Energy from exercising a controlling influence over operating and financial policies of the projects. Under this method, equity in pretax income or losses of domestic

63

partnerships and, generally, in the net income or losses of international projects, are reflected as equity in earnings of unconsolidated affiliates.

A summary of NRG Energy's equity-method investments of 200 MW or more which were in operation at December 31, 2001 is as follows:

NAME	GEOGRAPHIC AREA	ECONOMIC INTEREST
----	-----	-----
Gladstone Power Station.....	Australia	37.50%
Loy Yang Power A.....	Australia	25.37%
Lanco Kondapalli Power.....	India	30.00%
MIBRAG GmbH.....	Europe	50.00%
ECK Generating (ECKG).....	Czech Republic	44.50%
Scudder Latin American Power.....	Latin America	25.00%
El Segundo Power.....	USA	50.00%
Long Beach Generating.....	USA	50.00%
Encina.....	USA	50.00%
San Diego Combustion Turbines.....	USA	50.00%
Rocky Road Power.....	USA	50.00%
Mustang.....	USA	25.00%
Sabine River Works Cogeneration.....	USA	50.00%
Cogeneration Corp. of America.....	USA	20.00%

Summarized financial information for investments in unconsolidated affiliates accounted for under the equity method as of and for the year ended December 31, is as follows:

	2001	2000	1999
	-----	-----	-----
	(IN THOUSANDS)		
Operating revenues.....	\$3,070,078	\$2,349,108	\$1,732,521
Costs and expenses.....	2,658,168	1,991,086	1,531,958
	-----	-----	-----
Net income.....	\$ 411,910	\$ 358,022	\$ 200,563
	-----	-----	-----
Current assets.....	\$1,425,175	\$1,000,670	\$ 742,674
Noncurrent assets.....	7,009,862	7,470,766	7,322,219
	-----	-----	-----
Total assets.....	\$8,435,037	\$8,471,436	\$8,064,893
	-----	-----	-----
Current liabilities.....	\$1,192,630	\$1,094,304	\$ 708,114
Noncurrent liabilities.....	4,533,168	4,306,142	5,168,893

Equity.....	2,709,239	3,070,990	2,187,886
Total liabilities and equity.....	\$8,435,037	\$8,471,436	\$8,064,893
NRG's share of equity.....	\$1,050,510	\$ 973,261	\$ 932,591
NRG's share of net income.....	\$ 210,032	\$ 139,364	\$ 67,500

NOTE 7 -- RELATED PARTY TRANSACTIONS

NRG Energy and Xcel Energy have entered into material transactions and agreements with one another and are expected to enter into material transactions and agreements from time to time in the future. Certain material agreements and transactions currently existing between NRG Energy and Xcel Energy are described below.

OPERATING AGREEMENTS

NRG Energy has two agreements with Xcel Energy for the purchase of thermal energy. Under the terms of the agreements, Xcel Energy charges NRG Energy for certain costs (fuel, labor, plant maintenance, and auxiliary power) incurred by Xcel Energy to produce the thermal energy. NRG Energy paid Xcel Energy \$7.1 million, \$5.5 million and \$4.4 million in 2001, 2000 and 1999, respectively, under these agreements. One of these agreements expires on December 31, 2002 and the other expires on December 31, 2006.

NRG Energy has a renewable 10-year agreement with Xcel Energy, expiring on December 31, 2006, whereby Xcel Energy agreed to purchase refuse-derived fuel for use in certain of its boilers and NRG Energy agrees to pay Xcel Energy a burn incentive. Under this agreement, NRG Energy received \$1.6 million, \$1.5 million and \$1.4 million from Xcel Energy, and paid \$2.8 million, \$2.8 million and \$2.7 million to Xcel Energy in 2001, 2000 and 1999, respectively.

ADMINISTRATIVE SERVICES AND OTHER COSTS

NRG Energy has an administrative services agreement in place with Xcel Energy. Under this agreement NRG Energy reimburses Xcel Energy for certain overhead and administrative costs, including benefits administration, engineering support, accounting, and other shared services as requested by NRG Energy. In addition, NRG Energy employees participate in certain employee benefit plans of Xcel Energy as discussed in Note 11. NRG Energy reimbursed Xcel Energy in the amounts of \$12.2 million, \$5.9 million and \$6.4 million, during 2001, 2000 and 1999, respectively, under this agreement.

NOTE 8 -- NOTES RECEIVABLE

Notes receivable consists primarily of fixed and variable rate notes secured by equity interests in partnerships and joint ventures. The notes receivable as of December 31, are as follows:

	2001	2000
	-----	-----
	(THOUSANDS OF DOLLARS)	
Central Texas Commercial Air Conditioning & Heating, Inc., due July 10, 2001, 10%.....	\$ --	\$ 60
O'Brien Cogen II note, due 2008, non-interest bearing.....	553	513
Southern Minnesota-Praireland Solid Waste, note due 2003, 7%.....	24	34
Omega Energy, LLC, due 2004, 12.5%.....	4,095	3,745
Omega Energy, LLC, due 2009, 11%.....	1,533	1,533
Audrain County, due December 2023, 10%.....	239,930	--
Elk River -- GRE, due December 31, 2008, non-interest bearing.....	2,098	--
Bangor Hydro Electric, due October 1, 2002, 5.45%.....	737	--
SET PERC Investment, LLC, due December 31, 2005, 7%.....	2,497	--
SET Telogia Investment, LLC, due December 31, 2008, 7%.....	3,775	--

Notes receivable - non-affiliates.....	255,242	5,885
NEO notes to various affiliates due primarily 2012, prime +2%.....	21,087	23,277
TOSLI, various notes due 2000, LIBOR plus 4.0%, 6.56% December 31, 2000.....	--	207
Pacific Generation, various notes, prime +2% to 12%.....	--	3,368
Kladno Power (No. 2) B.V. notes to various affiliates, non-interest bearing.....	46,635	44,275
Termo Rio (via NREnergating Luxembourg (No. 2) S.a.r.L, due 20 years after plant becomes operational, 19.5%.....	46,890	--
Saale Energie GmbH, indefinite maturity date, 4.75%-7.79%...	79,476	--
Northbrook Texas LLC, due February 2024, 9.25%.....	8,323	--
Notes receivable - affiliates.....	202,411	71,127
Saale Energia GmbH, due August 31, 2021, 13.88% (direct financing lease).....	318,949	--
Total.....	\$776,602	\$77,012
	=====	=====

Saale Energie GmbH (SEG) has a long-term electricity supply contract with its sole customer, VEAG. SEG supplies its total available electricity capacity to VEAG. The contract has a term of 25 years. VEAG is obligated to pay on a monthly basis a price that covers 1) the availability of power supply capacity and 2) the operating costs incurred to produce electricity. During the nine months subsequent to NRG Energy's consolidation of SEG in March 2001, approximately \$56.3 million was recognized as revenue under this agreement.

65

NOTE 9 -- DEBT AND CAPITAL LEASES

Long-term debt and capital leases consist of the following:

	2001	2000
	-----	-----
	(THOUSANDS OF DOLLARS)	
NRG DEBT:		
NRG Energy ROARS, due March 15, 2020, 7.97%.....	\$ 232,960	\$ 239,386
NRG Finance Company I LLC -- Construction revolver, due May 2006, various interest rates.....	697,500	--
NRG Energy senior debentures (corporate units), due May 16, 2006, 6.5%.....	284,440	--
NRG Energy senior notes:		
February 1, 2006, 7.625%.....	125,000	125,000
July 15, 2006, 6.75%.....	340,000	--
June 15, 2007, 7.50%.....	250,000	250,000
June 1, 2009, 7.50%.....	300,000	300,000
September 15, 2010, 8.25%.....	350,000	350,000
April 1, 2011, 7.75%.....	350,000	--
Nov. 1, 2013, 8.00%.....	240,000	240,000
April 1, 2031, 8.625%.....	500,000	--
NRG DEBT SECURED SOLELY BY PROJECT ASSETS:		
COBEE, due upon demand, non-interest bearing.....	--	69
San Francisco Capital lease, due September, 2002, 20.8%.....	11	--
Timber Energy Resources, Inc., due December 2002, 7%.....	4,620	--
Entrade revolving line of credit, various interest rates....	8,485	--
Hsin Yu Energy -- Capital lease, due April, 2003, 10.25%....	518	--
NRG San Diego, Inc. promissory note, due June 25, 2003, 8.0%.....	801	1,283
Pittsburgh Thermal LP, due 2002-2004, 10.61%-10.73%.....	4,400	5,525
San Francisco Thermal LP, October 5, 2004, 10.61%.....	3,761	4,984
Cahua SA, due various dates through November 2004, various interest rates.....	29,106	--
Various NEO debt due 2005-2008, 9.35%.....	23,956	27,186
LSP Kendall Energy LLC, due September 2005, 3.15%.....	499,500	--
MidAtlantic Generating LLC, due October 2005, 3.56%.....	420,892	--
NRG McClain due December 31, 2005, 3.43%.....	159,885	--
Camas Power Boiler LP, unsecured term loan, due June 30, 2007, 7.65%.....	11,779	14,526

COBEE, due July 2007, various interest rates.....	51,600	--
Camas Power Boiler LP, revenue bonds, due August 1, 2007, 4.65%.....	9,130	9,130
NRG Brazos Valley LLC, due June 30, 2008, 3.44%.....	159,750	--
Cementos Energia SA, due various dates through January 2011, various interest rates.....	26,014	--
Hsin Yu Energy Development, due various dates through 2012, various interest rates.....	89,964	--
Flinders Power Finance Pty, due September 2012, 8.56%.....	74,886	83,820
NRG Energy Center, Inc. senior secured notes due June 15, 2013, 7.31%.....	62,408	65,762
LSP Energy LLC (Batesville), due 2014 and 2025, 7.16%-8.16%.....	321,875	--
Crockett Cogeneration LLP, due December 31, 2014, 8.13%.....	234,497	245,229
PERC, due 2017 and 2018, 5.2%.....	33,220	--
Csepeli Aramtermelo, due October 2017, 3.79%-4.85%.....	169,712	--
Sterling Luxembourg (No. 3) S.a.r.L., due June 30, 2019, 7.86%, LIBOR+1.31%.....	329,842	346,668
Saale Energie GmbH, Schkopau Capital lease, due 2021, various interest rates.....	311,867	--
Audrain County, MO -- Capital lease, due December 2023, 10%.....	239,930	--

	2001	2000
	-----	-----
	(THOUSANDS OF DOLLARS)	
NRG South Central Generating LLC senior bonds, due various dates through September 15, 2024, various interest rates.....	763,500	788,750
NRG Northeast Generating LLC senior bonds, due various dates through December 15, 2024, various interest rates.....	610,000	700,000
Bulo Bulo, indefinite lived, non-interest bearing.....	18,177	--
	-----	-----
	8,343,986	3,797,318
Less current maturities.....	500,154	146,469
	-----	-----
Total.....	\$7,843,832	\$3,650,849
	=====	=====

SHORT TERM DEBT

As of December 31, 2001, NRG Energy had a \$500 million recourse revolving credit facility under a commitment fee arrangement that matures in March of 2002. This facility provides short-term financing in the form of bank loans and replaced an earlier facility with substantially similar terms and conditions, that matured in March 2001. At December 31, 2001, NRG Energy had \$170 million outstanding under this facility. In March 2002, the revolving credit facility was terminated and was replaced with a \$1.0 billion 364-day corporate-level unsecured revolving line of credit with ABN AMRO Bank N.V. as Administrative Agent. During the period ended December 31, 2001 the facility bore interest at a floating rate based on LIBOR and Prime rates throughout the period and had a weighted average interest rate of 5.89%.

As of December 31, 2001, NRG Energy, through its wholly owned subsidiary, NRG South Central Generating LLC, had outstanding approximately \$40 million under a project level, non-recourse revolving credit agreement which matures in March 2002. During the period ended December 31, 2001, the weighted average interest rate of such outstanding advances was 4.46%. The maximum available under this facility is \$40 million. NRG Energy intends to renew this facility with a facility having substantially similar terms and conditions.

In January 2001, NRG Energy entered into a bridge credit agreement with a final maturity date of December 31, 2001. Approximately \$600 million was borrowed under this facility to partially finance NRG Energy's acquisition of the LS Power generation assets. In March 2001, the bridge credit facility was

repaid with proceeds from NRG Energy's offering of common stock and equity units.

In June 2001, NRG Energy entered into a \$600 million term loan facility. The facility is unsecured and provides for borrowings of base rate loans and Eurocurrency loans. The facility terminates on June 21, 2002. As of December 31, 2001, the aggregate amount outstanding under this facility was \$600 million. During the period ended December 31, 2001 the weighted average interest rate of such outstanding advances was 3.94%. NRG Energy repaid this facility in March 2002, in connection with the closing of its new \$1.0 billion unsecured corporate-level revolving line of credit and the receipt of \$300 million of cash from Xcel Energy.

NRG Energy had \$170 million and \$63 million in outstanding letters of credit as of December 31, 2001 and 2000, respectively.

LONG-TERM DEBT AND CAPITAL LEASES

In May 2001, NRG Energy's wholly-owned subsidiary, NRG Finance Company I LLC, entered into a \$2 billion revolving credit facility. The facility will be used to finance the acquisition, development and construction of power generating plants located in the United States and to finance the acquisition of turbines for such facilities. The facility provides for borrowings of base rate loans and Eurocurrency loans and is secured by mortgages and security agreements in respect of the assets of the projects financed under the facility, pledges of the equity interests in the subsidiaries or affiliates of the borrower that own such projects, and by guaranties from each such subsidiary or affiliate. Provided that certain conditions are met that assure the lenders that sufficient security remains for the remaining outstanding loans, the borrower may repay loans

67

relating to one project and have the liens relating to that project released. Loans that have been repaid may be re-borrowed, as permitted by the terms of the facility. The facility terminates on May 8, 2006. The facility is non-recourse to NRG Energy other than its obligation to contribute equity at certain times in respect of projects and turbines financed under the facility. As of December 31, 2001, the aggregate amount outstanding under this facility was \$697.5 million. During the period ended December 31, 2001, the weighted average interest rate of such outstanding advances was 4.83%.

As part of NRG Energy's acquisition of the LS Power assets in January 2001, NRG Energy, through its wholly owned subsidiary, LSP Kendall Energy LLC, has acquired a \$554.2 million credit facility. The facility is non-recourse to NRG Energy and consists of a construction and term loan, working capital and letter of credit facilities. As of December 31, 2001, there were borrowings totaling approximately \$499.5 million outstanding under the facility at a weighted average annual interest rate of 5.12%.

Upon the acquisition of the LS Power assets, NRG Energy assumed approximately \$326 million of bonds outstanding originally issued to finance the construction of the Batesville generation plant. In May 1999, LSP Energy Limited Partnership (Partnership) and LSP Batesville Funding Corporation (Funding) issued two series of Senior Secured Bonds (Bonds) in the following total principle amounts: \$150 million 7.16% Series A Senior Secured Bonds due 2014 and \$176 million 8.160% Series B Senior Secured Bonds due 2025. Interest is payable semiannually on each January 15 and July 15. In March 2000, a registration statement was filed by Partnership and Funding and became effective. The registration statement was filed to allow the exchange of the Bonds for two series of debt securities (Exchange Bonds), which are in all material respects substantially identical to the Bonds. The Exchange Bonds are secured by substantially all of the personal property and contract rights of the Partnership and Funding. The Exchange Bonds are redeemable, at the option of Partnership and Funding, at any time in whole or from time to time in part, on not less than 30 nor more than 60 days prior notice to the holders of that series of Exchange Bonds, on any date prior to their maturity at a redemption

price equal to 100% of the outstanding principal amount of the Exchange Bonds being redeemed and a make whole premium. In no event will the redemption price ever be less than 100% of the principal amount of the Exchange Bonds being redeemed plus accrued and unpaid interest thereon. Principal payments are payable on each January 15 and July 15 beginning July 15, 2001.

On March 13, 2001, NRG Energy completed the sale of 11.5 million equity units for an initial price of \$25 per unit. The 11.5 million equity units sold included 1.5 million units sold pursuant to the underwriters' over-allotment option. NRG Energy received gross proceeds from the issuance of \$287.5 million. Net proceeds from this issuance were \$278.4 million after deducting underwriting discounts, commissions and estimated offering expenses. Each equity unit initially consists of a corporate unit comprising a \$25 principal amount of NRG Energy's senior debentures and an obligation to acquire shares of NRG Energy common stock no later than May 18, 2004 at a price ranging from between \$27.00 and \$32.94. Approximately \$4.1 million of the gross proceeds have been recorded as additional paid in capital to reflect the value of the obligation to purchase NRG Energy's common stock. Interest payments will be payable on the debentures quarterly in arrears on each February 16, May 16, August 16 and November 16, commencing May 16, 2001. Interest will be payable initially at an annual rate of 6.50% of the principal amount of \$25 per debenture to, but excluding, February 17, 2004, or May 18, 2004 if the interest rate is not reset three business days prior to February 17, 2004 or three business days prior to May 18, 2004, the debentures will bear interest from February 17, 2004, or May 18, 2004, as applicable, at the reset rate to, but excluding, May 16, 2006. In addition, original issued discount will accrue on the debentures. The net proceeds were used in part to reduce amounts outstanding under NRG Energy's \$600 million short-term bridge credit agreement, which was used to finance in part NRG Energy's acquisition of LS Power generation assets.

In March 2001, NRG Energy increased its ownership interest in PERC, which resulted in the consolidation of its equity investment in PERC. As a result, the assets and liabilities of PERC became part of the assets and liabilities of NRG Energy. Upon completion of the transaction, NRG Energy recorded approximately \$37.9 million of outstanding Finance Authority of Maine (FAME) Electric Rate Stabilization Revenue Refunding Bonds Series 1998 (FAME bonds) which were issued on PERC's behalf by FAME in June 1998. The face amount of the bonds that were initially issued was approximately \$44.9 million and was used to repay the Floating Rate Demand Resource Revenue Bonds issued by the Town of Orrington, Maine

68

on behalf of PERC. The FAME bonds are fixed rate bonds with yields ranging from 3.75% to 5.2%. The weighted average yield on the FAME bonds is approximately 5.1%. The FAME bonds are subject to mandatory redemption in annual installments of varying amounts through July 1, 2018. Beginning July 1, 2008 the FAME bonds are subject to redemption at the option of PERC at a redemption price equal to 102% through June 30, 2009, 101% for the period July 1, 2009 to June 30, 2010 and 100% thereafter, of the principal amount outstanding, plus accrued interest. The loan agreement with FAME contains certain restrictive covenants relating to the FAME bonds, which restrict PERC's ability to incur additional indebtedness, and restricts the ability of the general partners to sell, assign or transfer their general partner interests. The bonds are collateralized by liens on substantially all of PERC's assets.

In April 2001, NRG Energy issued \$690 million of senior notes in two tranches. The first tranche of \$350 million matures in April 2011 and bears an interest rate of 7.75%. The second tranche of \$340 million matures in April 2031 and bears an interest rate of 8.625%. Interest on the notes is due semi-annually each April and October. The net proceeds of the issuance were used for repayment of short-term indebtedness incurred to fund acquisitions, for investments, general corporate purposes and to provide capital for future planned acquisitions.

On June 22, 2001, NRG MidAtlantic Generating LLC (MidAtlantic), a wholly owned subsidiary of NRG Energy, borrowed approximately \$420.9 million under a five year term loan agreement (Agreement) to finance, in part, the acquisition

of certain generating facilities from Conectiv. The Agreement terminates in November 2005 and provides for a total credit facility of \$580 million. Interest is payable quarterly. The debt is guaranteed by MidAtlantic and its wholly owned subsidiaries. The Agreement provides for a variable interest rate at either the higher of the Prime rate or the Federal Funds rate plus 0.50%, or the London Interbank Offered Rate (LIBOR) of interest. During the period ended December 31, 2001, the weighted average interest rate for amounts outstanding under the Agreement was 4.56%. MidAtlantic is obligated to pay a commitment fee of 0.375% of the unused portion of the credit facility. The Agreement requires MidAtlantic to comply with certain covenants concerning limitations on additional borrowings, sales of assets, capital expenditures, and payment of dividends or other distributions to shareholders.

In June 2001, in connection with NRG Energy's acquisition of the Csepel facilities, NRG Energy assumed a non-recourse credit facility agreement that provides for borrowings of approximately \$78.5 million and DEM 203.6 million. As of December 31, 2001, there exists an outstanding balance of approximately \$169.7 million under this credit facility. The facility terminates in 2017 with principle payments due quarterly in varying amounts throughout the term of the agreement. Interest is payable quarterly at a variable rate.

In June 2001, NRG Energy through its wholly owned subsidiaries, Brazos Valley Energy LP and Brazos Valley Technology LP, entered into a \$180 million non-recourse construction credit facility to fund the construction of the 600 MW Brazos Valley gas-fired combined cycle merchant generation facility located in Fort Bend County, Texas. As of December 31, 2001, there exists an outstanding balance of \$159.8 million under this credit agreement. The weighted average interest rate as of December 31, 2001 was 4.61%, interest is payable quarterly.

In connection with NRG Energy's acquisition of the COBEE facilities, NRG Energy recorded on its balance sheet approximately \$56.3 million of non-recourse long-term debt that is due in 18 semi-annual installments of varying amounts beginning January 31, 1999 and ending July 31, 2007. The loan agreement provides an A Loan of up to \$30 million and a B Loan of up to \$45 million. Interest is payable semi-annual in arrears at a rate equal to 6-month LIBOR plus a margin of 4.5% on the A Loan and 6-month LIBOR plus a margin of 4.0% on the B Loan. The A Loan and the B Loan are collateralized by a mortgage on substantially all of COBEE's assets.

In August 2001, NRG Energy entered into a 364-day term loan of up to \$296 million. The credit facility was structured as a senior unsecured loan and was partially non-recourse to NRG Energy. The proceeds were used to finance the McClain generating facility acquisition. In November 2001, the credit facility was repaid from the proceeds of a \$181.0 million term loan and \$8.0 million working capital facility entered into by NRG McClain LLC, with Westdeutsche Landesbank Girozentrale, New York branch, as agent (non-recourse to NRG Energy). The final maturity date of the facility is November 30, 2006. As of December 31, 2001, the

69

aggregate amount outstanding under this facility was \$159.9 million. During the period ended December 31, 2001, the weighted average interest rate of such outstanding borrowings was 5.07%.

In connection with NRG Energy's acquisition of the Audrain facilities, NRG Energy has recognized a capital lease on its balance sheet within long-term debt in the amount of \$239.9 million, as of December 31, 2001. The capital lease obligation is recorded at the net present value of the minimum lease obligation payable. The lease terminates in May 2023. NRG Energy will make interest payments only over the term of the lease and no principal payments until the end of the lease term. In addition, NRG Energy has recorded in notes receivable, an amount of approximately \$239.9 million, which represents its investment in the bonds that the county of Audrain issued to finance the project.

In connection with NRG Energy's purchase of PowerGen's interest in Saale Energie GmbH, NRG Energy has recognized a non-recourse capital lease on its balance sheet within long-term debt in the amount of \$311.9 million, as of

December 31, 2001. The capital lease obligation is recorded at the net present value of the minimum lease obligation payable over the lease's remaining period of 20 years. In addition, a direct financing lease was recorded in notes receivable in the amount of approximately \$318.9 million.

The NRG Energy Center, Inc. notes are secured principally by long-term assets of the Minneapolis Energy Center (MEC). In accordance with the terms of the note agreement, MEC is required to maintain compliance with certain financial covenants primarily related to incurring debt, disposing of MEC assets, and affiliate transactions. MEC was in compliance with these covenants at December 31, 2001.

The NRG Energy senior notes are unsecured and are used to support equity requirements for projects acquired and in development. Interest is paid semi-annually.

The \$240 million NRG Energy Senior notes due November 1, 2013 are remarketable or redeemable Security (ROARS). November 1, 2003 is the first remarketing date for these notes. Interest is payable semi-annually on May 1, and November 1, of each year through 2003, and then at intervals and interest rates as discussed in the indenture. On the remarketing date, the notes will either be mandatorily tendered to and purchased by Credit Suisse Financial Products or mandatorily redeemed by NRG Energy at prices discussed in the indenture. The notes are unsecured debt that rank senior to all of NRG Energy's existing and future subordinated indebtedness.

The various NEO notes are term loans. The loans are secured principally by long-term assets of NEO Landfill Gas collection system. NEO Landfill Gas is required to maintain compliance with certain covenants primarily related to incurring debt, disposing of the NEO Landfill Gas assets, and affiliate transactions. NEO was in compliance with these covenants at December 31, 2001.

The Camas Power Boiler LP notes are secured principally by its long-term assets. In accordance with the terms of the note agreements, Camas Power Boiler LP is required to maintain compliance with certain financial covenants primarily related to incurring debt, disposing of assets, and affiliate transactions. Camas Power Boiler was in compliance with these covenants at December 31, 2001.

The Crockett Corporation term loan is secured primarily by the long-term assets of the Crockett Cogeneration project. Crockett is required to maintain compliance with certain financial covenants primarily related to incurring debt, disposing of assets and complying with the terms of the contract to sell energy, capacity and steam to Pacific Gas & Electric and its other customer. Crockett was in compliance with these covenants at December 31, 2001, but the bankruptcy of Pacific Gas & Electric, the counterparty on a material contract that provides security to the lenders, gives rise to a situation that could result in the acceleration of the loan. The Crockett partnership has been working with the lenders to resolve this issue, and it is the view of NRG Energy management that the lenders will not exercise their right to accelerate this loan.

On February 22, 2000, NRG Northeast Generating LLC, an indirect, wholly-owned subsidiary of NRG Energy, issued \$750 million of project level senior secured bonds, to refinance short-term project borrowings and for certain other purposes. The bond offering included three tranches: \$320 million with an interest rate of 8.065% due in 2004, \$130 million with an interest rate of 8.842% due in 2015 and \$300 million with an interest rate of 9.292% due in 2024. Interest and principal payments are due quarterly. The bonds are jointly and

severally guaranteed by each of NRG Northeast's existing and future subsidiaries. The bonds are secured by a security interest in NRG Northeast's membership or other ownership interests in the guarantors and its rights under all inter-company notes between NRG Northeast and the guarantors. In December 2000, NRG Northeast Generating LLC exchanged all of its outstanding bonds for bonds registered under the Securities Act of 1933. As of December 31, 2001, there remains \$610 million of outstanding bonds.

In March 2000, NRG Energy issued \$250 million of 8.70% ROARS due March 15, 2005. Each security represents a fractional interest in the assets of an unconsolidated grantor trust that pays interest semi-annually on March 15, and September 15, of each year through 2005. The sole assets of the Trust consists of (pounds)160 million of Reset senior notes due March 15, 2020 issued by NRG Energy pursuant to the Indenture and certain other defined rights. The Reset senior notes were used principally to finance NRG Energy's acquisition of the Killingholme facility. On March 15, 2005, these senior notes may be remarketed by Bank of America, N.A. at a fixed rate of interest through the maturity date or, at a floating rate of interest for up to one year and then at a fixed rate of interest through 2020, or redeemed by NRG Energy. Interest is payable semi-annually on these securities beginning September 15, 2000 through March 15, 2005, and then at intervals and interest rates established in the remarketing process.

Additionally, three of NRG Energy's foreign subsidiaries entered into a (pounds)325 million (US \$517 million at March 31, 2000) secured borrowing facility agreement with Bank of America International Limited. Under this facility, the financial institutions have made available to our subsidiaries various term loans totaling (pounds)235 million (US \$374 million at March 31, 2000) for purposes of financing the acquisition of the Killingholme facility and (pounds)90 million (US \$143 million at March 31, 2000) of revolving credit and letter of credit facilities to provide working capital for operating the Killingholme facility. The final maturity date of the facility is the earlier of June 30, 2019, or the date on which all borrowings and commitments under the largest tranche of the term facility have been repaid or cancelled.

In March 2000, NRG South Central Generating LLC, an indirect wholly owned subsidiary of NRG Energy, issued \$800 million of senior secured bonds in a two-part offering, to finance its acquisition of the Cajun generating facilities. The first tranche was for \$500 million with a coupon of 8.962% and a maturity of 2016. The second tranche was for \$300 million with a coupon of 9.479% and a maturity of 2024. Interest and principal payments are due quarterly. The bonds are secured by a security interest in NRG Central U.S. LLC's and South Central Generating Holding LLC's membership interests in NRG South Central and NRG South Central's membership interests in Louisiana Generating and all of the assets related to the Cajun facilities including its rights under a guarantor loan agreement and all inter-company notes between it and Louisiana Generating, and a revenue account and a debt service reserve account. In January 2001, NRG South Central Generating LLC exchanged all of its outstanding bonds for bonds registered under the Securities Act of 1933. As of December 31, 2001, there remains \$763.5 million of outstanding bonds.

In September 2000, Flinders Power Finance Pty, an Australian wholly owned subsidiary, entered into a twelve year AUD \$150 million promissory note (US \$81.4 million at September 2000). The interest has a fixed and variable component. At December 31, 2001, the effective interest rate was 5.89% and is paid semi annually.

In December 2000, NRG Energy filed a shelf registration with the SEC to issue up to \$1,650.0 million of an indeterminate amount of debt securities, preferred stock, common stock, depository shares, debt warrants, stock purchase contracts, stock purchase units and hybrid securities. This shelf registration includes \$150 million of securities that were carried forward from NRG Energy's previous shelf registration filed in December 1999.

In June 2001, NRG filed a shelf registration with the SEC to sell up to \$2 billion in debt securities, common and preferred stock, warrants and other securities. NRG expects to use the net proceeds of offering under the shelf for general corporate purposes, which may include the financing and development of new facilities, working capital and debt reduction. In July 2001, NRG Energy completed the sale of \$500 million of unsecured senior notes under this shelf registration. The senior notes were issued in two tranches, the first tranche of \$340 million of 6.75% Senior Notes is due July 2006 and the second tranche of \$160 million of 8.625% Senior Notes is due April 2031. Interest payments are due semi-annually on January 15 and July 15

until maturity for the Senior Notes due 2006 and April 1 and October 1 until maturity for the Senior Notes due 2031. NRG received net proceeds from the sale of both series of notes of approximately \$505.2 million, including interest on the senior notes due 2031, accrued from April 5, 2001. The net proceeds were used to repay all amounts outstanding under NRG's revolving credit agreement and for investments and other general corporate purposes and to provide capital for planned acquisitions.

Annual maturities of long-term debt and capital leases for the years ending after December 31, 2001 are as follows:

(THOUSANDS OF DOLLARS)	TOTAL
-----	-----
2002.....	\$ 500,154
2003.....	159,095
2004.....	160,829
2005.....	908,435
2006.....	1,189,538
Thereafter.....	5,425,935

Total.....	\$8,343,986

Future minimum lease payments for capital leases included above at December 31, 2001 are as follows:

(THOUSANDS OF DOLLARS)	

2002.....	\$ 69,576
2003.....	67,775
2004.....	65,985
2005.....	64,195
2006.....	62,405
Thereafter.....	988,420

Total minimum obligations.....	\$1,318,356
	=====
Interest.....	\$ (766,030)

Present value of minimum obligations.....	552,326

Current Portion.....	(22,516)

Long-term obligations.....	\$ 529,810
	=====

Total accumulated amortization related to the assets recorded with respect to NRG Energy's capital leases at December 31, 2001 was \$0.

NRG ENERGY CREDIT RATING

NRG Energy's unsecured credit rating is BBB- from Standard & Poor's and Baa3 from Moody's Investors Service. In December 2001, Moody's placed NRG Energy's credit rating on review for potential downgrade. NRG Energy's credit rating remains under review by Moody's for potential downgrade.

As of December 31, 2001, and 2000, NRG Energy's off-balance sheet obligations pursuant to its guarantees of performance, equity and indebtedness

obligations of its subsidiaries totaled approximately \$721.7 million and \$493 million, respectively. NRG Energy is directly liable for the obligations of certain of its project affiliates and other subsidiaries pursuant to guarantees relating to certain of their indebtedness, equity and operating obligations. In addition, in connection with the purchase and sale of fuel emission credits and power generation products to and from third parties with respect to the operation of some of NRG Energy's generation facilities in the United States, NRG Energy may be required to guarantee a portion of the obligations of certain of its subsidiaries.

If Moody's or Standard & Poor's were to downgrade NRG Energy, many of the corporate guarantees and commitments currently in place would need to be supported with letters of credit or cash collateral within 5 to 30 days.

72

As of December 31, 2001, the amount of collateral required, if NRG Energy were downgraded, was approximately \$960 million to satisfy certain of the above mentioned guarantees and certain obligations associated with the \$2 billion construction/acquisition revolver. Of the \$960 million in collateral that could be required, approximately \$200 million relates to NRG Energy's guarantees of debt service reserve accounts required by some of its project-level financings, approximately \$400 million relates to NRG Energy's power marketing activities; and \$360 million would be required to support its Contingent Equity Guarantee associated with the \$2 billion Construction/Acquisition Revolver.

Because NRG Energy places a maximum amount on its guarantees in place to support power marketing activities, and because of the relatively small number of margin accounts in place, even very large changes in market conditions would not have a material impact on the approximately \$400 million of collateral that would be required for NRG Power Marketing in the event of a downgrade.

In the event of a downgrade, NRG Energy would expect to meet its collateral obligations with cash on hand, available credit lines provided under its revolving line of credit, liquidity support from Xcel Energy and potentially from the issuance of debt into capital markets. Xcel Energy has stated its plan to infuse \$600 million of equity into NRG Energy in 2002 in connection with its exchange offer and merger. Of this amount, \$300 million has already been provided (March 2002) in the form of a convertible subordinated note that Xcel Energy has said it will cancel if its exchange offer and merger are completed. If the offer and merger are not completed, Xcel Energy has said it will continue to evaluate the terms and timing of any additional investment in NRG Energy. NRG Energy's revolving line of credit is expected to be increased from \$500 million to \$1 billion in March 2002. In addition, NRG Energy will maintain its \$125 million letter of credit facility and plans to secure an additional \$125 million credit facility for total credit facilities of \$1.25 billion to be available in 2002.

The Contingent Equity Guarantee associated with NRG Energy's construction revolver could increase to a maximum of \$850 million by the end of 2002 as NRG Energy utilizes the capacity of the Construction/ Acquisition Revolver. Therefore, the amount of collateral required by the end of 2002 could increase to \$1.45 billion.

NOTE 10 -- INCOME TAXES

Through March 12, 2001, NRG Energy had a tax sharing agreement with its parent, Xcel Energy, that included the following significant provisions: (1) if NRG Energy, along with its subsidiaries, is in a taxable income position, NRG Energy will be currently charged with an amount equivalent to its federal income tax computed as if the group had actually filed a separate return, and (2) if NRG Energy, along with its subsidiaries, is in a tax loss position, NRG Energy will be currently reimbursed to the extent its combined losses are utilized in a consolidated return, and (3) NRG Energy will be currently reimbursed for the tax credits it generates to the extent its tax credits are utilized in a consolidated return.

Due to the 2001 public equity offering, NRG Energy and its subsidiaries will file a federal income tax return separate from Xcel Energy for the period March 13, 2001 through December 31, 2001. This

deconsolidation for tax purposes has had no material impact on current or deferred taxes recorded for NRG Energy. The provision (benefit) for income taxes for the years ended December 31, consists of the following:

	2001	2000	1999
	-----	-----	-----
	(THOUSANDS OF DOLLARS)		
Current			
U.S.....	\$ 29,301	\$ 89,020	\$ 4,661
Foreign.....	7,149	(614)	4,040
	-----	-----	-----
	36,450	88,406	8,701
	-----	-----	-----
Deferred			
U.S.....	31,773	31,311	(6,693)
Foreign.....	13,969	7,104	(7,668)
	-----	-----	-----
	45,742	38,415	(14,361)
Tax credits recognized.....	(48,788)	(34,083)	(20,421)
	-----	-----	-----
Total income tax (benefit).....	33,404	92,738	(26,081)
	-----	-----	-----
Effective tax rate.....	11.2%	33.6%	(84.0)%

The components of the net deferred income tax liability at December 31 were:

	2001	2000
	-----	-----
	(THOUSANDS OF DOLLARS)	
Deferred tax liabilities		
Differences between book and tax basis of property.....	\$491,633	\$ 82,392
Investments in projects.....	30,036	29,475
Goodwill.....	2,116	2,015
Net unrealized gains on mark to market transactions.....	53,944	--
Other.....	8,845	10,546
	-----	-----
Total deferred tax liabilities.....	\$586,574	\$124,428
	-----	-----
Deferred tax assets		
Deferred compensation, accrued vacation and other reserves.....	23,555	23,703
Development costs.....	5,741	13,891
Foreign tax loss carryforwards.....	23,630	25,063
Differences between book and tax basis of contracts.....	82,972	--
Other.....	4,940	6,129
	-----	-----
Total deferred tax assets.....	140,838	68,786
	=====	=====
Net deferred tax liability.....	\$445,736	\$ 55,642
	=====	=====

The effective income tax rates for the years ended December 31, 2001 and 2000 differ from the statutory federal income tax rate of 35% as follows:

	2001		2000	
	-----		-----	
Income before income taxes.....	\$298,608		\$ 275,673	
	=====		=====	
Tax at 35%.....	104,512	35.0%	96,486	35%
State taxes (net of federal benefit).....	7,576	2.5%	29,541	10.72%
Foreign operations.....	(29,386)	(9.8)%	(10,692)	(3.88)%
Tax credits.....	(48,788)	(16.3)%	(34,083)	(12.36)%
Permanent differences, reserves, other.....	(510)	(0.2)%	11,486	4.16%
	-----		-----	
Income Tax Expense.....	\$ 33,404	11.2%	\$ 92,738	33.64%
	=====	=====	=====	=====

For the year ended December 31, 2001, income tax expense was \$33.4 million, compared to an income tax expense of \$92.7 million for the year ended December 31, 2000, a decrease of \$59.3 million. The decrease in tax expense compared to 2000 was primarily due to increased IRC Section 29 energy credits, a reduction in

74

the state effective tax rate, and a higher percentage of NRG's overall earnings derived from foreign projects in lower tax jurisdictions. For the year ended December 31, 2001, NRG Energy's overall effective tax rate was 11.2%, compared to 33.6% for the same period in 2000. For the year ended December 31, 2001, NRG Energy's overall effective income tax rate before recognition of tax credits was 27.5% compared to 46.0%, for the same period in 2000.

The effective income tax rate for the year ended December 31, 2000 differs from the statutory federal income tax rate of 35% primarily due to state tax, foreign tax and tax credits as shown above.

NRG Energy intends to reinvest the earnings of foreign operations except to the extent the earnings are subject to current U.S. income taxes. Accordingly, U.S. income taxes and foreign withholding taxes have not been provided on a cumulative amount of un-remitted earnings of foreign subsidiaries of approximately \$346 million and \$238 million at December 31, 2001 and 2000, respectively. The additional U.S. income tax and foreign withholding tax on the un-remitted foreign earnings, if repatriated, would be offset in whole or in part by foreign tax credits. Thus, it is not practicable to estimate the amount of tax that might be payable.

NOTE 11 -- BENEFIT PLANS AND OTHER POSTRETIREMENT BENEFITS PENSION BENEFITS

Substantially all of NRG Energy's employees participate in defined benefit pension plans. The majority of the employees participate in Xcel Energy's noncontributory, defined benefit pension plan which was formerly sponsored by NSP. Other employees participate in noncontributory, defined benefit pension plans that are sponsored by NRG Energy or NRG Energy affiliates. Benefits are generally based on a combination of an employee's years of service and earnings. Some formulas also take into account Social Security benefits. Plan assets principally consist of the common stock of public companies, corporate bonds and U.S. government securities. In addition, NRG Energy provides postretirement health and welfare benefits (health care and death benefits) for certain groups of its employees. Generally, these are groups that were acquired in recent years and for whom prior benefits are being continued (at least for a certain period of time or as required by union contracts). Cost sharing provisions vary by acquisition group and terms of any applicable collective bargaining agreements. Certain former NRG retirees are covered under the legacy Xcel plan, which was terminated for non-bargaining employees retiring after 1998 and for bargaining employees retiring after 1999.

Xcel's pension and other postretirement health and welfare benefit obligations and assets/(liability) at December 31, 2001 and 2000 were as follows:

	PENSION BENEFITS		OTHER BENEFITS	
	2001	2000	2001	2000
	(THOUSANDS OF DOLLARS)			
Benefit obligation at Dec. 31.....	\$1,366,912	\$1,275,815	\$191,114	\$170,932
Fair value of plan assets at Dec. 31.....	2,090,846	2,411,238	30,767	32,127
Accrued asset (liability) at Dec. 31.....	224,907	113,551	(90,566)	(91,165)

NRG Energy's net annual periodic pension cost includes the following components:

COMPONENTS OF NET PERIODIC BENEFIT COST

	PENSION BENEFITS		OTHER BENEFITS	
	2001	2000	2001	2000
	(THOUSANDS OF DOLLARS)			
Service cost benefits earned.....	\$ 6,931	\$ 5,769	\$ 910	\$ 833
Interest cost on benefit obligation.....	9,802	6,728	1,439	1,270
Amortization of prior service cost.....	427	394	(129)	(104)
Expected return on plan assets.....	(15,748)	(11,227)	--	--
Recognized actuarial (gain)/loss.....	(6,549)	(5,355)	(51)	(28)
Net periodic benefit cost (credit).....	\$ (5,137)	\$ (3,691)	\$2,169	\$1,971

75

A comparison of the pension benefit obligation and pension assets at December 31, 2001 and 2000 for all of NRG's plans on a combined basis is as follows:

RECONCILIATION OF FUNDED STATUS

	PENSION BENEFITS		OTHER BENEFITS	
	2001	2000	2001	2000
	(THOUSANDS OF DOLLARS)			
Benefit obligation at Jan. 1.....	\$ 90,572	\$ 24,289	\$ 18,194	\$ 421
Service cost.....	6,931	5,769	910	833
Interest cost.....	9,802	6,728	1,439	1,270
Employee contributions.....	570	--	7	6
Plan amendments.....	1,446	--	(278)	--
Actuarial (gain)/loss.....	8,407	5,357	1,806	(755)
Acquisitions.....	31,404	52,800	3,212	16,445
Benefit payments.....	(6,402)	(4,371)	(107)	(26)
Benefit obligation at Dec. 31.....	\$ 142,730	\$ 90,572	\$ 25,183	\$ 18,194
Fair value of plan assets at Jan. 1.....	\$ 171,177	\$ 47,078	\$ --	\$ --
Actual return on plan assets.....	(4,424)	90,058	--	--
Employee contributions.....	--	--	7	6
Employer contributions.....	14	--	100	20
Benefit payments.....	(6,402)	(4,371)	(107)	(26)
Acquisitions.....	17,334	38,412	--	--
Fair value of plan assets at Dec. 31.....	\$ 177,699	\$171,177	\$ --	\$ --
Funded status at Dec. 31 - excess of assets over obligation.....	\$ 35,376	\$ 80,605	(\$25,183)	(\$18,194)
Unrecognized prior service cost.....	5,400	4,381	(1,497)	(1,348)
Unrecognized net gain.....	(65,031)	(98,874)	1,419	(2,106)
Accrued asset (liability) at Dec. 31.....	\$ (24,255)	\$ (13,888)	(\$25,261)	(\$21,648)

AMOUNT RECOGNIZED IN THE BALANCE SHEET

	PENSION BENEFITS		OTHER BENEFITS	
	2001	2000	2001	2000
	(THOUSANDS OF DOLLARS)			
Accrued benefit liability.....	\$ (24,255)	\$ (13,888)	\$ (25,261)	\$ (18,199)
Intangible asset.....	(1,121)	--	--	--
Net amount recognized -- asset (liability)....	\$ (25,376)	\$ (13,888)	\$ (25,261)	\$ (18,199)

	PENSION BENEFITS		OTHER BENEFITS	
	2001	2000	2001	2000
Weighted-average assumption as of December 31,				
Discount Rate.....	7.25	7.75	7.25	7.75
Expected return on plan assets.....	9.50	8.50	9.00	8.00
Rate of compensation increase.....	4.50	4.50	--	--

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

	1-PERCENTAGE- POINT INCREASE	1-PERCENTAGE- POINT DECREASE
Effect on total of service and interest cost components.....	\$ 304	\$ (217)
Effect on postretirement benefit obligation.....	2,620	(2,086)

NRG Energy participates in Xcel Energy's defined contribution 401(K) plan that covers substantially all employees. Total contributions to the plan were approximately \$1.7 million, \$1.1 million and \$0.5 million for the years ended December 31, 2001, 2000 and 1999, respectively.

NRG EQUITY PLAN

During 1998 and 1999, NRG Energy's employees were eligible to participate in its Equity Plan (the Plan). The Plan granted, to employees, phantom equity units that were intended to simulate Stock options. Grant size was based on the participant's position in NRG Energy and base salary. Equity unit valuations were performed annually by an outside valuation firm. The value of an equity unit was the approximate value per share of NRG Energy's stockholder equity as of the valuation date, less the value of Xcel Energy's (formerly NSP) equity investments. The units were awarded to employees annually at the respective year's calculated share price (grant price). The Plan provided employees with a cash pay out for the unit's appreciation in value over the vesting period. The Plan had a seven year vesting schedule with actual payments beginning after the end of the third year and continuing at 20% each year for the subsequent five years. During 2001, 2000 and 1999, NRG Energy recorded compensation expense of approximately \$0, \$6.0 million and \$13.0 million, respectively, for the Plan.

The Plan included a change of control provision, which allowed all shares to vest if NRG Energy's ownership were to change. Subsequent to the completion of NRG Energy's initial public offering in June 2000, the Plan was converted to

a new stock option plan (see Note 14).

401(K) PLANS

NRG Energy also assumed several contributory, defined contribution employee savings plans as a result of its 2000 and 1999 acquisition activity. These plans comply with Section 401(k) of the Internal Revenue Code and cover substantially all of our employees who are not covered by Xcel Energy's 401(k) Plan. NRG Energy matches specified amounts of employee contributions to the plan. Employer contributions made to these plans were approximately \$1.5 million, \$1.1 million and \$0.3 million in 2001, 2000 and 1999, respectively.

PENSION AND OTHER BENEFITS -- 2001 ACQUISITIONS

During 2001, NRG Energy acquired several generating assets and assumed benefit obligations for a number of employees associated with those acquisitions. The plans assumption included noncontributory defined benefit pension plans, matched 401(k) savings plans, and contributory post-retirement welfare plans. Of the 2001 acquisitions where these obligations were assumed, approximately 79% percent of such employees are represented by one local union under collective bargaining agreements, which expire on July 1, 2004. Plan liability and expense amounts for these acquisitions are included in the pension and postretirement health care amounts shown above.

PENSION AND OTHER BENEFITS

NRG Energy assumed the Hsin Yu Energy Development Co., LTD. defined pension obligation upon NRG Energy's approximate 60% acquisition of Hsin Yu Development Co. LTD during fiscal year 2001. The approximate net periodic benefit cost for the year related to this plan was \$0.07 million.

NRG Energy also assumed the pension obligation related to Killingholme due to NRG Energy's acquisition of the gas-fired combined cycle, baseload facility in March of 2000. Pension costs relating to this plan for FY 2001 were approximately \$0.5 million.

NOTE 12 -- SALES TO SIGNIFICANT CUSTOMERS

During 2001, sales to two customers accounted for 26.7% and 13.8% of total revenues from majority owned operations in 2001. During 2000, sales to two customers accounted for 22.2% and 12.2% of total

revenues from majority owned operations in 2000. Sales to three customers accounted for 21.0%, 19.7% and 10.5% of total revenues from majority owned operations in 1999.

NOTE 13 -- FINANCIAL INSTRUMENTS

The estimated December 31 fair values of NRG Energy's recorded financial instruments are as follows:

	2001		2000	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
(IN THOUSANDS)				
Cash and Cash equivalents.....	\$ 186,107	\$ 186,107	\$ 95,243	\$ 95,243
Restricted cash.....	161,842	161,842	12,135	12,135
Notes receivable, including current portion....	777,602	777,602	77,012	77,012
Long-term debt, including current portion.....	8,343,986	8,217,452	3,797,318	3,838,627

For cash and cash equivalents and restricted cash, the carrying amount

approximates fair value because of the short-term maturity of those instruments. The fair value of notes receivable is based on expected future cash flows discounted at market interest rates. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues.

DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency exchange rates

At December 31, 2001 and 2000, NRG Energy had various foreign currency exchange instruments with combined notional amounts of \$46.3 million and \$8.8 million, respectively. These foreign currency exchange instruments were hedges of expected future cash flows. If the hedges had been terminated at December 31, 2001 and 2000, NRG Energy would have owed the counterparties \$2.4 million and \$0.7 million, respectively.

Interest rates

At December 31, 2001 and 2000, NRG Energy had various interest-rate swap agreements with combined notional amounts of \$2.4 billion and \$530 million, respectively. These contracts are used to manage NRG Energy's exposure to changes in interest rates. If these swaps had been terminated at December 31, 2001 and 2000, NRG Energy would have owed the counterparties \$81.5 million and \$28.9 million, respectively.

Energy related commodities

At December 31, 2001 and 2000 NRG Energy had various energy related commodities financial instruments with combined notional amounts of \$1.0 billion and \$309.0 million, respectively. These financial instruments take the form of fixed price, floating price or indexed sales or purchases, and options, such as puts, calls, basis transactions and swaps. These contracts are used to manage NRG Energy's exposure to commodity price variability in electricity, emission allowances and natural gas, oil and coal used to meet fuel requirements. If these contracts were terminated at December 31, 2001 and 2000, NRG Energy would have received \$224.1 million and \$52.8 million from counterparties, respectively.

Credit Risk

Management believes that NRG Energy's exposure to credit risk due to nonperformance by the counter-parties to its hedging contracts is insignificant, based on the investment grade rating of the counterparties. Counter-parties consist principally of financial institutions and major energy companies. NRG Energy actively manages its exposure to counter-party risk. NRG Energy has an established credit policy in place to minimize overall credit risk. Important elements of this policy include ongoing financial reviews of all counterparties, established credit limits, as well as monitoring, managing and mitigating credit exposure.

Enron Bankruptcy

During the fourth quarter of 2001, NRG Energy recorded a net after-tax expense of approximately \$6.7 million related to Enron Corp.'s bankruptcy. This amount includes a \$14.2 million after-tax charge to establish bad debt reserves, which was partially offset by a \$7.5 million after-tax gain on a credit swap agreement entered into as part of NRG Energy's credit risk management program. NRG Energy has fully provided for its exposure to Enron; however, as with any receivable, NRG Energy will pursue collection of all amounts outstanding through the ordinary course of business.

In addition, an Enron subsidiary, NEPCO, is serving as the construction contractor for two greenfield development projects, the Kendall and Nelson projects (2,336 MW combined) currently under construction in Illinois. Enron guaranteed NEPCO's obligations under the construction contracts. To date, the

actual construction and engineering work on both projects has continued without disruption and NRG Energy expects the projects to achieve commercial operations on schedule. NRG Energy believes its overall construction costs for these two projects will increase by approximately \$22 per kilowatt, as a result of the need to restructure the underlying construction contracts following the Enron bankruptcy.

NOTE 14 -- CAPITAL STOCK

SALE OF STOCK

In March 2001, NRG Energy completed the sale of 18.4 million shares of common stock for an initial price of \$27 per share. The offering was completed with all 18.4 million shares of common stock being sold including the over-allotment shares of 2.4 million. NRG Energy received gross proceeds from the issuance of \$496.6 million. Net proceeds from the issuance were \$473.4 million after deducting underwriting discounts, commissions and estimated offering expenses. The net proceeds were used in part to reduce amounts outstanding under NRG Energy's short-term bridge credit agreement, which was used to finance in part NRG Energy's acquisition of the LS Power assets. At December 31, 2001, there were approximately 50,939,875 shares of common stock, and 147,605,000 shares of Class A common stock issued and outstanding.

In June 2000, NRG Energy sold 32.4 million shares of common stock at \$15 per share. Net proceeds from the offering were \$453.7 million. NRG Energy has authorized capital stock consisting of 550,000,000 shares of common stock, and 250,000,000 shares of Class A common stock. At December 31, 2000, there were approximately 32,396,000 shares of common stock, and 147,605,000 shares of Class A common stock issued and outstanding.

INCENTIVE COMPENSATION PLAN

In June 2000, NRG Energy adopted a new incentive compensation plan (the New Stock Plan), which was approved by shareholders in June 2001 and which will be administered by a committee appointed by the Board of Directors. The New Stock Plan provides for awards in the form of stock options, stock appreciation rights, restricted stock, performance units, performance shares, or cash based awards as determined by the Board of Directors. All officers, certain other employees, and non-employee directors are eligible to participate in the plan. Nine million shares of common stock are authorized for issuance under the Stock Plan. Initially, only stock option grants will be made to certain officers, independent directors and employees under the plan.

Each new option granted is valued at the fair market value per share at date of grant. The difference between the option price and the market value of the stock at the date of grant, if any, of each option on the date of grant is recorded as compensation expense over a vesting period. Options granted prior to June 2001 vest over a period of five years, with 25% vesting in each of the years two through five and generally expire ten years from the date of grant. Options granted in June 2001 and subsequently, vest over a four year period, with 25% vesting each year and generally expire ten years from the date of grant. The board's independent directors' options vested immediately upon being granted. The average exercise price of vested options at December 31, 2001 and 2000 was \$14.39 and \$9.51, respectively, all of which were granted in replacement of units previously outstanding under the equity plan. Compensation expense related to options granted totaled \$1.9 million and \$7.3 million, for the year ended December 31, 2001 and 2000, respectively.

At December 31, 2000, no employee stock options were exercisable. Other options currently granted under the equity plan will fully vest periodically and become exercisable through the year 2005 at prices ranging from \$5.75 to \$17.25. Stock option transactions were (shares in thousands):

	SHARES -----	WEIGHTED- AVERAGE EXERCISE PRICE -----
Outstanding at January 1, 2000.....	--	\$ --
Granted.....	4,304	9.51
Exercised.....	--	--
Canceled or expired.....	--	--
Other, contingent share issuance.....	--	--
	-----	-----
Outstanding at December 31, 2000.....	4,304	9.51
	-----	-----
Exercisable December 31, 2000.....	--	\$ --
	-----	-----
Outstanding at January 1, 2001.....	4,304	\$ 9.51
Granted.....	3,437	20.19
Exercised.....	(145)	6.97
Canceled or expired.....	(169)	14.66
Other, contingent share issuance.....	--	--
	-----	-----
Outstanding at December 31, 2001.....	7,427	14.39
	-----	-----
Exercisable at December 31, 2001.....	1,368	7.45
	-----	-----

The following table summarizes information about stock options outstanding at December 31, 2001 (in thousands of shares):

RANGE OF EXERCISE PRICES -----	TOTAL OUTSTANDING -----	OPTIONS OUTSTANDING -----		OPTIONS EXERCISABLE -----	
		WEIGHTED- AVERAGE REMAINING LIFE (IN YEARS)	WEIGHTED- AVERAGE EXERCISE PRICE	TOTAL EXERCISABLE	WEIGHTED- AVERAGE EXERCISE PRICE
\$ 3.18 - \$ 6.36.....	635	1.7	\$ 5.75	329	\$ 5.75
\$ 6.36 - \$ 9.54.....	2,371	5.0	8.14	1,024	7.77
\$ 9.54 - \$15.90.....	2,211	9.1	14.43	--	--
\$15.90 - \$19.08.....	62	9.4	17.77	--	--
\$19.08 - \$22.26.....	36	9.5	21.45	--	--
\$22.26 - \$25.44.....	2,050	9.3	23.49	15	22.95
\$25.44 - \$28.62.....	2	8.6	25.62	--	--
\$28.62 - \$31.80.....	60	9.2	31.80	--	--
	-----	-----	-----	-----	-----
Total.....	7,427	7.2	\$14.39	1,368	\$ 7.45
	=====	===	=====	=====	=====

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions used for grants in 2001 and 2000.

	2001 -----	2000 -----
Dividends per year.....	--	--
Expected volatility.....	60.54	50.26
Risk-free interest rate.....	5.47	5.01
Expected life (years).....	7	7

Using the Black-Scholes option-pricing model, the weighted-average fair value of NRG Energy's stock options granted for 2001 and 2000 is \$13.26 and \$14.38 per share, respectively.

Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which, no compensation cost has been recognized. Had compensation cost been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), NRG Energy's net income and per share amounts would have approximated the following pro forma amounts for the years ended December 31:

		2001 -----	2000 -----
Net income.....	As reported	\$265,204	\$182,935
	Pro Forma	\$260,404	182,279
Earnings per share data:			
Basic earnings per share.....	As reported	\$ 1.36	\$ 1.10
	Pro Forma	1.34	1.10
Diluted earnings per share.....	As reported	1.35	1.10
	Pro Forma	1.33	1.09

The effects of applying SFAS No. 123 on pro forma disclosures of net income and earnings per share for the years ended December 31, 2001 and 2000 are not likely to be representative of the pro forma effects on net income and earnings per share in future years for the following reasons: 1) the number of future shares to be issued under this plan is not known, 2) the effect of an additional year of vesting no options granted in prior years is not considered in the assumptions as of December 31, 2001 and 3) the assumptions used to determine the fair value can vary significantly.

NOTE 15 -- EARNINGS PER SHARE

Basic earnings per common share were computed by dividing net income by the weighted average number of Class A common stock and common stock shares outstanding during each year. Shares issued during the year are weighted for the portion of the year that they were outstanding. Diluted earnings per share is computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive common shares that were outstanding during the period. The dilutive effect of the potential exercise of outstanding options to purchase shares of common stock is calculated using the treasury stock method. The dilutive effect of the issuance of common stock in the future due to the outstanding warrants (11.5 million shares) to buy NRG Energy common stock issued in connection with NRG Energy's Corporate Units issuance in March 2001 is calculated using the treasury stock method. The reconciliation of basic earnings per common share to diluted earnings per share is shown in the following table (in thousands, except per share data):

	FOR THE YEARS ENDED DECEMBER 31,								
	2001			2000			1999		
	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT
Basic earnings per share									
Income before									
extraordinary items...	\$265,204	194,929	\$ 1.36	\$182,935	165,861	\$1.10	\$57,195	147,605	\$.39
Effect of dilutive securities:									
Warrants (corporate units).....	--	--	--	--	--	--	--	--	--
Stock options.....	--	1,510	\$(0.01)	--	1,128	--	--	--	--
Diluted earnings per share.....	\$265,204	196,439	\$ 1.35	\$182,935	166,989	\$1.10	\$57,195	147,605	\$.39

As of December 31, 2001, 2000 and 1999, 2,077,180, 2,700 and 0 options, respectively, have been excluded from the dilutive calculation above as their exercise price exceeded the average fair market value of NRG Energy's common stock.

NOTE 16 -- CASH FLOW INFORMATION

Detail of supplemental disclosures of cash flow and non-cash investing and financing information was:

	2001	2000	1999
	(THOUSANDS OF DOLLARS)		
Interest paid (net of amount capitalized).....	\$ 385,885	\$ 248,325	\$ 82,891
Taxes paid/(refunds).....	\$ 57,055	\$ 20,923	\$ (54,384)
Detail of businesses and assets acquired:			
Current assets (including restricted cash).....	\$ 184,874	\$ 97,970	\$ 110,821
Fair value of non-current assets.....	4,779,530	1,896,113	1,433,370
Liabilities assumed, including deferred taxes.....	(2,151,287)	(81,126)	(24,826)
Cash paid net of cash acquired.....	\$ 2,813,117	\$1,912,957	\$1,519,365

NOTE 17 -- COMMITMENTS AND CONTINGENCIES

OPERATING LEASE COMMITMENTS

NRG Energy leases certain of its facilities and equipment under operating leases, some of which include escalation clauses, expiring on various dates through 2010. Rental expense under these operating leases was \$9.7 million, \$2.3 million and \$2.2 million in 2001, 2000 and 1999, respectively. Future minimum lease commitments under these leases for the years ending after December 31, 2001 are as follows:

	(THOUSANDS OF DOLLARS)

2002.....	\$10,742
2003.....	9,844
2004.....	9,267
2005.....	8,355
2006.....	7,956
Thereafter.....	41,615
Total.....	\$87,779
	=====

CAPITAL COMMITMENTS

NRG Energy's management expects future capital expenditures related to projects listed below, as well as construction and the purchase of turbines, to total approximately \$7.5 billion in the years 2002 through 2006. NRG Energy anticipates funding its ongoing capital requirements through the issuance of debt, equity and equity like instruments, preferred stock and operating cash flows.

NRG Energy has contractually agreed to the monetization of certain tax credits generated from landfill gas sales through the year 2007.

FirstEnergy. In November 2001, NRG Energy signed purchase agreements to acquire or lease four coal-fired generating facilities totaling approximately 2,535 MW and two ash disposal sites from subsidiaries of FirstEnergy Corporation. The four generating facilities are located in Ohio, along the shore of Lake Erie, and are the approximately 376 MW Ashtabula facility in Ashtabula,

Ohio, the approximately 249 MW Lake Shore facility in downtown Cleveland, the approximately 1,262 MW Eastlake facility near Cleveland and the approximately 648 MW Bay Shore facility near Toledo. NRG Energy is also acquiring all of the equity interests in Bay Shore Power Company, which is a subsidiary of FirstEnergy and the owner of a 136 MW petroleum coke-fired steam generating project currently undergoing testing and commissioning on the Bay Shore facility site. NRG Energy is working to close these acquisitions in the second quarter of 2002. In connection with the acquisition of these facilities, NRG Energy is entering into a Transition Power Purchase Agreement with FirstEnergy, pursuant to which NRG Energy will supply to FirstEnergy approximately 95% of the output from the facilities through 2005.

82

Conectiv. In June 2001, NRG Energy extended purchase agreements that were entered into with a subsidiary of Conectiv to acquire 794 MW of coal and oil-fired electric generating capacity and other assets in New Jersey and Pennsylvania, including an additional 66 MW of the Conemaugh Generating Station and an additional 42 MW of the Keystone Generating Station. By their terms these purchase agreements became terminable by either party after February 28, 2002, and on April 1, 2002 NRG Energy exercised its right to terminate the agreements.

CALIFORNIA LIQUIDITY CRISIS

NRG Energy's California generation assets include a 57.67% interest in Crockett Cogeneration, a 39.5% interest in the Mt. Poso facility and a 50% interest in the West Coast Power partnership with Dynegy.

In March 2001, the California PX filed for bankruptcy under Chapter Eleven of the Bankruptcy Code, and in April 2001, Pacific Gas & Electric Company (PG&E) also filed for bankruptcy under Chapter Eleven. PG&E's filing delayed collection of receivables owed to the Crockett facility. In September 2001, PG&E filed a proposed plan of reorganization. Under the terms of the proposed plan, which is subject to challenge by interested parties, unsecured creditors such as NRG Energy's California affiliates would receive 60% of the amounts owed upon approval of the plan. The remaining 40% would be paid in negotiable debt with terms from 10 to 30 years. The California Power Exchange's (PX) ability to repay its debt is dependent on the extent to which it receives payments from PG&E and SCE. On December 21, 2001, the California bankruptcy court affirmed the Crockett Power Purchase Agreement (it had previously affirmed Mt. Poso's agreement) with PG&E and, in respect of the Crockett Power Purchase Agreement, approved a twelve-month repayment schedule of all past due amounts totaling \$49.6 million, plus interest. The first payment of \$6.2 million, including accrued interest, was received on December 31, 2001.

NRG Energy's share of the net amounts owed to West Coast Power by the California ISO and PX totaled approximately \$85.1 million as of December 31, 2001 compared to \$101.8 million at December 31, 2000. These amounts reflect NRG Energy's share of (a) total amounts owed to West Coast Power less (b) amounts that are currently treated as disputed revenues and are not recorded as accounts receivable in the financial statements of West Coast Power LLC, and reserves taken against accounts receivable that have been recorded in the financial statements. The decrease is primarily attributed to cash collections from the California ISO during the fourth quarter of 2001.

CONTRACTUAL COMMITMENTS

In connection with the acquisition of certain generating facilities NRG Energy entered into various long-term transition agreements and standard offer agreements that obligated NRG Energy to provide its customers, primarily the previous owners of the acquired facilities, with a certain portion of the energy and capacity output of the acquired facilities.

During 1999, NRG Energy acquired the Huntley and Dunkirk generating facilities from Niagara Mohawk Power Corporation (NiMo). In connection with this acquisition, NRG Energy entered into a 4-year agreement with NiMo that requires NRG Energy to provide to NiMo pursuant to a predetermined schedule fixed

quantities of energy and capacity at a fixed price.

During 1999, NRG Energy acquired certain generating facilities from Connecticut Light and Power Company (CL&P). NRG also entered into a 4-year standard offer agreement that requires NRG Energy to provide to CL&P a portion of its load requirements through the year 2003 at a substantially fixed rate.

During 2000, NRG Energy acquired the non-nuclear generating assets of Cajun Electric. Upon acquisition of the facilities, NRG Energy entered into various long-term power purchase agreements with the former customers of Cajun Electric, primarily distribution cooperatives and municipalities. These agreements specify that NRG Energy provide these customers with all requirements necessary to satisfy the energy and capacity needs of their retail load.

Also during 2000, NRG Energy acquired the Killingholme generating facilities from National Power plc. In connection with this acquisition, NRG Energy entered into certain agreements to provide the natural gas to

83

operate the facility which generally sells its power into the spot market. NRG Energy has entered into two gas purchase agreements, the first being a 5-year agreement that provides approximately 30% of the generating facilities natural gas requirements and the second agreement being a 10-year agreement that provides approximately 70% of the generating facilities natural gas requirements. NRG Energy has also entered into a 5-year fixed price agreement to resell up to 15% of the gas it has contracted for at a slightly higher price.

Also during 2000, NRG Energy acquired the Flinders Power operations in South Australia. Upon the closing of the acquisition, NRG Energy assumed a gas purchase and sales agreement relating to the Osborne generating plant with a remaining life of 18-years. These agreements require NRG Energy to purchase a specified quantity of natural gas from a third party supplier at a fixed price for 18-years and resell the natural gas to Osborne at a fixed price for 13-years. The sales price is substantially lower than the purchase price. NRG Energy has recorded the liability associated with this out of the market contract in the amount of approximately \$66 million in other long-term obligations and deferred income on its balance sheet. In addition, NRG Energy has entered into a contract for differences agreement which provides for the sale of energy into the South Australian power pool through the year 2002. The agreement provides for a swap of the variable market price to a fixed price.

During 2001, NRG Energy acquired a portfolio of projects located in Delaware, Maryland and Pennsylvania from Conectiv. Upon closing of the acquisition, NRG Energy assumed a power purchase agreement. This agreement, which is not project specific, requires NRG Energy to deliver and Conectiv to purchase 500 MW of electric energy around the clock at a specified price through 2005. The sales price of the contracted electricity was substantially lower than the fair value that the electricity on the merchant market at the date of acquisition. NRG Energy has recorded the liability associated with the out of market contract on the balance sheet in the amount of approximately \$89.4 million as of December 31, 2001. Approximately \$45.1 million is recorded in other current liabilities and approximately \$44.3 million in other long-term obligations and deferred income. The difference will be amortized into income over the life of the agreement.

ENVIRONMENTAL REGULATIONS

As part of acquiring existing generating assets, NRG Energy has inherited environmental liabilities. Generally, potential liabilities are identified and researched during due diligence processes and funds are reserved in the financial pro forma to address them as circumstances dictate. Often, potential implementation plans are changed, delayed or abandoned due to one or more of the following conditions: (a) extended negotiations with regulatory agencies, (b) a delay in promulgating rules critical to dictating the design of expensive control systems, (c) changes in governmental/regulatory personnel, (d) changes in governmental priorities (i.e., events of September 11th, 2001), or (e) selection of a less expensive compliance option than originally envisioned. The

following paragraphs present an update on capital investments associated with existing environmental liabilities.

WEST COAST REGION

Environmental expenditures at the Encina Generating Station include the installation of Selective Catalytic Reduction (SCR) emission control technology on all five units. These SCRs are mandated by the San Diego County Air Pollution Control District Rule 69 and by the December 13, 2001 Rule 69 Regular Variance Order 3732. Units 4 & 5 were retrofit with SCRs beginning in late 2001 and scheduled to end in spring 2002. SCR emission control installations on Units 1, 2 & 3 are scheduled to be phased in beginning in fall 2002 and ending in spring 2003. The cost for all five SCR retrofits is estimated at approximately \$39 million.

NORTHEAST REGION

The total budgeted capital expenditures during the first 5 years of the Con-Ed, NIMO, Somerset and CLP assets acquired by NRG Energy were in the range of \$60 million dollars. During the years 1999-2001, NRG Energy recorded approximately \$4 million of expenditures on environmental matters related to inherited

84

liabilities associated with these assets. These expenditures were incurred as a result of moving forward with efforts to address NRG Energy's inherited remedial obligations, studies related to establishing strategies for complying with the NO(X) budget program, and other matters required as part of consent orders transferred to NRG Energy as part of acquisition packages. As the company progresses in its negotiations to close out consent order issues, an increased rate of expenditure is anticipated. NRG Energy estimates approximately \$7.5 million to close out the remaining issues associated with remedial investigations/clean-ups at Somerset, Arthur Kill, Astoria, Middletown, Norwalk Harbor, Devon, and Montville. In response to liabilities associated with these activities, accruals have been established when reasonable estimates are possible. As of December 31, 2001 and 2000, NRG Energy has established such accruals in the amount of approximately \$5.0 million and \$6.0 million, respectively. NRG Energy has not used discounting in determining its accrued liabilities for environmental remediation and no claims for possible recovery from third party issuers or other parties related to environmental costs have been recognized in NRG Energy's consolidated financial statements. NRG Energy adjusts the accruals when new remediation responsibilities are discovered and probable costs become estimable, or when current remediation estimates are adjusted to reflect new information. During the years 2001, 2000 and 1999, NRG Energy recorded expenses of approximately \$15.3 million, \$3.4 million and \$0.3 million of expenditures related to environmental matters, respectively.

The balance of the estimated \$60 million in capital expenditures over the next five years is most notably for landfill construction, installation of NO(X) controls, installation of best available technology for minimizing environmental impacts associated with impingement and entrainment of fish and larvae, particulate matter control improvements, and spill prevention controls.

MID-ATLANTIC REGION

Capital expenditures over the next five years related to resolving environmental concerns at the Indian River Generating Station are centered around possible closure of the existing landfill and construction of a new cell(s) to replace it, possible addition of a cooling tower, and the addition of controls to reduce NO(X) emissions. Currently, cost estimates for addressing the first two items vary widely with NRG Energy's success in selling ash and in NRG Energy's negotiations with the Delaware Natural Resources and Environment Commission (DNREC). If ash sales are poor, it is estimated that NRG Energy could spend up to \$11 million over the five-year timeframe to close/construct sections of the landfill; if sales are robust, expenditures related to closure/construction are expected to be minimal. In the unlikely event NRG

Energy is unable reach agreement with DNREC on extension of a variance, NRG Energy estimates a \$40 million cooling tower could be required; if negotiations are successful, a cooling tower can be avoided.

NRG Energy has also budgeted funds for installation of NO(X) controls at both the Indian River and Vienna Generating Stations.

SOUTH CENTRAL REGION

Approximately \$35 million over the next five years has been budgeted for the addition of NO(X) controls to Units 1-3 at Big Cajun II; \$5-10 million over the same time period is for NO(X) controls on the steam boilers at Big Cajun I. Approximately \$4-5 million will be spent over the next two years to reduce particulate matter emissions during start-up of the Big Cajun II boilers and \$3-5 million for expanding the existing bottom ash pond at the Big Cajun II plant site.

NORTH CENTRAL REGION

No capital expenditures related to environmental liabilities have been budgeted at this time.

LEGAL ISSUES

New York Environmental Litigation

In January 2002 the New York Attorney General and the New York Department of Environmental Control filed suit in the western district of New York against NRG Energy and Niagara Mohawk Power Corporation, the prior owner of the Huntley and Dunkirk facilities in New York. The lawsuit relates to

85

physical changes made at those facilities prior to NRG Energy's assumption of ownership. The complaint alleges that these changes represent major modifications undertaken without the required permits having been obtained. Although NRG Energy has a right to indemnification by the previous owner for fines, penalties, assessments and related losses resulting from the previous owner's failure to comply with environmental laws and regulations, NRG Energy could be enjoined from operating the facilities if the facilities are found not to comply with applicable permit requirements.

In July 2001, Niagara Mohawk Power Corporation filed a declaratory judgment action in the Supreme Court for the State of New York, County of Onondaga, against NRG Energy and its wholly-owned subsidiaries, Huntley Power LLC and Dunkirk Power LLC. Niagara Mohawk Power Corporation requests a declaration by the Court that, pursuant to the terms of the Assets Sales Agreement under which NRG Energy purchased the Huntley and Dunkirk generating facilities from Niagara Mohawk (the ASA), defendants have assumed liability for any costs for the installation of emissions controls or other modifications to or related to the Huntley or Dunkirk plants imposed as a result of violations or alleged violations of environmental law. Niagara Mohawk Power Corporation also requests a declaration by the Court that, pursuant to the ASA, defendants have assumed all liabilities, including liabilities for natural resource damages, arising from emissions or releases of pollutants from the Huntley and Dunkirk plants, without regard to whether such emissions or releases occurred before, on or after the closing date for the purchase of the Huntley and Dunkirk plants. NRG Energy has counterclaimed against Niagara Mohawk Power Corporation, and the parties have exchanged discovery requests.

California Litigation

NRG Energy and other power generators and power traders have been named as defendants in certain private plaintiff class actions filed in the Superior Court of the State of California for the County of San Diego in San Diego, California in November 2000 (Pamela R. Gordon v. Reliant Energy, Inc., et al. and Ruth Hendricks v. Dynegy Power Marketing Inc., et al). NRG Energy has also been named in another suit filed in January 2001 in San Diego County and brought

by three California water districts, as consumers of electricity (Sweetwater Authority v. Dynege, Inc., et al.), and in two suits filed in San Francisco County, one brought by the San Francisco City Attorney on behalf of the people of the State of California (The People of the State of California v. Dynege Power Marketing, Inc., et al.) and one brought by Pier 23 Restaurant as a class action (Pier 23 Restaurant v. PG&E Energy Trading, et al.). Certain NRG Energy affiliates in NRG Energy's West Coast power partnership with Dynege (Cabrillo I and II, Long Beach Generation and El Segundo Power) have been named as defendants in a state court action in Los Angeles County (Bustamonte v. Dynege, Inc., et al.).

Although the complaints contain a number of allegations, the basic claim is that, by underbidding forward contracts and exporting electricity to surrounding markets, the defendants, acting in collusion, were able to drive up wholesale prices on the Real Time and Replacement Reserve markets, through the Western Coordinating Council and otherwise. The complaints allege that the conduct violated California antitrust and unfair competition laws. NRG Energy does not believe that it has engaged in any illegal activities, and intends to vigorously defend these lawsuits. These six civil actions brought against NRG Energy and other power generators and power traders in California have been consolidated and assigned to the presiding judge of the San Diego County Superior Court, and a pretrial conference has been scheduled for March 2002. While these cases are in too preliminary a stage to speculate on their outcome, if they were ultimately resolved adversely to the defendants it could have a material adverse effect on NRG Energy's results of operations and financial condition.

Shareholder Litigation

On February 15, 2002, Xcel Energy announced its intention to commence an exchange offer to acquire all of the outstanding publicly held shares of NRG Energy. On the same day, eight separate civil actions were filed in the Court of Chancery of the State of Delaware in and for New Castle County by owners of NRG common stock, against Xcel Energy, NRG Energy, and NRG Energy's directors. The complaints contain a number of allegations, but the basic claim is that Xcel proposes to acquire the remaining ownership of NRG

for inadequate consideration and without full and complete disclosure of all material information, in breach of defendants' fiduciary duties. The complaints request the court to enjoin the proposed transaction and, in the event the exchange offer is consummated, to award damages to plaintiffs.

NOTE 18 -- SEGMENT REPORTING

NRG Energy conducts its business within six segments: Independent Power Generation in North America, Independent Power Generation outside North America (Europe, Asia Pacific and Other Americas regions), Alternative Energy and Thermal projects. NRG Energy's Revenues from majority owned operations attributable to Europe and Asia Pacific primarily relate to operations in the United Kingdom and Australia, respectively. These segments are distinct components with separate operating results and management structures in place. The "Other" category includes operations that do not meet the threshold for separate disclosure and corporate charges (primarily interest expense) that have not been allocated to the operating segments.

	POWER GENERATION			
	NORTH AMERICA	EUROPE	ASIA PACIFIC	OTHER AMERICAS
	(THOUSANDS OF DOLLARS)			
2001				
OPERATING REVENUES AND EQUITY EARNINGS				
Revenues from majority-owned operations.....	\$1,835,221	\$490,885	\$239,085	\$ 34,690
Inter-segment revenues.....	--	--	--	--
Equity in earnings of unconsolidated affiliates.....	187,579	31,977	13,228	3,886

Total operating revenues and equity earnings.....	2,022,800	522,862	252,313	38,576
Operating Income.....	563,584	113,038	22,252	12,608
Net Income.....	\$ 261,317	\$64,345	\$ 12,427	\$ 1,381

	ALTERNATIVE ENERGY	THERMAL	OTHER	TOTAL
OPERATING REVENUES AND EQUITY EARNINGS				
Revenues from majority-owned operations.....	\$ 77,629	\$ 108,319	\$ 10,920	\$2,796,749
Inter-segment revenues.....	1,859	--	--	1,859
Equity in earnings of unconsolidated affiliates.....	(26,638)	--	--	210,032
Total operating revenues and equity earnings.....	52,850	108,319	10,920	3,008,640
Operating Income.....	(25,688)	18,666	10,362	714,822
Net Income (Loss).....	\$ 35,013	\$ 10,219	\$ (119,498)	\$ 265,204

Total assets as of December 31, 2001, for North America, Europe, Asia Pacific and Other Americas total \$9.6 billion, \$1.9 billion, \$882 million and \$508 million, respectively.

	POWER GENERATION			
	NORTH AMERICA	EUROPE	ASIA PACIFIC	OTHER AMERICAS
	(THOUSANDS OF DOLLARS)			
2000				
OPERATING REVENUES AND EQUITY EARNINGS				
Revenues from majority-owned operations.....	\$1,578,706	\$ 197,718	\$ 94,681	\$ 291
Inter-segment revenues.....	--	--	--	--
Equity in earnings of unconsolidated affiliates....	138,655	9,098	3,456	5,704
Total operating revenues and equity earnings.....	1,717,361	206,816	98,137	5,995
Operating Income.....	596,919	32,573	6,297	2,268
Net Income.....	\$ 241,846	\$ 9,706	\$ 9,343	\$ 3,607

87

	ALTERNATIVE ENERGY	THERMAL	OTHER	TOTAL
OPERATING REVENUES AND EQUITY EARNINGS				
Revenues from majority-owned operations.....	\$ 39,379	\$ 87,802	\$ 17,789	\$2,016,366
Inter-segment revenues.....	2,256	--	--	2,256
Equity in earnings of unconsolidated affiliates....	(17,300)	(249)	--	139,364
Total operating revenues and equity earnings.....	24,335	87,553	17,789	2,157,986
Operating Income (Loss).....	(28,898)	20,303	(56,389)	573,073
Net Income (Loss).....	\$ 14,637	\$ 7,590	\$ (103,794)	\$ 182,935

Total assets as of December 31, 2000, for North America, Europe, Asia Pacific and Other Americas total \$4.4 billion, \$828 million, \$599 million and

\$141 million, respectively.

	POWER GENERATION			
	NORTH AMERICA	EUROPE	ASIA PACIFIC	OTHER AMERICAS
	(THOUSANDS OF DOLLARS)			
1999				
OPERATING REVENUES AND EQUITY EARNINGS				
Revenues from majority-owned operations.....	\$319,598	\$ --	\$ 3,155	\$ 189
Inter-segment revenues.....	--	--	--	--
Equity in earnings of unconsolidated affiliates.....	31,052	22,840	9,915	5,879
Total operating revenues and equity earnings.....	350,650	22,840	13,070	6,068
Operating Income.....	114,628	9,168	7,901	2,916
Net Income (Loss).....	\$ 71,850	\$9,509	\$ 15,028	\$ 3,502

	ALTERNATIVE ENERGY	THERMAL	OTHER	TOTAL
	-----	-----	-----	-----
OPERATING REVENUES AND EQUITY EARNINGS				
Revenues from majority-owned operations.....	\$ 26,934	\$76,277	\$ 5,402	\$431,555
Inter-segment revenues.....	963	--	--	963
Equity in earnings of unconsolidated affiliates.....	(2,205)	19	--	67,500
Total operating revenues and equity earnings.....	25,692	76,296	5,402	500,018
Operating Income (Loss).....	(13,288)	18,746	(30,551)	109,520
Net Income (Loss).....	\$ 10,243	\$6,506	\$(59,443)	\$ 57,195

All operating revenues are from external customers located in the United States except \$764.7 million and \$292 million of revenues in 2001 and 2000, respectively, which came from external customers outside of the United States. NRG Energy's equity in earnings of unconsolidated affiliates, primarily independent power projects, includes \$54.1 million in 2001, \$19.2 million in 2000 and \$38.6 million in 1999 from non-regulated projects located outside of the United States. NRG Energy's investments in affiliates outside of the United States were \$519 million in 2001, \$566 million in 2000 and \$606 million in 1999. In addition, NRG Energy's majority owned foreign assets of \$2.8 billion in 2001 and \$796 million in 2000, contributed earnings of \$49.2 million in 2001, \$30.1 million in 2000 and \$0 in 1999.

Total assets as of December 31, 1999, for North America, Europe, Asia Pacific and Other Americas total \$2.8 billion, \$179 million, \$346 million and \$117 million, respectively.

NOTE 19 -- JOINTLY OWNED PLANTS

On March 31, 2000, NRG Energy acquired a 58% interest in the Big Cajun II, Unit 3 generation plant. Entergy Gulf States owns the remaining 42%. Big Cajun II, Unit 3 is operated and maintained by Louisiana Generating pursuant to a joint ownership participation and operating agreement. Under this agreement,

Louisiana Generating and Entergy Gulf States are each entitled to their ownership percentage of the hourly net electrical output of Big Cajun II, Unit 3. All fixed costs are shared in proportion to the ownership interests. Fixed costs include the cost of operating common facilities. All variable costs are incurred in proportion to the energy delivered to the owners. NRG Energy's

income statement includes its share of all fixed and variable costs of operating the unit. NRG Energy's 58% share of the original cost included in Property, Plant and Equipment and construction in progress at December 31, 2001 and 2000, was \$179.6 million and \$179.1 million, respectively. The corresponding accumulated depreciation and amortization at December 31, 2001 and 2000, was \$7.8 million and \$3.4 million, respectively.

In August 2001, NRG Energy completed the acquisition of a 77% interest in the 520 MW gas fired electric generating facility located in McClain County, Oklahoma from Duke energy North America LLC (McClain generating facility). The remaining 23% of the McClain generating facility is owned and operated by the Oklahoma Municipal Power Authority (OMPA) pursuant to a joint ownership and operating agreement. Under this agreement, NRG McClain LLC operates the facility and NRG Energy and OMPA are entitled to their ownership ratio of the net available output of the McClain facility. All fixed costs are shared in proportion to the ownership interests. All variable costs are incurred in proportion to the energy delivered to the owners. NRG Energy's income statement includes its share of all fixed and variable costs of operating the facilities. NRG Energy's 77% share of the original cost included in Property, Plant and Equipment and construction in progress at December 31, 2001 was \$276.6 million. The corresponding accumulated depreciation and amortization at December 31, 2001, was \$3.1 million.

In June 2001, NRG Energy completed the acquisition of an approximately 3.7% interest in both the Keystone and Conemaugh coal-fired generating facilities. The Keystone and Conemaugh facilities are located near Pittsburgh, Pennsylvania and are jointly owned by a consortium of energy companies. NRG Energy purchase its interests from Conectiv, Inc. Keystone and Conemaugh are operated by GPU Generation, Inc. which sold its assets and operating responsibilities to Sithe Energies. Keystone and Conemaugh both consist of two operational coal-fired steam power units with a combined net output of 1,700 MW, four diesel units with a combined net output of 11 MW and an on-site landfill. The units are operated pursuant to a joint ownership participation and operating agreement. Under this agreement each joint owner is entitled to its ownership ratio of the net available output of the facility. All fixed costs are shared in proportion to the ownership interests. All variable costs are incurred in proportion to the energy delivered to the owners. NRG Energy's income statement includes its share of all fixed and variable costs of operating the facilities. NRG Energy's 3.70% and 3.72% share of the Keystone and Conemaugh facilities original cost included in Property, Plant and Equipment and construction in progress at December 31, 2001 was \$52.9 million and \$60.9 million, respectively. The corresponding accumulated depreciation and amortization at December 31, 2001, for Keystone and Conemaugh was \$1.3 million and \$1.5 million, respectively.

NOTE 20 -- DECOMMISSIONING FUNDS

NRG Energy is required by the State of Louisiana Department of Environmental Quality ("DEQ") to rehabilitate NRG Energy's Big Cajun II ash and wastewater impoundment areas, subsequent to the Big Cajun II facilities' removal from service. On July 1, 1989, a guarantor trust fund (the "Solid Waste Disposal Trust Fund") was established to accumulate the estimated funds necessary for such purpose. Approximately \$1.1 million was initially deposited in the Solid Waste Disposal Trust Fund in 1989, and \$116,000 has been funded annually thereafter, based upon an estimated future rehabilitation cost (in 1989 dollars) of approximately \$3.5 million and the remaining estimated useful life of the Big Cajun II facilities. Cumulative contributions to the Solid Waste Disposal Trust Fund and earnings on the investments therein are accrued as a decommissioning liability. At December 31, 2001 and 2000, the carrying value of the trust fund investments and the related accrued decommissioning liability was approximately \$4.3 million and \$3.9 million, respectively. The trust fund investments are comprised of various debt securities of the United States and are carried at amortized cost, which approximates their fair value.

NOTE 21 -- ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITY

On January 1, 2001, NRG Energy adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 requires NRG Energy to record all derivatives on the balance sheet at fair value. Changes in the fair value of non-hedge derivatives will be immediately recognized in earnings. Changes in fair values of derivatives accounted for as hedges will either be recognized in earnings as offsets to the changes in fair value of related hedged assets, liabilities and firm commitments or, for forecasted transactions, deferred and recorded as a component of other accumulated comprehensive income (OCI) until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative instrument's change in fair value will be immediately recognized in earnings. NRG Energy also formally assesses both at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in either the fair value or cash flows of the hedged item. This assessment includes all components of each derivative's gain or loss unless otherwise noted. When it is determined that a derivative ceases to be a highly effective hedge, hedge accounting is discontinued.

SFAS No. 133 applies to NRG Energy's long-term power sales contracts, long-term gas purchase contracts and other energy related commodities financial instruments used to mitigate variability in earnings due to fluctuations in spot market prices, hedge fuel requirements at generation facilities and protect investments in fuel inventories. SFAS No. 133 also applies to various interest rate swaps used to mitigate the risks associated with movements in interest rates and foreign exchange contracts to reduce the effect of fluctuating foreign currencies on foreign denominated investments and other transactions. At December 31, 2001, NRG Energy had various commodity contracts extending through December 2003, and several fixed-price gas and electricity purchase contracts extending through 2018.

ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes the effects of SFAS No. 133 on NRG Energy's Other Comprehensive Income balance as of December 31, 2001:

	ENERGY COMMODITIES	INTEREST RATE	FOREIGN CURRENCY	TOTAL
	(GAINS/(LOSSES) IN \$ THOUSANDS)			
OCI balance at December 31, 2000.....	\$ --	\$ --	\$ --	\$ --
Initial adoption of SFAS No. 133.....	(6,567)	(16,064)	--	(22,631)
Unwound from OCI during period:				
- due to unwinding of previously deferred amounts.....	(25,789)	662	(167)	(25,294)
Mark to market of hedge contracts.....	167,224	(46,002)	(2,196)	119,026
OCI balance at December 31, 2001.....	134,868	(61,404)	(2,363)	71,101
Gains/(Losses) expected to unwind from OCI during next 12 months.....	24,157	(7,636)	(2,196)	14,325

The adoption of SFAS No. 133 on January 1, 2001, resulted in an after-tax unrealized loss of \$22.6 million recorded to OCI related to previously deferred net losses on derivatives designated as cash flow hedges. During the year ended December 31, 2001, NRG Energy reclassified gains of \$25.3 million from OCI to current-period earnings. This amount is recorded on the same line in the statement of operations in which the hedged item is recorded. Also during the year ended December 31, 2001, NRG Energy recorded an after-tax gain in OCI of approximately \$119.0 million related to changes in the fair values of derivatives accounted for as hedges. The net balance in OCI relating to SFAS No. 133 as of December 31, 2001 was an unrecognized gain of approximately \$71.1 million. NRG Energy expects \$14.3 million of the deferred net gains on derivative instruments accumulated in OCI to be recognized as earnings during

the next twelve months.

STATEMENT OF OPERATIONS

The following tables summarize the effects of SFAS No. 133 on NRG Energy's statement of operations for the period ended December 31, 2001:

	ENERGY COMMODITIES	FOREIGN CURRENCY	TOTAL
	(GAINS/ (LOSSES) IN \$ THOUSANDS)		
Revenue from majority owned subsidiaries.....	\$ (8,138)	\$ --	\$ (8,138)
Equity in earnings of unconsolidated subsidiaries.....	4,662	--	4,662
Cost of operations.....	17,556	--	17,556
Other income.....	--	252	252
	-----	-----	-----
Total Statement of Operations impact before tax....	\$14,080	\$252	\$14,332
	=====	=====	=====

ENERGY RELATED COMMODITIES

NRG Energy is exposed to commodity price variability in electricity, emission allowances and natural gas, oil and coal used to meet fuel requirements. In order to manage these commodity price risks, NRG Energy enters into financial instruments, which may take the form of fixed price, floating price or indexed sales or purchases, and options, such as puts, calls, basis transactions and swaps. Certain of these transactions have been designated as cash flow hedges. NRG Energy has accounted for these derivatives by recording the effective portion of the cumulative gain or loss on the derivative instrument as a component of OCI in shareholders' equity. NRG Energy recognizes deferred gains and losses into earnings in the same period or periods during which the hedged transaction affects earnings. Such reclassifications are included on the same line of the statement of operations in which the hedged item is recorded.

No ineffectiveness was recognized on commodity cash flow hedges during the period ended December 31, 2001.

NRG Energy's pre-tax earnings for the year ended December 31, 2001 were increased by an unrealized gain of \$14.1 million associated with changes in the fair value of energy related derivative instruments not accounted for as hedges in accordance with SFAS No. 133.

During the year ended December 31, 2001, NRG Energy reclassified gains of \$25.8 million from OCI to current-period earnings and expects to reclassify an additional \$24.2 million of deferred gains to earnings during the next twelve months on energy related derivative instruments accounted for as hedges.

INTEREST RATES

To manage interest rate risk, NRG Energy has entered into interest-rate swaps that effectively fix the interest payments of certain floating rate debt instruments. Interest-rate swap agreements are accounted for as cash flow hedges. The effective portion of the cumulative gain or loss on the derivative instrument is reported as a component of OCI in shareholders' equity and recognized into earnings as the underlying interest expense is incurred. Such reclassifications are included on the same line of the statement of operations in which the hedged item is recorded.

No ineffectiveness was recognized on interest rate cash flow hedges during the period ended December 31, 2001.

During the year ended December 31, 2001, NRG Energy reclassified losses of

\$0.7 million from OCI to current-period earnings and expects to reclassify \$7.6 million of deferred losses to earnings during the next twelve months on interest rate swaps accounted for as hedges.

FOREIGN CURRENCY EXCHANGE RATES

To preserve the U.S. dollar value of projected foreign currency cash flows, NRG Energy may hedge, or protect those cash flows if appropriate foreign hedging instruments are available.

No ineffectiveness was recognized on foreign currency cash flow hedges during the period ended December 31, 2001.

NRG Energy's pre-tax earnings for the year ended December 31, 2001 were increased by an unrealized gain of \$0.3 million associated with foreign currency hedging instruments not accounted for as hedges in accordance with SFAS No. 133.

During the year ended December 31, 2001, NRG Energy reclassified gains of \$0.2 million from OCI to current period earnings and expects to reclassify \$2.2 million of deferred losses to earnings during the next twelve months on foreign currency swaps accounted for as hedges.

NOTE 22 -- UNAUDITED QUARTERLY FINANCIAL DATA

Summarized quarterly unaudited financial data is as follows:

	QUARTER ENDED 2001				
	MAR 31	JUNE 30	SEPT 30	DEC 31	TOTAL YEAR (1)
	(THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)				
Revenues and equity earnings.....	\$643,166	\$722,900	\$963,302	\$679,272	\$3,008,640
Operating Income.....	127,024	153,363	309,370	125,065	714,822
Net income.....	35,178	49,114	141,580	39,332	265,204
Earnings per share:					
Basic.....	\$.19	\$.25	\$.71	\$.20	\$ 1.36
Diluted.....	.19	.25	.71	.20	1.35

	QUARTER ENDED 2000				
	MAR 31	JUNE 30	SEPT 30	DEC 31	TOTAL YEAR (1)
	(THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)				
Revenues and equity earnings.....	\$323,027	\$522,009	\$624,798	\$688,152	\$2,157,986
Operating income.....	62,937	154,128	227,209	128,799	573,073
Net income.....	8,746	43,581	88,604	42,004	182,935
Earnings per share:					
Basic.....	\$.06	\$.28	\$.49	\$.23	\$ 1.10
Diluted.....	.06	.28	.49	.23	1.10

(1) The sum of earnings per share for the four quarters may not equal earnings per share for the total year due to changes in the average number of common shares outstanding.

During the fourth quarter of the year ended December 31, 2001, NRG Energy recorded a \$24.5 million income tax benefit as a result of state income tax planning strategies and a higher percentage of NRG Energy's overall earnings derived from foreign projects in lower tax jurisdictions, than expected throughout the year. Also during the fourth quarter of 2001, NRG Energy recorded a net after-tax expense of \$6.7 million related to Enron's bankruptcy. This amount includes a \$14.2 million after-tax charge to establish bad debt reserves,

which was partially offset by a \$7.5 million after-tax gain on a credit swap agreement entered into as part of NRG's credit risk management program.

NOTE 23 -- SUBSEQUENT EVENT

In February 2002, Xcel Energy announced its intention to commence an exchange offer by which Xcel Energy would acquire all of the outstanding publicly held shares of NRG Energy. In the announcement Xcel Energy stated its intention to close this transaction in April 2002 and stated that in the offer, NRG Energy shareholders would receive 0.4846 shares of Xcel Energy common stock in a tax-free exchange for each outstanding share of NRG Energy common stock.

NRG ENERGY, INC.

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
		ADDITIONS			
		(IN THOUSANDS)			
Allowance for doubtful accounts, deducted from accounts receivable in the balance sheet:					
2001.....	\$21,199	\$12,808	--	\$ (45)	\$33,962
2000.....	186	25,885	--	(4,872)	21,199
1999.....	100	116	--	(30)	186

ITEM 9 -- CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEM 10 -- DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The name, age and title of each of the executive officers and directors of NRG Energy as of March 6, 2002 are as set forth below:

NAME	AGE	TITLE
----	---	-----
David H. Peterson	60	Chairman of the Board, President, Chief Executive Officer and Director
James J. Bender	45	Senior Vice President and General Counsel
Brian B. Bird	39	Vice President and Treasurer
Leonard A. Bluhm	56	Executive Vice President and Chief Financial Officer
Jay M. Carpenter	40	Senior Vice President, NRG Energy, Inc. Managing Director and Chief Executive Officer, Asia Pacific
W. Mark Hart	51	Senior Vice President, NRG Energy, Inc. and President NRG Europe and Latin America
Roy R. Hewitt	56	Vice President, Administrative Services
Craig A. Mataczynski	41	Senior Vice President, NRG Energy, Inc. President and Chief Executive Officer, NRG North America
John A. Noer	55	Senior Vice President, NRG Energy Inc. and President, NRG Worldwide Operations
William T. Pieper	36	Vice President and Controller
Renee Sass	36	Vice President, Strategic Planning and Portfolio Assessment

Wayne H. Brunetti	59	Director, President and CEO Xcel Energy Inc.
Luella G. Goldberg	65	Director, Former Acting President and Chair of the Board of Trustees Wellesley College
Pierson M. Grieve	73	Director, Retired Chairman and CEO Ecolab, Inc.
William A. Hodder	70	Director, Retired Chairman and CEO Donaldson Company Inc.
James J. Howard	66	Director, Retired Chairman of the Board Xcel Energy, Inc.
Gary R. Johnson	55	Director, Vice President and General Counsel Xcel Energy Inc.
Richard C. Kelly	55	Director, President-Enterprises Xcel Energy Inc.
Edward J. McIntyre	51	Director, Vice President and CFO Xcel Energy Inc.

David H. Peterson has been Chairman of the Board of NRG Energy since January 1994, Chief Executive Officer since November 1993, President since 1989 and a Director since 1989. Mr. Peterson was also Chief Operating Officer of NRG Energy from June 1992 to November 1993. Prior to joining NRG Energy, Mr. Peterson was Vice President, Non-Regulated Generation for Northern States Power, and he has served in various other management positions with Northern States Power during the last 20 years.

James J. Bender has been Senior Vice President and General Counsel of NRG Energy since June 2000, prior to which he had been Vice President, General Counsel and Secretary of NRG Energy since June 1997. He served as the General Counsel of the Polymers Division of Allied Signal Inc. from May 1996 until June 1997. From June 1994 to May 1996, Mr. Bender was employed at NRG Energy, acting as Senior Counsel until December 1994 and as Assistant General Counsel and Corporate Secretary from December 1994 to May 1996.

Brian B. Bird has been Vice President and Treasurer of NRG Energy since June 1999 and Treasurer since June 1997, prior to which he was Director of Corporate Finance and Treasury for Deluxe Corporation in Shoreview, Minnesota from September 1994 to May 1997. Mr. Bird was Manager of Finance for the Minnesota Vikings professional football team from March 1993 to September 1994. Mr. Bird held several financial management positions with Northwest Airlines in Minneapolis, Minnesota from 1988 to March 1993.

94

Leonard A. Bluhm has been Executive Vice President and Chief Financial Officer of NRG Energy since January 1997. Immediately prior to that, he served as the first President and Chief Executive Officer of Cogeneration Corporation of America. Mr. Bluhm was Vice President, Finance of NRG Energy from January 1993 through April 1996. Mr. Bluhm was Chief Financial Officer of Cypress Energy Partners, a wholly-owned project subsidiary of NRG Energy, from April 1992 to January 1993, prior to which he was Director, International Operations and Manager, Acquisitions and Special Projects of NRG Energy from 1991. Mr. Bluhm previously served for 20 years in various financial positions with Northern States Power.

Jay M. Carpenter was appointed Senior Vice President, Asia Pacific of NRG Energy and Managing Director and CEO of NRG Asia Pacific on January 1, 2002, following the retirement of Keith G. Hilless. Prior to that he was Executive Director, Business Development of NRG Asia Pacific since February 1999. Before joining NRG Energy Mr. Carpenter was Director of Special Projects for Epic Energy Pty Ltd, a natural gas transmission company located in Australia. Mr. Carpenter has over 15 years of experience in the energy industry.

W. Mark Hart is Senior Vice President, Europe and Latin America of NRG Energy. Prior to joining NRG Energy, in March 2001, Mr. Hart was vice president of Canadian Operations at Newmont Mining Company and vice president of Business Processes and Operations for Europe, South America and Asia. Before that he managed mining operations, engineering and machinery with Cyprus Amax Minerals Company where he served as Senior Vice President of U.S. Operations and President and Chief Executive Officer of Australia. He has also worked for American Electric Power Fuel Supply, Standard Oil Company's minerals division and Consolidated Coal Company.

Roy R. Hewitt has been Vice President, Administrative Services at NRG Energy since February 1999. He has over 30 years experience in the power

industry including 24 years with Northern States Power and eight years with NRG Energy. Mr. Hewitt joined NRG Energy in 1994 as a member of the senior management team with NRG's Gladstone Power Station project in Queensland, Australia. In 1996, he returned to NRG Energy's corporate headquarters as Executive Director, Human Resources. In 1997, Mr. Hewitt returned to Australia as Managing Director of the Gladstone Project and later served as Executive Director, Operations and Engineering for NRG Energy's Asia-Pacific region headquartered in Brisbane, Australia.

Craig A. Mataczynski has been Senior Vice President, North America of NRG Energy and President and Chief Executive Officer of NRG North America, since July 1998. From December 1994 until July 1998, Mr. Mataczynski served as Vice President, U.S. Business Development of NRG Energy. From May 1993 to January 1995, Mr. Mataczynski served as President of NEO Corporation, NRG Energy's wholly owned subsidiary that develops small electric generation projects within the United States. Prior to joining NRG Energy, Mr. Mataczynski worked for Northern States Power from 1982 to 1994 in various positions, including Director, Strategy and Business Development and Director, Power Supply Finance.

John A. Noer has been Senior Vice President of NRG Energy and President of NRG Worldwide Operations since January 1, 2000. Immediately prior to that he served as President-NSP Combustion and Hydro Generation for Northern States Power Company and as a director of NRG Energy since June 1997. Mr. Noer was President and CEO of Northern States Power Wisconsin, a wholly owned subsidiary of Northern States Power, since January 1993. Prior to joining Northern States Power Wisconsin, Mr. Noer was President of Cypress Energy Partners, a project subsidiary of NRG Energy, from March 1992 to January 1993. Prior to joining Cypress Energy Partners, Mr. Noer held various management positions with Northern States Power since joining the company in September 1968.

William T. Pieper has been Vice President and Controller of NRG Energy since June 2001. He has also held the positions of Controller, Assistant Controller and Manager of International Accounting since joining NRG Energy in March 1995. Prior to joining NRG Energy, Mr. Pieper practiced as a Certified Public Accountant for six years with the firm of KPMG.

Renee J. Sass has been Vice President, Strategic Planning and Portfolio Assessment since June 2001, prior to which she was Executive Director, Finance and Assistant Treasurer. Mrs. Sass has been with NRG

95

Energy since 1991 holding a number of finance and business development positions. From 1988 to 1991, Ms. Sass was with Ernst & Young's Utility Consulting Group in Washington D.C.

Wayne H. Brunetti has been President and CEO of Xcel Energy Inc. since August 2000. Prior to assuming his current position in August 2000, Mr. Brunetti was Vice Chairman, President and Chief Executive Officer of NCE. Mr. Brunetti was Vice Chairman, President and Chief Operating Officer of Public Service Company of Colorado before it merged with Southwestern Public Service Company to form NCE. Mr. Brunetti joined Public Service Company of Colorado as president and chief operating officer in 1994. Mr. Brunetti has been a Director of NRG Energy since August 2000.

Luella G. Goldberg is a member of the boards of directors of TCF Financial, Hormel Foods Corporation, the ING Group, Communications Systems, Inc., and the University of Minnesota Carlson School of Management (Board of Overseers). From 1985 to 1993, Ms. Goldberg served as chair of the Wellesley College Board of Trustees. She served as acting president of the college from July 1993 to October 1993 and is now a Trustee Emerita. Ms. Goldberg is also a Trustee of the University of Minnesota Foundation, and served as a chair for the Foundation's Board of Trustees from 1996 to 1998. Ms. Goldberg has been a Director of NRG Energy since June 2000.

Pierson M. (Sandy) Grieve is a member of the boards of directors of The St. Paul Companies, Inc., Mesaba Aviation and Bank of Naples. Mr. Grieve is a

partner at Palladium Equity Partners, New York, New York. Mr. Grieve served as chairman and CEO of Ecolab, Inc. from 1983 to 1995 after moving to Minnesota from his position as President and CEO of Questor Corp., Toledo, Ohio. Mr. Grieve has been a Director of NRG Energy since June 2000.

William A. Hodder is a member of the boards of directors of SUPERVALU, Inc. and the University of Minnesota Carlson School of Management (Board of Overseers). Mr. Hodder served as chairman and CEO of Donaldson Company, Inc. from 1994 to 1996 and Chairman, President and CEO from 1982 to 1994. Mr. Hodder joined Donaldson as President in 1973. Mr. Hodder has been a Director of NRG Energy since June 2000.

James J. Howard was Chairman of Xcel Energy from August 2000 until his retirement in August 2001. Mr. Howard served as Chairman, President and CEO of Northern States Power from 1994 until August 2000. Mr. Howard joined NSP as President and CEO in 1987. Before joining NSP, Mr. Howard was President and Chief Operating Officer of Ameritech. Mr. Howard is also Chairman of the Federal Reserve Bank of Minneapolis, a Director of Ecolab Inc., Honeywell International Inc. and Walgreen Co. Mr. Howard has been a Director of NRG Energy since June 2000.

Gary R. Johnson has been a Director of NRG Energy since 1993 and has been Vice President and General Counsel of Xcel Energy since August 2000. Mr. Johnson served as Vice President and General Counsel of Northern States Power from November 1991 to August 2000. Prior to November 1991, Mr. Johnson was Vice President-Law of Northern States Power from January 1989, acting Vice President from September 1988 and Director of Law from February 1987, and he has served in various management positions with Northern States Power during the last 20 years.

Richard C. Kelly has been a Director of NRG Energy since August 2000. Mr. Kelly is President -- Enterprises of Xcel Energy, and was formerly Executive Vice President, financial and support services, and Chief Financial Officer for NCE from 1997 to August 2000. Before that, Mr. Kelly was Senior Vice President of Finance, Treasurer and Chief Financial Officer for Public Service Company of Colorado, which he joined in 1968.

Edward J. McIntyre has been a Director of NRG Energy since 1993. Mr. McIntyre has been Vice President and Chief Financial Officer of Xcel Energy since August 2000, and prior to that was Vice President and Chief Financial Officer of Northern States Power from January 1993. Mr. McIntyre served as President and Chief Executive Officer of Northern States Power-Wisconsin, a wholly-owned subsidiary of Northern States Power, from July 1990 to December 1992, as Vice President Gas Utility from November 1985 to June 1990, and he has served in various other management positions since joining Northern States Power in 1973.

96

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under federal securities laws, NRG Energy's directors and executive officers are required to report, within specified monthly and annual due dates, their initial ownership in NRG Energy's securities and subsequent acquisitions, dispositions or other transfers of interest in such securities. NRG Energy is required to disclose whether it has knowledge that any person required to file such a report may have failed to do so in a timely manner. To the knowledge of NRG Energy, all of its directors and officers subject to such reporting obligations have satisfied their reporting obligations in full for 2001.

ITEM 11 -- EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

COMPENSATION PHILOSOPHY

The Compensation Committee of the Board of Directors (the "Committee") consists of four members, two of which are independent.

The purpose of the Committee is to, on a regular basis, review, approve, and where applicable, make recommendations to the Board of Directors concerning executive officer compensation. The Committee's philosophy regarding executive compensation is that such compensation should be directly aligned with improvements in corporate performance and increased shareholder value. The Committee's guidelines, which are intended to reflect such philosophy, include:

- Providing a competitive total compensation package that enables the Company to attract and retain key executive talent.
- Aligning compensation with the Company's annual and long-term business strategies and objectives.
- Providing variable compensation opportunities that are directly linked to the Company's performance and shareholder return.

For the fiscal year 2001, the Compensation Committee evaluated the competitiveness of its executive compensation based on information obtained by assessing data contained in the proxy statements of similar competitive power production companies. The competitive comparisons were made against a peer group of ten power generation companies. In determining the peer group, emphasis was placed on companies with non-regulated power generation operations that are reasonably similar in size to that of NRG. The Committee utilized such information to assess the Company's position in each individual aspect of executive compensation, including base salary, annual incentive compensation and long-term incentive compensation.

ELEMENTS OF COMPENSATION

Compensation for the Company's executive officers for the fiscal year 2001 consisted of the following elements: base salary, annual incentive compensation, and long-term incentive compensation.

Base Salary. Annual base salary is designed to compensate executive officers for their sustained performance. For the fiscal year 2001, annual base salaries for executive officers were established by reviewing base pay levels for each executive's position in the peer group proxy analysis. The base salary recommendations also incorporate the executive officer's individual performance, the general contributions of the executive officer to overall corporate performance, and the level of achievement by the executive officer in respect to specific annual goals. In general, the 2001 base salary levels for executive officers, including the Chief Executive Officer, Mr. Peterson, were increased in accordance with comparable market data. The base salary amounts paid to the executive officers for the fiscal year 2001 are reflected in the salary column of the Summary Compensation Table.

Annual Incentive Compensation. Annual incentive compensation is designed to compensate executive officers for satisfying certain Company goals and is determined as a percentage of each such executive officer's

annual base salary. Annual incentive compensation for the executive officers for the fiscal year 2001 was determined in accordance with median levels of annual incentive awards for comparable positions, as set forth in the peer group proxy analysis. For the fiscal year 2001, the target incentive for annual incentive compensation for executive officers ranged from 55% to 75% of base salary, with Mr. Peterson's target incentive being 75% of base salary. Annual incentive payout opportunities range from 0% to 200% of the target incentive. Target incentives for the executive officers for the fiscal year 2001, were based on some or all of the following factors: net income, business development and safety goals. Mr. Peterson's target incentive was based on 95% net income and 5% of safety goal. Overall the Company achieved the maximum net income and safety goal for 2001 with a net income growth of 45% from the fiscal year ending December 31, 2000. As such, Mr. Peterson received the maximum payout available for his annual incentive compensation. The annual incentive compensation paid to

the executive officers for the fiscal year 2001, is reflected in the bonus column of the Summary Compensation Table.

Long-Term Incentive Compensation. Prior to the completion of the Company's initial public offering and the adoption of the NRG 2000 Long-Term Incentive Compensation Plan (the "2000 Plan"), each of which occurred in May 2000, the Company offered the NRG Equity Plan (the "Equity Plan") to its executive officers and other selected employees. The Equity Plan was established in 1993 to promote the achievement of long-term financial objectives by linking the long-term incentive compensation of the employees to the achievement of value creation, as well as to attract and retain employees of outstanding competence, encourage teamwork among employees and provide employees with an opportunity for long-term capital accumulation. Under the Equity Plan, the Company made grants of "equity units", which were intended to simulate stock options. Grants of equity units were made annually at the discretion of the Board of Directors with a grant price consistent with the most recent valuation of equity units.

In connection with the Company's initial public offering, the Company established the 2000 Plan, the principal components of which are non-qualified stock options. As such, the Company discontinued the Equity Plan. All outstanding, non-vested equity units for active employee participants were terminated and replaced with a comparable stock option grant.

Under the 2000 Plan the Incentive Plan Subcommittee will approve a target number of option shares for each executive officer, with such targets to be based in part on proxy information and a base salary multiple to determine the long-term incentive compensation. It is intended that NRG's CEO will make a recommendation to the Incentive Plan Subcommittee as to the number of options to be granted and the Incentive Plan Subcommittee will be responsible for reviewing and approving all such recommendations and stock option grants to executive officers. Options granted will have an exercise price equal to the fair market value of the common stock of the Company on the date of grant, and typically, will be exercisable over a four-year period in increments of 25% per year. Initial grants may include a one-year waiting period prior to the vesting of such options.

DISCUSSION OF COMPENSATION IN EXCESS OF \$1 MILLION PER YEAR

The Company has considered the implications of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), enacted under the Revenue Reconciliation Act of 1993, which precludes a public corporation from taking tax deduction for individual compensation in excess of \$1 million for its Chief Executive Officer or any of its four other highest-paid officers. Additionally, the Company has considered the exemptions to such limitation, specifically for compensation that is performance based within the meaning of such Section, which are also provided in Section 162(m).

In order to qualify compensation derived by executive officers from stock options as performance-based compensation, as contemplated by the Internal Revenue Service, the NRG Energy, Inc. 2000 Long-Term Incentive Compensation Plan was approved by the Board of Directors and the shareholders of the Company. Additionally, in order to qualify bonus payments to executives under Section 162(m) and preserve the deductibility of such payments, the Annual Incentive Plan for Designated Officers has been approved by the Committee, the Board, and the shareholders of the Company.

Regardless, in the future, the Company may award compensation to its executive officers that may not qualify under Section 162(m) as deductible compensation. The Company will continue to consider all elements of expense in providing such compensation, including the impact of Section 162(m).

DIRECTOR COMPENSATION

NRG Energy does not award directors who are also employees of NRG Energy or employees of Xcel Energy any separate compensation or other consideration, direct or indirect, for service as a director. During 2001, directors not employed by NRG Energy or Xcel Energy ("Non-Employee Directors") received annual fees of \$35,000 plus \$1,000 for each Board of Directors meeting attended in person, \$800 for each committee meeting attended in person and reasonable travel expenses. Committee chairs received an additional \$200 per meeting attended in person. Non-Employee Directors participating in meetings of the Board of Directors or a committee by telephone received 50% of such meeting fees.

In connection with NRG Energy's initial public offering, each of the Non-Employee Directors received a grant of stock options to purchase 5,000 shares of Common Stock pursuant to the 2000 Plan at an exercise price equal to \$15, the initial public offering price of a share of Common Stock. Such options vest in four equal annual installments, beginning on the second anniversary of the date of each such grant. NRG Energy also granted stock options to each of the Non-Employee Directors in June 2001 for the purchase of 5,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of such grant, pursuant to the 2000 Plan.

Each of the Non-Employee Directors participates in NRG Energy's Independent Director Deferral Plan (the "Deferral Plan"). The Deferral Plan allows Non-Employee Directors to defer all or a portion of his or her annual fees, meeting fees and other fees paid in connection with service on the Board of Directors to a cash deferral account, a stock unit account or a combination of such accounts. The Deferral Plan provides for a 20% premium on fees deferred into a stock unit account. Fees deferred under the Deferral Plan are paid out in cash upon the retirement of the Non-Employee Director from service on the Company's Board of Directors or upon two payout commencement dates other than retirement, as determined by the Non-Employee Director. Payout of fees deferred under the Deferral Plan are made in installments, with a minimum of two and maximum of ten such installments, or in a lump sum.

Each of NRG Energy's directors has an indemnification agreement that entitles him or her to indemnification for claims asserted against them in their capacity as directors to the fullest extent NRG Energy's permitted by Delaware law.

TOTAL STOCKHOLDER RETURN COMPARISON

The graph below compares the NRG Energy's cumulative total stockholder return on Common Stock with the cumulative total return of the Standard & Poor's 500 Composite Stock Price Index and an index of comparable peer issuers (the "Peer Group Index") from May 31, 2000, the first date on which the Common Stock began trading on the New York Stock Exchange, to December 31, 2001, NRG Energy's fiscal year end (assuming a \$100 investment in each vehicle on May 31, 2000 and the reinvestment of all dividends).

The Peer Group Index consists of the following publicly traded companies in the global power generation industry: AES Corp., Calpine Corp., Dynegy, Inc. and Mirant Corp. The former Peer Group consisted of the following publicly traded companies in the global power generation industry: AES Corp., Calpine Corp., Dynegy, Inc., Orion Power Holdings, Inc. and Mirant Corp. The former Peer Group differs from the current Peer Group because Orion Power Holdings, Inc. is no longer publically traded. In accordance with the rules of the SEC, the returns are indexed to a value of \$100 at May 31, 2000, and the returns of each company in the Peer Group Index have been weighted according to their market capitalization at December 31, 2000.

	TIME PERIOD								
	5/31/00	6/30/00	8/31/00	10/31/00	12/31/00	2/28/01	4/30/01	6/29/01	8/31/01
NRG.....	\$100.00	\$109.16	\$157.89	\$156.39	\$167.29	\$166.62	\$215.04	\$132.81	\$110.68
Peer Group Index.....	100.00	105.02	148.03	141.65	152.56	140.88	169.08	135.58	114.53
S&P 500.....	100.00	102.47	107.13	101.04	93.53	87.28	87.95	86.19	79.80

	TIME PERIOD	
	10/31/01	12/31/01
NRG.....	\$106.29	\$93.23
Peer Group Index.....	83.99	62.33
S&P 500.....	74.60	80.82

100

COMPENSATION OF EXECUTIVE OFFICERS

The following tables set forth cash and non-cash compensation for each of the last three fiscal years ended December 31, for the individual who served as the Company's Chief Executive Officer during 2001 and each of the four next most highly compensated executive officers (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

(A)	(B)	ANNUAL COMPENSATION			LONG-TERM COMPENSATION				
		(C)	(D)	(E)	AWARDS		PAYOUTS		(I)
					(F)	(G)	(H)		
NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)(1)	RESTRICTED STOCK AWARDS (\$)	NUMBER OF UNDERLYING OPTIONS AND SRS (#)	LTIP PAYOUTS (\$)	ALL OTHER COMPENSATION (\$)	
David H. Peterson.....	2001	\$491,670	\$750,000	\$13,689	--	265,500	--	\$ 9,902(8)	
Chairman, President & Chief Executive Officer	2000	397,340	474,000	28,678	--	120,000	1,212,067	22,923(3)	
Craig A. Mataczynski....	1999	367,992	192,970	6,131	--	--	155,995	33,201	
Senior Vice President- North America	2001	316,680	321,038	7,752	--	105,000	--	8,125(9)	
John Noer(2).....	2000	278,340	276,500	6,303	--	60,000	186,250	3,059(4)	
Senior Vice President- Worldwide Operations	1999	246,250	150,000	4,706	--	--	15,533	15,251	
James J. Bender.....	2001	270,009	297,000	12,663	--	78,000	--	4,649(10)	
Senior Vice President- Worldwide Operations	2000	259,992	256,750	6,554	--	60,000	--	2,464(5)	
Leonard A. Bluhm.....	1999	--	--	--	--	--	--	--	
Executive Vice President & Chief Financial Officer	2001	287,510	319,000	13,110	--	84,000	--	6,815(11)	
General Counsel	2000	256,242	256,750	7,131	--	60,000	186,636	2,609(6)	
Leonard A. Bluhm.....	1999	213,746	100,000	6,528	--	--	19,729	6,172	
Executive Vice President & Chief Financial Officer	2001	218,761	242,000	7,350	--	85,000	--	4,760(12)	
Executive Vice President & Chief Financial Officer	2000	204,175	202,438	8,508	--	60,000	391,887	2,467(7)	
Executive Vice President & Chief Financial Officer	1999	194,590	72,150	5,265	--	--	50,489	12,814	

(1) Represents amounts reimbursed during the fiscal year for the payment of taxes on fringe benefits.

(2) Mr. Noer was hired on January 1, 2000. Prior to such date, Mr. Noer was employed by NSP.

(3) Includes \$7,000 of universal life insurance premiums; \$13,478 of imputed income on life insurance; \$1,279 of contributions to the Northern States Power Company Employee Stock Ownership Plan; \$900 of matching contributions to the NSP Retirement Savings Plan; and \$266 of deferred compensation excess. Does not include \$5,789 of incentive pension make-up earned in 1999 and paid in 2000.

(4) Includes \$384 of term life insurance premiums; \$1,226 of contributions to the Northern States Power Company Employee Stock Ownership Plan; \$900 of matching contributions to the NSP Retirement Savings Plan; and \$549 of

deferred compensation excess. Does not include \$4,500 for incentive pension make-up earned in 1999 and paid in 2000.

- (5) Includes \$1,279 of contributions to the Northern States Power Company Employee Stock Ownership Plan; \$900 of matching contributions to the NSP Retirement Savings Plan; and \$2,464 of deferred compensation excess. Does not include \$1,320 for incentive pension make-up earned in 1999 and paid in 2000.
- (6) Includes \$318 of term life insurance premiums; \$1,279 of contributions to the Northern States Power Company Employee Stock Ownership Plan; \$900 of matching contributions to the NSP Retirement Savings Plan; and \$112 of deferred compensation excess. Does not include \$3,000 for incentive pension make-up earned in 1999 and paid in 2000.
- (7) Includes \$288 of term life insurance premiums; \$1,279 of contributions to the Northern States Power Company Employee Stock Ownership Plan; and \$900 of matching contributions to the NSP Retirement Savings Plan. Does not include \$2,165 for incentive pension make-up earned in 1999 and paid in 2000.
- (8) Includes \$7,000 of universal life insurance premiums; \$1,502 of Employee Stock Ownership Plan contributions; \$1,400 of 401(k) Plan matching contributions.

101

- (9) Includes \$1,502 of Employee Stock Ownership Plan contributions; \$327 of term life insurance premiums; \$5,297 of 401(k) Plan matching contributions and \$999 of Deferred Compensation excess.
- (10) Includes \$1,502 of Employee Stock Ownership Plan contributions; \$1,400 of 401(k) Plan matching contributions, and \$1,747 of Deferred Compensation excess.
- (11) Includes \$1,502 of Employee Stock Ownership Plan contributions; \$16 of term life insurance premiums; and \$5,297 of 401(k) Plan matching contributions.
- (12) Includes \$1,502 of Employee Stock Ownership Plan contributions; \$1,858 of term life insurance premiums and \$1,400 of 401(k) Plan matching contributions.

OPTIONS AND STOCK APPRECIATION RIGHTS (SARS)

The following table indicates for each of the Named Executive Officers the extent to which the Company used stock options and SARs for executive compensation purposes in 2001 and the potential value of such stock options and SARs as determined pursuant to the SEC rules.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

INDIVIDUAL GRANTS					POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
(A)	(B)	(C)	(D)	(E)	(F)	(G)
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#) (1)	% OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SHARE)	EXPIRATION DATE	5% (\$)	10% (\$)
David H. Peterson.....	177,000	5.15%	\$23.50	06/19/11	\$2,644,719	\$6,675,081
	88,500	2.58%	\$13.96	12/21/11	\$ 775,533	\$1,966,710
Craig A. Mataczynski.....	70,000	2.04%	\$23.50	06/19/11	\$1,045,934	\$2,639,863
	35,000	1.02%	\$13.96	12/21/11	\$ 306,708	\$ 777,795
John A. Noer.....	52,000	1.51%	\$23.50	06/19/11	\$ 776,979	\$1,961,041
	26,000	0.76%	\$13.96	12/21/11	\$ 227,840	\$ 577,790
James J. Bender.....	56,000	1.63%	\$23.50	06/19/11	\$ 836,747	\$2,111,890
	28,000	0.81%	\$13.96	12/21/11	\$ 245,366	\$ 622,236

Leonard A. Bluhm.....	55,000	1.60%	\$23.50	06/19/11	\$ 821,805	\$2,074,178
	30,000	0.87%	\$13.96	12/21/11	\$ 262,892	\$ 666,681

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- (1) Amounts shown represent stock options granted to the Named Executive Officers for compensation purposes in 2001 under the NRG Energy, Inc. 2000 Long-Term Incentive Compensation Plan and do not include options held by the Named Executive Officers to purchase shares of stock of Xcel Energy or stock options granted to the Named Executive Officers to replace equity units held under the NRG Equity Plan, which is described below in the Compensation Committee Report on Executive Compensation. The options set forth in the table above were granted with an exercise price equal to the Fair Market Value Closing Price of a share of NRG Energy common stock on the day of the grant and will vest and become fully exercisable on the fourth anniversary of the date of the grant. All options expire 10 years from the date of the grant.
- (2) The hypothetical potential appreciation shown in columns (f) and (g) for the Named Executive Officers is required by the SEC rules. The amounts in these columns do not represent either the historical or anticipated future performance of the Company's Common Stock level of appreciation.

102

The following table indicates for each of the Named Executive Officers the number and value of all exercisable and unexercisable options and SARs held by the Named Executive Officers as of December 31, 2001.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FY-END OPTION/SAR VALUES

(A)	(B)	(C)	(D)	(E)
NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END (#) EXERCISABLE/UNEXERCISABLE (1)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FY-END (\$) EXERCISABLE/UNEXERCISABLE (2)
----	-----	-----	-----	-----
David H. Peterson.....	--	--	308,415	\$2,542,754
			697,780	\$2,613,092
Craig A. Mataczynski....	13,074	\$302,875	44,294	\$ 353,079
			246,961	\$ 126,666
John A. Noer.....	--	--	--	\$ --
			60,000	\$ 30,000
James J. Bender.....	--	--	54,025	\$ 436,933
			177,769	\$ 492,348
Leonard A. Bluhm.....	--	--	43,690	\$ 372,754
			193,601	\$1,111,298

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- (1) Includes stock options granted to the Named Executive Officers to replace equity units held under the NRG Equity Plan but does not include Xcel Energy options.
- (2) Option values were calculated based on a \$15.50 closing price of Common Stock, as reported on the New York Stock Exchange on December 31, 2001.
- (3) Does not include 8,672 shares and 1,524 shares of NSP Nonqualified Stock Options having values of \$15,192 and \$3,146, respectively, sold by David H. Peterson in calendar year 2001.

103

PENSION PLAN TABLES

NRG Energy participates in Xcel Energy's noncontributory, defined benefit pension plan. Such plan covers substantially all of NRG Energy's employees. As of January 1, 1999, the pension benefit formula that applies to the Named Executive Officers was changed and each Named Executive Officer, together with

all other affected nonbargaining employees, was given an opportunity to choose between two retirement programs, the traditional program and the pension equity program. Messrs. Peterson, Bluhm and Noer have selected the traditional program and Messrs. Mataczynski and Bender have selected the pension equity program.

Under the traditional program applicable to certain of the Named Executive Officers, the pension benefit is computed by taking the highest average compensation below the integration level times 1.1333% plus the highest average compensation above the integration level times 1.6333%. The result is multiplied by credited service. The integration level is one-third of the social security wage base. The annual compensation used to calculate average compensation is base salary for the year. After an employee has reached 30 years of service, no additional years of service are used in determining the pension benefit under the traditional program. The benefit amounts under the traditional program are computed in the form of a straight-life annuity.

Under the pension equity program applicable to certain of the Named Executive Officers, the formula for determining the pension benefit is average compensation times credited years of service times 10%. The annual compensation used to calculate average compensation is base salary for the year plus bonus compensation paid in that same year. There is no maximum on the number of years of service used to determine the pension benefit. The benefit amounts under the pension equity program are computed in the form of a lump sum.

Both programs feature a retirement spending account, which credits \$1,400 plus interest annually. The opening balance as of January 1, 1999 was \$1,400, multiplied by years of service.

The employment agreement between Mr. Peterson and NRG Energy provides that Mr. Peterson will receive the accumulated value of his pension payments had he begun payments at his earliest retirement eligibility. Additionally, the employment agreement provides that, in the event that Mr. Peterson elects a lump sum payment, the value of his benefits will be calculated based on both his and his spouse's mortality, subject to certain financial performance measures. Such calculation of benefits is different from the single mortality basis used for other employees.

The following table illustrates the approximate retirement benefits payable to employees retiring at the normal retirement age of 65 years under the traditional program applicable to certain of the Named Executive Officers:

AVERAGE COMPENSATION (LAST 4 YEARS)	ESTIMATED ANNUAL BENEFITS FOR YEARS OF SERVICE INDICATED					
	YEARS OF SERVICE					
	5	10	15	20	25	30
\$ 50,000.....	\$ 4,500	\$ 9,000	\$ 13,500	\$ 19,000	\$ 25,000	\$ 31,500
100,000.....	8,500	17,000	25,500	35,000	45,500	56,000
150,000.....	12,500	25,000	38,000	51,500	66,000	80,500
200,000.....	16,500	33,500	50,000	68,000	86,500	105,000
250,000.....	21,000	41,500	62,500	84,000	107,000	129,500
300,000.....	25,000	49,500	74,500	100,500	127,500	154,000
350,000.....	29,000	58,000	87,000	117,000	147,500	178,500
400,000.....	33,000	66,000	99,000	133,000	168,000	203,000
450,000.....	37,000	74,000	111,500	149,500	188,500	227,500
500,000.....	41,000	82,500	123,500	166,000	209,000	252,000
550,000.....	45,500	90,500	136,000	182,000	229,500	276,500
600,000.....	49,500	98,500	148,000	198,500	250,000	301,000
650,000.....	53,500	107,000	160,500	215,000	270,000	325,500
700,000.....	57,500	115,000	172,500	231,000	290,500	350,000
750,000.....	61,500	123,000	185,000	247,500	311,000	374,500
800,000.....	65,500	131,500	197,000	264,000	331,500	399,000
850,000.....	70,000	139,500	209,500	280,000	352,000	423,500
900,000.....	74,000	147,500	221,500	296,500	372,500	448,000
950,000.....	78,000	156,000	234,000	313,000	392,500	472,500
1,000,000.....	82,000	164,000	246,000	329,000	413,000	497,000
1,050,000.....	86,000	172,000	258,500	345,500	433,500	521,500
1,100,000.....	90,000	180,500	270,500	362,000	454,000	546,000
1,150,000.....	94,500	188,500	283,000	378,000	474,500	570,500
1,200,000.....	98,500	196,500	295,000	394,500	495,000	595,000

The following table illustrates the approximate retirement benefits payable to employees retiring at the normal retirement age of 65 years under the pension equity program applicable to certain of the Named Executive Officers if paid in the form of a straight-line annuity:

AVERAGE COMPENSATION (LAST 4 YEARS)	ESTIMATED ANNUAL BENEFITS FOR YEARS OF SERVICE INDICATED					
	YEARS OF SERVICE					
	5	10	15	20	25	30
\$ 50,000.....	\$ 3,500	\$ 7,000	\$ 11,000	\$ 15,500	\$ 20,500	\$ 26,500
100,000.....	6,000	12,000	18,500	25,500	33,000	41,500
150,000.....	8,500	17,000	26,000	35,500	46,000	57,000
200,000.....	11,000	22,000	33,500	45,500	58,500	72,000
250,000.....	13,500	27,000	41,500	56,000	71,000	87,000
300,000.....	16,000	32,500	49,000	66,000	83,500	102,500
350,000.....	18,500	37,500	56,500	76,000	96,500	117,500
400,000.....	21,000	42,500	64,000	86,000	109,000	133,000
450,000.....	23,500	47,500	71,500	96,500	121,500	148,000
500,000.....	26,000	52,500	79,500	106,500	134,500	163,000
550,000.....	28,500	57,500	87,000	116,500	147,000	178,500
600,000.....	31,000	62,500	94,500	127,000	159,500	193,500
650,000.....	33,500	67,500	102,000	137,000	172,500	208,500
700,000.....	36,000	73,000	109,500	147,000	185,000	224,000
750,000.....	39,000	78,000	117,000	157,000	197,500	239,000
800,000.....	41,500	83,000	125,000	167,500	210,500	254,500
850,000.....	44,000	88,000	132,500	177,500	223,000	269,500
900,000.....	46,500	93,000	140,000	187,500	235,500	284,500
950,000.....	49,000	98,000	147,500	197,500	248,500	300,000
1,000,000.....	51,500	103,000	155,000	208,000	261,000	315,000
1,050,000.....	54,000	108,000	163,000	218,000	273,500	330,500
1,100,000.....	56,500	113,500	170,500	228,000	286,500	345,500
1,150,000.....	59,000	118,500	178,000	238,000	299,000	360,500
1,200,000.....	61,500	123,500	185,500	248,500	311,500	376,000

The approximate credited years of service as of December 31, 2001, for the Named Executive Officers were as follows:

Mr. Peterson.....	37.83
Mr. Mataczynski.....	19.42
Mr. Noer.....	32.67
Mr. Bender.....	6.33
Mr. Bluhm.....	30.42

EMPLOYMENT AGREEMENTS

DAVID H. PETERSON EMPLOYMENT AGREEMENT

NRG Energy has entered into an employment agreement with Mr. Peterson which provides that Mr. Peterson will be employed as NRG Energy's highest level executive officer. The term of the agreement expires June 27, 2004. During the term of the agreement, Mr. Peterson's base salary will be reviewed at least annually by the Compensation Committee of the Board of Directors for possible increase. The agreement provides that Mr. Peterson will receive retirement and welfare benefits no less favorable than those provided to any other officer of NRG Energy. In addition, the agreement provides for participation in a supplemental executive retirement plan such that the aggregate value of the retirement benefits that Mr. Peterson and his spouse will receive at the end of the term of the agreement under all of NRG Energy's defined benefit pension plans and those of NRG Energy's affiliates will not be less than the aggregate value of the benefits he would

have received had he continued, through the end of the term of the agreement, to participate in the NSP Deferred Compensation Plan, the NSP Excess Benefit Plan

and the NSP Pension Plan. Such retirement benefits include amounts to compensate Mr. Peterson for the monthly defined benefit payments he would have received during the term of the agreement and prior to the date of his termination of employment if monthly benefit payments had commenced following the month in which he first became eligible for early retirement under the Xcel Energy Pension Plan.

The agreement also provides for certain additional benefits to be paid upon Mr. Peterson's death. If Mr. Peterson's employment is terminated by NRG Energy without cause, or by Mr. Peterson with good reason, in each case as defined in the agreement, Mr. Peterson will continue to receive his salary, bonus at the greater of target bonus or actual bonus for the last plan year prior to termination, incentive compensation with cash replacing equity based awards and benefits under the agreement as if he had remained employed until the end of the term of the agreement and then retired, at which time he will be treated as eligible for retiree welfare benefits and other benefits provided to the retired senior executives. However, if the termination of employment is a result of a change of control, as defined in the Equity Plan, the compensation and benefits will be continued for the longer of 30 months or through the end of the employment period.

In accordance with the terms of the agreement, Mr. Peterson has agreed not to compete with the business of NRG Energy during the period of his employment and for one year after his termination or resignation. Mr. Peterson has also agreed not to solicit any of NRG Energy's customers for any business purpose that competes with NRG Energy's business during the period of his employment or two years after his termination or resignation. Finally, during the period of his employment and for two years after his termination or resignation, Mr. Peterson has agreed not to disclose any of NRG Energy's confidential information to any person not authorized by NRG Energy to receive such confidential information.

JAMES J. BENDER, LEONARD A. BLUHM, CRAIG A. MATA CZYNSKI AND JOHN A. NOER
SEVERANCE AGREEMENTS

Messrs. Bender, Bluhm, Mataczynski and Noer are participants in the Company's Executive officer and Key Personnel Severance Plan (the "Plan"). In June and July 2001, the Company executed severance plan agreements with Messrs. Bender, Bluhm, Mataczynski and Noer pursuant to the Plan. Each such agreement remains in effect until the third anniversary of its effective date. Each agreement has an effective date of May 31, 2001, except for the Company's agreement with Mr. Noer, which has an effective date of January 15, 2001. The severance agreements provide that if the employment of Messrs. Bender, Bluhm, Mataczynski, or Noer is terminated due to his death or disability, he will receive his base salary and accrued vacation through the date of termination or resignation. Each such agreement further provides that if any of Messrs. Bender, Bluhm, Mataczynski or Noer is terminated for cause, or if any of them voluntarily resigns without good cause, he will receive his base salary and accrued vacation through the date of termination or resignation, plus all other amounts to which he is entitled under any compensation plans of the Company, at the time such payments are due.

Each such agreement further provides for the payment of severance benefits in the event that any of Messrs. Bender, Bluhm, Mataczynski or Noer is terminated by the Company without cause, or if any of them terminates his employment within three months of a material change or reduction in his job responsibilities with the Company or as a result of a material breach by the Company of the compensation or benefit terms of the severance agreement. The severance benefits payable include the payment of two times the participant's base salary, plus two times the participant's average annual bonus earned over the two full years prior to the date of termination, or two times the participant's target annual bonus established for the bonus plan year in which the participant's termination occurs, whichever is greater.

Severance benefits are also payable to each of Messrs. Bender, Bluhm, Mataczynski and Noer if, within six months prior to, or twelve months after, the effective date of a Change in Control (as defined in the Company's Severance Plan) of the Company, his employment with the Company ends as a result of either

an involuntary termination of his employment by the Company for reasons other than cause, or by voluntary termination by him for cause. Whether or not a particular transaction constitutes a change of control is to be determined by the Board of Directors of the Company. In the event of a Change in Control of the Company,

the severance benefits payable include the payment of three times the participant's base salary, plus three times the participant's average annual bonus earned over the two full years prior to the date of termination, or three times the participant's target annual bonus established for the bonus plan year in which the participant's termination occurs, whichever is greater.

Under the terms of each such agreement, each of Messrs. Bender, Bluhm, Mataczynski and Noer has agreed not to compete with the Company's business during the course of his employment and for one year after his resignation or termination, unless there has been a Change of Control of the Company. Additionally, Messrs. Bender, Bluhm, Mataczynski and Noer have agreed not to disclose any of the Company's confidential and proprietary information. This description of the Plan is qualified in its entirety by reference to the form of the Plan, which is filed as Exhibit 10.41.

ITEM 12 -- SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

BENEFICIAL OWNERSHIP OF SHARES OF COMMON STOCK
AND CLASS A COMMON STOCK

The following table lists the beneficial ownership of Common Stock and Class A Common Stock owned as of March 6, 2002, by (i) the directors and nominees of the Company, (ii) the executive officers named in the Summary Compensation Table that follows and (iii) all the directors and executive officers of the Company as a group. The following table also lists the beneficial ownership of Common Stock and Class A Common Stock owned as of March 6, 2002 by each person known by the Company to beneficially own more than five percent (5%) of the outstanding shares of Common Stock and Class A Common Stock.

NAME OF BENEFICIAL OWNER	CLASS OF STOCK	NUMBER OF SHARES BENEFICIALLY OWNED(1)	PERCENT OF CLASS
David H. Peterson.....	Common Stock	314,415 (2)	*
Pierson M. Grieve.....	Common Stock	55,000	*
Luella G. Goldberg.....	Common Stock	10,000	*
William A. Hodder.....	Common Stock	25,000	*
Wayne H. Brunetti.....	Common Stock	5,500	*
James J. Howard.....	Common Stock	3,000	*
Gary R. Johnson.....	Common Stock	1,000	*
Richard C. Kelly.....	Common Stock	4,000	*
Edward J. McIntyre.....	Common Stock	1,000 (12)	*
Craig A. Mataczynski.....	Common Stock	46,294 (3)	*
John A. Noer.....	Common Stock	600	*
James J. Bender.....	Common Stock	55,028 (4)	*
Leonard A. Bluhm.....	Common Stock	93,365 (5)	*
Xcel Energy Inc. (6).....	Common Stock	-- (7)	--
	Class A Common Stock	147,604,500	100% (8)
Massachusetts Financial Services Company (9).....	Common Stock	2,885,772 (10)	5.6%
Capital Group International, Inc. (14) and Capital Guardian Trust.....	Common Stock	8,139,810 (13)	16.0%
Directors and executive officers as a group.....	Common Stock	671,598 (11)	*

(1) The number of shares beneficially owned by each person or entity is determined under the rules of the Securities and Exchange Commission (the "SEC"), and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, each person or entity is considered the beneficial owner of any shares: (a) to which such person or

entity has sole or shared voting power or investment power and (b) that such person or entity has the right to acquire within 60 days through the exercise of stock options or other similar rights. Unless otherwise indicated, each person or entity has sole investment and voting power (or such person shares such powers with his or her spouse) with respect to the shares set forth in the table above.

108

- (2) Includes 308,415 shares subject to options that are exercisable within 60 days.
- (3) Includes 44,294 shares subject to options that are exercisable within 60 days.
- (4) Includes 54,028 shares subject to options that are exercisable within 60 days, does not include 100 shares owned by Mr. Bender's wife. Mr. Bender disclaims beneficial ownership of the shares owned by his wife.
- (5) Includes 91,665 shares subject to options that are exercisable within 60 days.
- (6) The address for Xcel Energy Inc. is 800 Nicollet Mall, Suite 3000, Minneapolis, Minnesota, 55402-2023.
- (7) Pursuant to an option agreement, which is more fully described below under the heading "Relationships and Related Transactions," Xcel Energy and its affiliates have a continuing option to purchase shares of Common Stock to the extent necessary to maintain or restore an ownership percentage of 80% of the outstanding shares of Common Stock and Class A Common Stock on a combined basis.
- (8) Xcel Energy currently owns an approximate 74% interest in the Common Stock and Class A Common Stock of the Company on a combined basis, which represents 96.7% of the total voting power of the Common Stock and Class A Common Stock on a combined basis.
- (9) The address for Massachusetts Financial Services Company is 500 Boylston Street, Boston, Massachusetts, 02116.
- (10) Based on the Schedule 13G filed with the SEC on February 12, 2002.
- (11) Includes 568,005 shares subject to options that are exercisable within 60 days.
- (12) Does not include 1,500 shares owned by Mr. McIntyre's wife.
- (13) Based on Schedule 13G/A filed with the SEC on February 11, 2002.
- (14) The address of Capital Group International is 11100 Santa Monica Blvd., Los Angeles, CA 90025.

ITEM 13 -- CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATIONSHIPS AND RELATED TRANSACTIONS

NRG Energy was initially incorporated in Minnesota in 1989, and was reincorporated in Delaware in 1992, as a wholly owned subsidiary of NSP. The Company became publicly traded on May 31, 2000. In August 2000, NSP merged with NCE to form Xcel Energy. Following the completion in March 2001 of a public offering by NRG Energy of 18.4 million shares of Common Stock (the "March 2001 Offering"), Xcel Energy owns an approximate 74% interest in the Common Stock and Class A Common Stock of NRG Energy on a combined basis, representing 96.7% of the total voting power of the Common Stock and Class A Common Stock on a combined basis. In addition, 4 directors of NRG Energy are executive officers of Xcel Energy.

NRG Energy and Xcel Energy have entered into material transactions and agreements with one another and are expected to enter into material transactions and agreements from time to time in the future. Material agreements and transactions currently existing or currently proposed between NRG Energy and Xcel Energy are described below.

OPERATING AGREEMENTS

NRG Energy has two agreements with Xcel Energy for the purchase of thermal energy. Under the terms of the agreements, Xcel Energy charges NRG Energy for certain costs (fuel, labor, plant maintenance and auxiliary power) incurred by Xcel Energy to produce thermal energy. NRG Energy paid \$7.1 million in 2001 under these agreements. One of the agreements expires on December 31, 2002, and the other expires on December 31, 2006. NRG Energy and Xcel Energy have executed a new agreement, expiring on December 31, 2010, to replace the agreement that would have expired on December 31, 2002; this new agreement will not become effective until it is approved by the Minnesota Public Utilities Commission.

NRG Energy has a renewable 10-year agreement with Xcel Energy, expiring on December 31, 2006, under which Xcel Energy agrees to purchase refuse-derived fuel for use in certain of its boilers, and NRG Energy agrees to pay Xcel Energy a burn incentive. Under this agreement, NRG Energy received from Xcel Energy \$1.6 million in 2001, and NRG Energy paid to Xcel Energy \$2.8 million in 2001.

NRG Energy has entered into an operation and maintenance agreement with Xcel Energy with respect to its Elk River and Becker Facilities, under which NRG Energy receives a base management fee and is

109

reimbursed for costs it incurs. The operation and maintenance agreement also provides for a management incentive fee payable to NRG, based upon the financial performance of the facilities. NRG Energy earned a total management fee, in addition to reimbursed expenses, of \$1.9 million in 2001. This agreement expires on December 31, 2003.

NRG Energy and Xcel Energy have entered into an asset purchase agreement for the sale of Xcel Energy's Elk River and Becker Facilities to NRG Energy. The boards of directors of Xcel Energy and NRG have approved the transaction. The Minnesota Public Utilities Commission has approved Xcel Energy's request for the transfer of assets. Xcel Energy expects that the transaction will be completed by the second quarter of 2002.

REIMBURSEMENT FOR ADMINISTRATIVE SERVICES

NRG Energy reimburses Xcel Energy for certain overhead and administrative costs, including benefits administration, engineering support, accounting, and other shared services. Employees of NRG Energy participate in certain employee benefit plans of Xcel Energy. NRG Energy paid Xcel Energy \$12.2 million in 2001 as reimbursement for certain overhead costs and the cost of services provided.

TREecycle AGREEMENT

In February 2001, a wholly-owned subsidiary of NRG Energy, NRG Processing Solutions LLC (NRG PS), entered into agreements with Xcel Energy to provide for the assignment by Xcel Energy to NRG PS of various leases and contracts with respect to Xcel Energy's Treecycle business unit. The Treecycle operation manages wood waste from Xcel Energy's line-clearance operations in the Minneapolis and St. Paul metropolitan area. In conjunction with this transfer, NRG Energy and Xcel Energy have also entered into a one-year processing agreement whereby NRG PS agreed to process Xcel Energy's wood waste until December 31, 2001, for a minimum fee of \$500,000. Such agreements were approved by the Minnesota Public Utilities Commission in April 2001. The agreements were not renewed. During the year ended December 31, 2001, NRG Energy received the minimum fee of \$500,000 from Xcel Energy.

CONSULTING SERVICES AGREEMENT

NRG Energy has an agreement with Utility Engineering Corporation, a wholly owned subsidiary of Xcel Energy, under which Utility Engineering provides consulting services to NRG Energy. Consulting services are provided from time to time at NRG Energy's request. NRG Energy paid \$1.4 million to Utility Engineering for consulting services in 2001.

TAX ALLOCATION AGREEMENT

NRG Energy was formerly a member of Xcel Energy's consolidated tax group for United States federal income tax purposes. Following the completion of the March 2001 Offering, Xcel Energy owns equity securities representing less than 80% of NRG Energy's value and, accordingly, NRG Energy is no longer a member of Xcel Energy's consolidated tax group. The responsibility for payment of taxes and the allocation between Xcel Energy and NRG Energy of tax benefits and liabilities was previously governed by a tax sharing agreement between NRG Energy and Xcel Energy. Such tax sharing agreement was replaced by a tax allocation agreement, which became effective as of December 2000, that formalizes the various practices which arose under the previous tax sharing agreement and reflects the change in NRG Energy's status from a wholly-owned subsidiary of Xcel Energy to a majority-owned subsidiary.

OPTION AGREEMENT

NRG Energy has entered into an option agreement with Xcel Energy under which NRG Energy has granted to Xcel Energy and its affiliates a continuing option to purchase additional shares of Common Stock. In the event that NRG Energy issues equity securities, Xcel Energy and its affiliates may exercise options to purchase shares of Common Stock to the extent necessary to maintain or restore an ownership percentage of 80% of the outstanding shares of Common Stock and Class A Common Stock on a combined basis. Such

110

option agreement expires if and when Xcel Energy and its affiliates beneficially own less than 30% of the outstanding Common Stock and Class A Common Stock on a combined basis.

Following the March 2001 Offering, Xcel Energy's ownership in NRG Energy was reduced to approximately 74% of the outstanding shares of Common Stock and Class A Common Stock on a combined basis. Xcel Energy waived its rights under such option agreement in connection with the March 2001 offering. This option agreement would terminate upon completion of Xcel Energy's exchange offer for NRG Energy common stock.

REGISTRATION RIGHTS AGREEMENT

NRG Energy has entered into a registration rights agreement with Xcel Energy, under which NRG Energy has agreed to register the shares of Common Stock issuable upon conversion of shares of Class A Common Stock held by Xcel Energy and its affiliates under the following circumstances:

- Demand Rights. Upon the written request of Xcel Energy, NRG Energy will register shares of Common Stock held by Xcel Energy and its affiliates specified in its request for resale under an appropriate registration statement filed and declared effective by the SEC. Xcel Energy may make a demand so long as:
 - it requests registration of shares with an anticipated aggregate offering price of at least \$20 million;
 - it has made no more than four previous requests for the registration of common stock; and
 - NRG Energy has not completed a registered offering of Common Stock within the 180 day period before Xcel Energy's request.
- Piggyback Rights. If at any time NRG Energy registers newly issued

shares of Common Stock or registers outstanding shares of Common Stock for resale on behalf of any holder of Common Stock, Xcel Energy and its affiliates may elect to include in such registration any shares of Common Stock it holds. If the offering is an underwritten offering, the managing underwriter may exclude up to 75% of the shares of Xcel Energy and its affiliates if market factors dictate, but only if Xcel Energy and its affiliates is not exercising a demand right, described above, and only if all other shares being sold by other stockholders are excluded first.

- Termination. The registration rights agreement will terminate upon the earlier of seven years from the date of the agreement or the date on which all remaining shares of Common Stock held by Xcel Energy and its affiliates, or issuable to Xcel Energy and its affiliates upon conversion of Class A Common Stock, may be sold in any 90-day period in compliance with Rule 144 under the Securities Act. This registration rights agreement will terminate upon the completion of Xcel Energy's tender offer for the exchange of NRG Energy's common stock.

111

PART IV

ITEM 14 -- EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) (1) Consolidated Financial Statements
Included in Part II.

- (a) (2) Supplemental Financial Statement Schedules

Exhibit 99.1 contains the financial statements of West Coast Power LLC.

All other financial statement schedules have been omitted because either they are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or in the Notes thereto.

- (a) (3) Exhibits

- 3.1 Amended and Restated Certificate of Incorporation. (9)
- 3.2 By-Laws. (9)
- 4.1 Indenture, dated as of January 31, 1996, between the Company and Norwest Bank Minnesota, National Association, As Trustee. (1)
- 4.2 Indenture, dated as of June 1, 1997, between the Company and Norwest Bank Minnesota, National Association. (1)
- 4.3 Form of Exchange Notes. (1)
- 4.4 Indenture between the Company and Norwest Bank Minnesota, National Association, as Trustee dated as of May 25, 1999. (4)
- 4.5 Indenture, dated as of November 8, 1999, between the Company and Norwest Bank Minnesota, National Association as Trustee. (7)
- 4.6 Indenture, dated as of February 22, 2000, between the Company, NRG Northeast Generating LLC and Chase Manhattan Bank, as Trustee. (8)
- 4.7 NRG Energy Pass-Through Trust 2000-1, \$250,000,000 8.70% Remarketable or Redeemable Securities ("ROARS") due March 15, 2005. (8)
- 4.8 Trust Agreement, dated March 20, 2000, between the Company and The Bank of New York, as Trustee. (8)
- 4.9 Indenture, dated March 20, 2000, between the Company and The Bank of New York, as Trustee, 160,000,000 pounds sterling Reset Senior Notes due March 15, 2020. (8)

- 4.10 Form of Common Stock Certificate.(9)
- 4.11 Indenture, dated September 11, 2000, between the Company and Wells Fargo Bank Minnesota, National Association, as Trustee.(10)
- 4.12 Form of Supplemental Indenture to be used in connection with the issuance of Debentures.(11)
- 4.13 Form of Indenture.(11)
- 4.14 Form of Purchase Contract Agreement between the Company and the Purchase Contract Agent to be named therein.(11)
- 4.15 Form of Corporate Unit Certificate.(11)
- 4.16 Form of Pledge Agreement among the Company, the Collateral Agent and the Unit Agent, each to be named therein.(11)
- 4.17 Form of Remarketing Agreement among the Company, the Purchase Contract Agent and the Remarketing Agent, each to be named therein.(11)
- 4.18 Indenture, dated March 13, 2001, between the Company and The Bank of New York, a New York banking corporation, as Trustee.(12)

112

- 4.19 First Supplement Indenture, dated March 13, 2001, between the Company and The Bank of New York, a New York banking corporation, as Trustee.(12)
- 4.20 364-Day Revolving Credit Agreement dated as of March 8, 2002, among NRG Energy, Inc., The Financial Institutions Party hereto and ABN AMRO Bank N.V., as agent.
- 4.21 \$2.0 billion credit agreement dated May 8, 2001 among NRG Finance Company LLC and certain financial institutions named therein.(14)
- 4.22 \$600 million credit agreement among NRG Energy and certain financial institutions named therein.(14)
- 10.1 Employment Contract, dated as of June 28, 1995, between the Company and David H. Peterson.(1)
- 10.2 Note Agreement, dated August 20, 1993, between the Company, Energy Center, Inc. and each of the purchasers named therein.(1)
- 10.3 Master Shelf and Revolving Credit Agreement, dated August 20, 1993, between the Company, Energy Center, Inc., The Prudential Insurance Registrants of America and each Prudential Affiliate, which becomes party thereto.(1)
- 10.4 Energy Agreement, dated February 12, 1988, between the Company (formerly known as Norencor Corporation) and Waldorf Corporation (the "Energy Agreement").(1)
- 10.5 First Amendment to the Energy Agreement, dated August 27, 1993.(1)
- 10.6 Second Amendment to the Energy Agreement, dated January 31, 1996.(1)
- 10.7 Third Amendment to the Energy Agreement, dated August 25, 1997.(1)
- 10.8 Construction, Acquisition and Term Loan Agreement, dated September 2, 1997, between NEO Landfill Gas, Inc, as Borrower, the lenders named on the signature pages, Credit Lyonnais New York Branch, as Construction/Acquisition Agent and Lyon Credit Corporation, as Term Agent.(1)
- 10.9 Guaranty, dated September 12, 1997, by the Company in favor of Credit Lyonnais New York Branch, as agent for the Construction/Acquisition Lenders.(1)
- 10.10 Construction, Acquisition and Term Loan Agreement, dated September 2, 1997, between Minnesota Methane LLC, as Borrower, the lenders named on the signature pages, Credit Lyonnais New York Branch, as Construction/Acquisition Agent and Lyon Credit Corporation, as Term Agent.(1)
- 10.11 Guaranty, dated September 12, 1997, by the Company in favor of Credit Lyonnais New York Branch, as agent for the

- Construction/Acquisition Lenders.(1)
- 10.12 Non Operating Interest Acquisition Agreement dated as of September 12, 1997, between the Company and NEO Corporation.(1)
- 10.13 Employment Agreements, dated April 15, 1998, between the Company and certain officers.(3)
- 10.14 Wholesale Standard Offer Service Agreement, dated October 13, 1998, between Blackstone Valley Electric Company, Eastern Edison Company, Newport Electric Corporation and NRG Power Marketing, Inc.(5)
- 10.15 Asset Sales Agreement, dated December 23, 1998, between the Company and Niagara Mohawk Power Corporation.(5)
- 10.16 First Amendment to Wholesale Standard Offer Service Agreement, dated January 15, 1999, between Blackstone Valley Electric Company, Eastern Edison Company, Newport Electric Corporation and NRG Power Marketing, Inc.(5)
- 10.17 Generating Plant and Gas Turbine Asset Purchase and Sale Agreement for the Arthur Kill generating plants and Astoria gas turbines, dated January 27, 1999, between the Company and Consolidated Edison Company of New York, Inc.(5)

113

- 10.18 Transition Energy Sales Agreement, dated June 1, 1999, between Arthur Kill Power LLC and Consolidated Edison Company of New York, Inc.(5)
- 10.19 Transition Power Purchase Agreement, dated June 1, 1999, between Astoria Gas Turbine Power LLC and Consolidated Edison Company of New York, Inc.(5)
- 10.20 Transition Power Purchase Agreement, dated June 11, 1999, between Niagara Mohawk Power Corporation and Huntley Power LLC.(5)
- 10.21 Transition Power Purchase Agreement, dated June 11, 1999, between Niagara Mohawk Power Corporation and Dunkirk Power LLC.(5)
- 10.22 Power Purchase Agreement, dated June 11, 1999, between Niagara Mohawk Power Corporation and Dunkirk Power LLC.(5)
- 10.23 Power Purchase Agreement, dated June 11, 1999, between Niagara Mohawk Power Corporation and Huntley Power LLC.(5)
- 10.24 Amendment to the Asset Sales Agreement, dated June 11, 1999, between the Company and Niagara Mohawk Power Corporation.(5)
- 10.25 Transition Capacity Agreement, dated June 25, 1999, between Astoria Gas Turbine Power LLC and Consolidated Edison Company of New York, Inc.(5)
- 10.26 Transition Capacity Agreement, dated June 25, 1999, between Arthur Kill Power LLC and Consolidated Edison Company of New York, Inc.(5)
- 10.27 First Amendment to the Employment Agreement of David H. Peterson, dated June 27, 1999.(6)
- 10.28 Second Amendment to the Employment Agreement of David H. Peterson, dated August 26, 1999.(6)
- 10.29 Third Amendment to the Employment Agreement of David H. Peterson, dated October 20, 1999.(6)
- 10.30 [Swap] Master Agreement, dated June 11, 1999, between Niagara Mohawk Power Corporation and NRG Power Marketing, Inc.(6)
- 10.31 Standard Offer Service Wholesale Sales Agreement, dated October 29, 1999, between the Connecticut Light And Power Company and NRG Power Marketing, Inc.(6)
- 10.32 Amended Agreement for the Sale of Thermal Energy, dated January 1, 1983, between the Company (formerly known as Norenco Corporation) and Northern States Power and Norenco Corporation.(9)
- 10.33 Operations and Maintenance Agreement, dated November 1, 1996, between the Company and Northern States Power.(9)

- 10.34 Agreement for the Sale of Thermal Energy and Wood Byproduct, dated December 1, 1986, between Northern States Power and Norencor Corporation. (9)
- 10.35 Federal and State Income Tax Sharing Agreement, dated April 4, 1991, between Northern States Power Company and NRG Group, Inc. (9)
- 10.36 Support Agreement, dated March 27, 2000, between Northern States Power Company and CitiCorp USA Inc. (9)
- 10.37 Administrative Services Agreement, dated January 1, 1992, between Northern States Power Company and NRG Thermal Corporation. (9)
- 10.38 Form of Option Agreement with Northern States Power Company. (9)
- 10.39 Form of Registration Rights Agreement with Northern States Power Company. (9)
- 10.40 Form of Indemnification Agreement. (9)
- 10.41 Form of Severance Agreement entered into between NRG Energy and each of the following executive officers; James Bender, Leonard Bluhm, Craig Mataczynski, and John Noer. (14)

114

- 21 Subsidiaries of the Company.
- 23.1 Consent of PricewaterhouseCoopers LLP.
- 99.1 Financial Statements of "West Coast Power"

-
- (1) Incorporated herein by reference to the Company's Registration Statement on Form S-1, as amended, Registration No. 333-33397.
 - (2) Incorporated herein by reference to the Company's annual report on Form 10-K for the year ended December 31, 1997.
 - (3) Incorporated herein by reference to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 1998.
 - (4) Incorporated herein by reference to the Company's current report on Form 8-K filed on May 27, 1999.
 - (5) Incorporated herein by reference to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 1999.
 - (6) Incorporated herein by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 31, 1999.
 - (7) Incorporated herein by reference to the Company's current report on Form 8-K filed on November 16, 1999.
 - (8) Incorporated herein by reference to the Company's annual report on Form 10-K for the year ended December 31, 1999.
 - (9) Incorporated herein by reference to the Company's Registration Statement on Form S-1, as amended, Registration No. 333-35096.
 - (10) Incorporated herein by reference to the Company's current report on Form 8-K filed on September 13, 2000.
 - (11) Incorporated herein by reference to the Company's Registration Statement on Form S-3, as amended, Registration No. 333-52508.
 - (12) Incorporated herein by reference to the Company's current report on Form 8-K filed on March 15, 2001.
 - (13) Incorporated herein by reference to the Company's quarterly report on Form

10-Q for the quarter ended March 31, 2001.

- (14) Incorporated herein by reference to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2001.
- (b) Reports on Form 8-K

On February 1, 2001, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events.

NRG Energy reported its financial results for the year ended December 31, 2000.

On February 9, 2001, NRG Energy filed a Form 8-K reporting under Item 2 -- Acquisition or Disposition of Assets.

NRG Energy announced the closing of its acquisition of a 5,633 megawatt portfolio of operating projects and projects in construction and advanced development from LS Power, LLC and its partners.

On March 5, 2001, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events.

NRG Energy filed as exhibit 99.1 the audited financial statements of NRG Energy, Inc. for the year ended December 31, 2000.

On March 9, 2001, NRG Energy filed a Form 8-K reporting under Item 7 -- Exhibits.

NRG Energy filed an opinion of Gibson, Dunn & Gutcher LLP regarding certain tax matters in connection with its Form S-3 Registration Statement No. 333-52508.

On March 15, 2001, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events

115

NRG Energy filed certain exhibits under Item 7 -- Exhibits in connection with its Registration Statement No. 333-52508.

On April 3, 2001, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events

NRG Energy announced that on March 23, 2001, NRG Energy Inc. announced its appointment of W. Mark Hart to the position of Senior Vice President, NRG Energy and NRG Europe and Latin America.

On April 10, 2001, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events

On April 5, 2001, NRG Energy completed the offering of \$350,000,000 of its 7.75% senior notes due 2011 and \$340,000,000 of its 8.625% Senior Notes due 2031. In connection with NRG Energy's December 2000 Registration Statement on Form S-3 (file No. 333-52508), NRG Energy filed certain exhibits under Item 7 -- Exhibits

On April 30, 2001, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events

On April 25, 2001, NRG Energy reported its financial results for the three months ended March 31, 2001

On June 18, 2001, NRG Energy filed a Form 8-K under Item 5 -- Other Events

On June 15, 2001, NRG Energy reported that it is on track to achieve its stated goal of increasing earnings and megawatt ownership

On July 2, 2001, NRG Energy filed a Form 8-K under Item 2 -- Acquisition or Disposition of assets

On June 22, 2001, NRG Energy reported that it acquired 1,081 megawatts of baseload electric generating plants from Delmarva Power and Light a subsidiary of Wilmington, Delaware-based Conectiv

On July 18, 2001, NRG Energy filed a Form 8-K under Item 5 -- Other Events

On July 16, 2001, NRG Energy completed the offering of \$340,000,000 of its 6.75% senior notes due 2006 and \$160,000,000 of its 8.625% Senior Notes due 2031

On July 30, 2001, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events

On July 25, 2001, NRG Energy reported its financial results for the second quarter of 2001

On July 30, 2001, NRG Energy filed a form 8-K reporting under Item 5 -- Other Events

On July 26, 2001, NRG Energy reported that the Federal Energy Regulatory Commission has instructed its staff to convene a technical conference to "further explore issues related to the competitive effects" resulting from NRG Energy's proposed acquisition of the and New Haven Harbor stations in Connecticut. The action will result in the acquisition being delayed beyond its previously expected close in the third quarter of 2001

On September 21, 2001, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events

On September 20, 2001, NRG Energy reported that it is on target to reach its forecasted EPS of \$1.35 and announced that it acquired a 50% interest in the Saguaro Station from Edison Mission Energy and further announced that it has decided to stop pursuing the acquisition of two Connecticut plants from Wisvest Connecticut LLC

On October 15, 2001, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events

On October 11, 2001, NRG Energy reported its financial results for the third quarter of 2001

On December 3, 2001, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events

On November 29, 2001, NRG Energy announced that it signed asset purchase and sale agreements with subsidiaries of First Energy Corporation to acquire a 2,535 MW portfolio of generating assets

On January 31, 2002, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events

On January 29, 2002 NRG Energy reported its financial results for the year ended December 31, 2001

On February 26, 2002, NRG Energy filed a Form 8-K reporting under Item 5 -- Other Events

On February 26, 2002 NRG Energy filed its audited financial statements for the year ended December 31, 2001

117

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 28, 2002.

NRG ENERGY, INC.

By: /s/ LEONARD A. BLUHM

Leonard A. Bluhm
Executive Vice President and
Chief Financial Officer

POWER OF ATTORNEY:

Each person whose signature appears below constitutes and appoints David H. Peterson and Leonard A. Bluhm, each or any of them, such person's true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for such person and in such person's name, place and stead, in any and all capacities, to sign any and all amendments to this report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as such person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

In accordance with the Exchange Act, this report has been signed by the following persons on behalf of the registrant in the capacities indicated on March 28, 2002.

SIGNATURE -----	TITLE -----	DATE ----
/s/ DAVID H. PETERSON ----- David H. Peterson	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 28, 2002
/s/ LEONARD A. BLUHM ----- Leonard A. Bluhm	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 28, 2002
/s/ WILLIAM T. PIEPER ----- William T. Pieper	Vice President and Controller (Principal Accounting Officer)	March 28, 2002
/s/ WAYNE H. BRUNETTI ----- Wayne H. Brunetti	Director	March 28, 2002
/s/ LUELLEA G. GOLDBERG ----- Luella G. Goldberg	Director	March 28, 2002
/s/ PIERSON M. GRIEVE ----- Pierson M. Grieve	Director	March 28, 2002

/s/ WILLIAM A. HODDER

Director

March 28, 2002

William A. Hodder

118

SIGNATURE

TITLE

DATE

/s/ JAMES J. HOWARD

Director

March 28, 2002

James J. Howard

/s/ GARY R. JOHNSON

Director

March 28, 2002

Gary R. Johnson

/s/ RICHARD C. KELLY

Director

March 28, 2002

Richard C. Kelly

/s/ EDWARD J. MCINTYRE

Director

March 28, 2002

Edward J. McIntyre

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(d) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

An annual report will be sent to security holders and will be supplementally filed with the Commission. Such annual report to security holders will not be deemed "filed" with the Commission or otherwise subject to the liabilities of Section 18 of the Securities Exchange Act of 1934.

119

364-DAY REVOLVING CREDIT AGREEMENT

DATED AS OF

MARCH 8, 2002

AMONG

NRG ENERGY, INC.

THE FINANCIAL INSTITUTIONS PARTY HERETO,
AS BANKS

AND

ABN AMRO BANK N.V.,
AS ADMINISTRATIVE AGENT,

SALOMON SMITH BARNEY, INC.,

AS SYNDICATION AGENT,

BARCLAYS BANK PLC

AS CO-SYNDICATION AGENT

AND

THE ROYAL BANK OF SCOTLAND PLC AND BAYERISCHE HYPO-UND VEREINSBANK
AG, NEW YORK BRANCH

AS CO-DOCUMENTATION AGENTS

TABLE OF CONTENTS

SECTION 1.	DEFINITIONS; INTERPRETATION.....	1
Section 1.1	Definitions.....	1
Section 1.2	Interpretation.....	11
SECTION 2.	THE REVOLVING CREDIT.....	12
Section 2.1	The Loan Commitment.....	12
Section 2.2	[Intentionally Omitted].....	12
Section 2.3	Applicable Interest Rates.....	12
Section 2.4	Minimum Borrowing Amounts.....	14
Section 2.5	Manner of Borrowing Loans and Designating Interest Rates Applicable to Loans.....	14
Section 2.6	Interest Periods.....	16
Section 2.7	Maturity of Loans.....	17
Section 2.8	Prepayments.....	17
Section 2.9	Default Rate.....	17
Section 2.10	The Notes.....	18
Section 2.11	Funding Indemnity.....	18

Section 2.12	Commitment Terminations.....	19
SECTION 3.	FEES.....	19
Section 3.1	Fees.....	19
SECTION 4.	PLACE AND APPLICATION OF PAYMENTS.....	20
Section 4.1	Place and Application of Payments.....	20
SECTION 5.	REPRESENTATIONS AND WARRANTIES.....	20
Section		
5.1	Corporate Organization and Authority.....	20
Section 5.2	Subsidiaries.....	21
Section 5.3	Corporate Authority and Validity of Obligations.....	21
Section 5.4	Financial Statements.....	21
Section 5.5	No Litigation; No Labor Controversies.....	21
Section 5.6	Taxes.....	22
Section 5.7	Approvals.....	22
Section 5.8	Validity of Notes.....	22
Section 5.9	ERISA.....	22
Section 5.10	Government Regulation.....	22
Section 5.11	Margin Stock; Use of Proceeds.....	22
Section 5.12	Licenses and Authorizations; Compliance with Laws.....	23
Section 5.13	Ownership of Property; Liens.....	23
Section 5.14	No Burdensome Restrictions; Compliance with Agreements.....	23
Section 5.15	Full Disclosure.....	23
Section 5.16	Solvency.....	23
SECTION 6.	CONDITIONS PRECEDENT.....	23

Section 6.1	Initial Credit Event.....	24
Section 6.2	All Credit Events.....	25
SECTION 7.	COVENANTS.....	26
Section 7.1	Corporate Existence; Subsidiaries.....	26
Section 7.2	Maintenance.....	26
Section 7.3	Taxes.....	26
Section 7.4	ERISA.....	26
Section 7.5	Insurance.....	27
Section 7.6	Financial Reports and Other Information.....	27
Section 7.7	Bank Inspection Rights.....	29
Section 7.8	Conduct of Business.....	29
Section 7.9	Liens.....	29
Section 7.10	Use of Proceeds; Regulation U.....	30
Section 7.11	Mergers, Consolidations and Sales of Assets.....	30
Section 7.12	Consolidated Net Worth.....	31
Section 7.13	Indebtedness to Consolidated Capitalization.....	31
Section 7.14	Interest Coverage Ratio.....	31
Section 7.15	Compliance with Laws.....	31
Section 7.16	PUHCA.....	31
Section 7.17	Subordinated Note.....	32
SECTION 8.	EVENTS OF DEFAULT AND REMEDIES.....	32
Section 8.1	Events of Default.....	32
Section 8.2	Non-Bankruptcy Defaults.....	34
Section 8.3	Bankruptcy Defaults.....	34
Section 8.4	[Intentionally Omitted].....	34
Section 8.5	Notice of Default.....	34
Section 8.6	Expenses.....	34
SECTION 9.	CHANGE IN CIRCUMSTANCES.....	34
Section 9.1	Change of Law.....	34
Section 9.2	Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR.....	35
Section 9.3	Increased Cost and Reduced Return.....	35
Section 9.4	Lending Offices.....	37
Section 9.5	Discretion of Bank as to Manner of Funding.....	37
SECTION 10.	THE ADMINISTRATIVE AGENT.....	37
Section 10.1	Appointment and Authorization of Administrative Agent.....	38
Section 10.2	Administrative Agent and its Affiliates.....	38
Section 10.3	Action by Administrative Agent.....	38
Section 10.4	Consultation with Experts.....	39
Section 10.5	Liability of Administrative Agent; Credit Decision.....	39
Section 10.6	Indemnity.....	39
Section 10.7	Resignation of Administrative Agent and Successor Administrative Agent.....	40

SECTION 11.	MISCELLANEOUS.....	40
Section 11.1	Withholding Taxes.....	40
Section 11.2	No Waiver of Rights.....	41
Section 11.3	Non-Business Day.....	42
Section 11.4	Documentary Taxes.....	42
Section 11.5	Survival of Representations.....	42
Section 11.6	Survival of Indemnities.....	42
Section 11.7	Set-Off.....	42
Section 11.8	Notices.....	43
Section 11.9	Counterparts.....	44
Section 11.10	Successors and Assigns.....	44
Section 11.11	Participants and Note Assignees.....	44
Section 11.12	Assignment of Commitments by Banks.....	46
Section 11.13	Amendments.....	47
Section 11.14	Nonliability of Agents and Lenders.....	48
Section 11.15	Headings.....	48
Section 11.16	Legal Fees, Other Costs and Indemnification.....	49
Section 11.17	Entire Agreement.....	49
Section 11.18	Construction.....	49

Section 11.19	Governing Law.....	49
Section 11.20	Submission to Jurisdiction; Waiver of Jury Trial.....	49
Section 11.21	Rights and Liabilities of Documentation Agents and Syndication Agents.....	50
Section 11.22	Confidentiality.....	50

EXHIBITS

A	-	Form of Note
B	-	Form of Compliance Certificate

SCHEDULES

SCHEDULE 1	Pricing Grid
SCHEDULE 2	Commitments
SCHEDULE 4	Administrative Agent Notice and Payment Info
SCHEDULE 5.2	Schedule of Existing Subsidiaries
SCHEDULE 5.5	Litigation and Labor Controversies

364-DAY REVOLVING CREDIT AGREEMENT

364-DAY REVOLVING CREDIT AGREEMENT, dated as of March 8, 2002 among NRG Energy, Inc., a Delaware corporation (the "Borrower"), the financial institutions from time to time party hereto (each a "Bank," and collectively the "Banks"), and ABN AMRO Bank N.V. in its capacity as administrative agent for the Banks hereunder (in such capacity, the "Administrative Agent").

WITNESSETH THAT:

WHEREAS, the Borrower desires to obtain the several commitments of the Banks to make available a revolving credit for loans (the "Revolving Credit"), as described herein; and

WHEREAS, the Banks are willing to extend such commitments subject to all of the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth;

NOW, THEREFORE, in consideration of the recitals set forth above and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION.

Section 1.1 Definitions. The following terms when used herein have the following meanings:

"Adjusted LIBOR" is defined in Section 2.3(b) hereof.

"Administrative Agent" is defined in the first paragraph of this Agreement and includes any successor Administrative Agent pursuant to Section 10.7 hereof.

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with their correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event for purposes of this definition: (i) any Person which owns directly or indirectly 5% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or 5% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person; and (ii) each director and executive officer of the Borrower or any Subsidiary shall be deemed an Affiliate of the Borrower and each Subsidiary.

"Agreement" means this 364-Day Revolving Credit Agreement, including all Exhibits and Schedules hereto, as it may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Applicable Margin" means, at any time (i) with respect to Base Rate Loans, the Base Rate Margin and (ii) with respect to Eurocurrency Loans, the Eurocurrency Margin.

"Applicable Telerate Page" is defined in Section 2.3(b) hereof.

"Authorized Representative" means those persons shown on the list of officers provided by the Borrower pursuant to Section 6.1(e) hereof, or on any updated such list provided by the Borrower to the Administrative Agent, or any further or different officer of the Borrower so named by any Authorized Representative of the Borrower in a written notice to the Administrative Agent.

"Bank" is defined in the first paragraph of this Agreement.

"Base Rate" is defined in Section 2.3(a) hereof.

"Base Rate Loan" means a Loan bearing interest prior to maturity at a rate specified in Section 2.3(a) hereof.

"Base Rate Margin" means the percentage set forth in Schedule 1 hereto beside the then applicable Level Status.

"Borrower" is defined in the first paragraph of this Agreement.

"Borrowing" means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type into such type by the Banks on a single date and for a single Interest Period. Borrowings of Loans are made and maintained ratably from each of the Banks according to their Percentages. A Borrowing is "advanced" on the day Banks advance funds comprising such Borrowing to the Borrower, is "continued" on the date a new Interest Period for the same type of Loan commences for such Borrowing, and is "converted" when such Borrowing is changed from one type of Loan to the other, all as requested by the Borrower pursuant to Section 2.5(a).

"Bridge Credit Agreement" means that certain Credit Agreement dated as of June 22, 2001 among NRG Energy, Inc., the financial institutions party thereto and Credit Suisse First Boston as administration agent, as from time to time amended.

"Business Day" means any day other than a Saturday or Sunday on which Banks are not authorized or required to close in Chicago, Illinois or New York, New York and, if the applicable Business Day relates to the borrowing or payment of a Eurocurrency Loan, on which dealings in U.S. Dollars may be carried on by the Administrative Agent in the interbank eurodollar market.

"Capital Lease" means at any date any lease of Property which, in accordance with GAAP, would be required to be capitalized on the balance sheet of the lessee.

2

"Capitalized Lease Obligations" means, for any Person, the amount of such Person's liabilities under Capital Leases determined at any date in accordance with GAAP.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Commitments" means the Revolving Credit Commitments.

"Compliance Certificate" means a certificate in the form of Exhibit B hereto.

"Consolidated Capitalization" means Consolidated Net Worth plus Indebtedness of the Borrower.

"Consolidated Current Liabilities" means such liabilities of the Borrower on a consolidated basis as shall be determined in accordance with GAAP to constitute current liabilities.

"Consolidated EBIT" means, for any period, for the Borrower, (A) the sum of the amounts for such period of (i) Consolidated Net Income, (ii) to the extent deducted in arriving at Consolidated Net Income, net federal, state and local income taxes in respect of such period of the Borrower and its Subsidiaries, (iii) to the extent deducted in arriving at Consolidated Net Income, Consolidated Interest Expense, and (iv) extraordinary non-cash losses of the Borrower and its Subsidiaries less (B) extraordinary non-cash gains of the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated EBITDA" means, with reference to any period, for the Borrower, the sum of the amounts for such period of (i) Consolidated EBIT, (ii) to the extent deducted in arriving at Consolidated Net Income, depreciation and depletion expense for the Borrower and its Subsidiaries, and (iii) to the extent deducted in arriving at Consolidated Net Income, amortization expense for the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means, with reference to any period, the sum of all interest charges (including imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense and other deferred financing charges) of the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP plus (ii) all fees payable in respect of the issuance of standby letters of credit for the account of the Borrower or its Subsidiaries.

"Consolidated Net Income" means, for any period, the net income (or net loss) of the Borrower for such period computed on a consolidated basis in accordance with GAAP.

"Consolidated Net Tangible Assets" means, as of the date of determination thereof, Consolidated Total Assets as of such date less the sum of (i) Consolidated Current Liabilities and (ii) Intangible Assets.

3

"Consolidated Net Worth" means, as of the date of determination thereof, the amount which would be reflected as stockholders' equity upon a consolidated balance sheet of the Borrower (determined in accordance with GAAP) prior to making any adjustment thereto (i) as a result of application of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities or (ii) in connection with the account entitled "other comprehensive income" on such balance sheet.

"Consolidated Total Assets" means, as of the date of determination thereof, the total amount of all assets of the Borrower determined on a consolidated basis in accordance with GAAP.

"Contingent Performance Guarantee" means a Performance Guarantee as to which (i) the guarantor's obligation cannot be reasonably quantified, and (ii) neither the Borrower nor any Subsidiary has information which raises a reasonable possibility that a demand under such Performance Guarantee may be made prior to, or within 18 months after, the Termination Date. A Contingent Performance Guarantee which for any reason fails to meet the criteria set forth in either clause (i) or (ii) of this definition shall immediately cease to be deemed a Contingent Performance Guarantee for purposes of this Agreement.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its Property is bound.

"Controlled Group" means all members of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control that, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Credit Documents" means this Agreement, the Notes and the Fee Letter.

"Credit Event" means the advancing of any Loan or the continuation of or conversion into a Eurocurrency Loan.

"Documentation Agents" means The Royal Bank Of Scotland PLC and Bayerische Hypo-Und Vereinsbank AG, New York Branch in their capacity as documentation agents.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"EBITDA" in any period for any Subsidiary of the Borrower means such Subsidiary's net income (or net loss) for such period plus (A) to the extent deducted in arriving at such net income, (i) net federal, state and local income taxes in respect of such period, (ii) interest expense, (iii) depreciation and depletion expense, (iv) amortization expense, and (v) extraordinary non-cash losses less (B) extraordinary non-cash gains, all as determined on a

4

consolidated basis for such Subsidiary and its subsidiaries only but otherwise in accordance with GAAP.

"Effective Date" means March 8, 2002.

"ERISA" is defined in Section 5.9 hereof.

"Eurocurrency Loan" means a Loan bearing interest prior to maturity at the rate specified in Section 2.3(b) hereof.

"Eurocurrency Margin" means the percentage set forth in Schedule 1 hereto beside the then applicable Level Status.

"Eurocurrency Reserve Percentage" is defined in Section 2.3(b) hereof.

"Event of Default" means any of the events or circumstances specified in Section 8.1 hereof.

"Existing Credit Agreement" means that certain 364-Day Revolving Credit Agreement dated as of March 9, 2001 among NRG Energy, Inc., ABN AMRO Bank N.V., as administrative agent, and the banks from time-to-time party thereto, as amended or otherwise modified from time to time.

"Facility Fee Rate" means the percentage set forth in Schedule 1 hereto beside the then applicable Level Status.

"Federal Funds Rate" means the fluctuating interest rate per annum described in part (x) of clause (ii) of the definition of Base Rate set forth in Section 2.3(a) hereof.

"Fee Letters" means those certain letters between the Borrower and ABN AMRO Bank N.V., and/or Salomon Smith Barney Inc., dated as of February 22, 2002 pertaining to certain fees to be paid by the Borrower.

"FinCo" means NRG Finance Company I LLC, a Delaware special purpose limited liability company which is a Wholly-Owned Subsidiary of the Borrower and whose sole purpose is to facilitate the financing of a revolving working capital, acquisition and construction loan facility.

"FinCo Revolving Loan Facility" means a revolving working capital, acquisition and construction loan facility (i) under which FinCo is the sole borrower, (ii) as to which FinCo's obligations are or may be Guaranteed by some or all of the Borrower's Project Finance Subsidiaries whose projects or turbines are being financed by FinCo and for which there is no other financing on a senior basis being provided by any other Person, and (iii) which is unsecured by any assets of, or stock or other equity interest of or owned by, the Borrower or its Subsidiaries, other than (x) assets and/or the stock or other equity interest of FinCo, and (y) assets and/or the stock or other equity interest of such Project Finance Subsidiaries; provided,

5

however, that any Guaranty of the Indebtedness of FinCo or any security therefor given by or in respect of a Project Finance Subsidiary to the extent permitted hereunder may continue in existence only until the financing received by the Project Finance Subsidiary from FinCo has been repaid.

"GAAP" means generally accepted accounting principles as in effect in the United States from time to time, applied by the Borrower and its Subsidiaries on a basis consistent with the preparation of the Borrower's financial statements furnished to the Banks.

"Guaranty" by any Person means all obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation (including, without limitation, limited or full recourse obligations in connection with sales of receivables or any other Property and Performance Guarantees) of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or obligation or any Property or assets constituting security therefor, (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness or obligation, or (y) to maintain working capital or other balance sheet condition, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation, or (iii) to lease property or to purchase Securities or other property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of the Indebtedness or obligation, or (iv) otherwise to assure the owner of the Indebtedness or obligation of the primary obligor against loss in respect thereof. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any obligation shall be deemed to be equal to the maximum aggregate amount of such obligation or, if the Guaranty is limited to less than the full amount of such obligation, the maximum aggregate potential liability under the terms of the Guaranty. Notwithstanding anything in this definition to the contrary, a Person's support of its subsidiary's obligation to (a) make equity contributions or (b) pay liquidated damages under an operating and maintenance agreement should such subsidiary fail to comply with the terms thereof shall not be considered a "Guaranty" by such Person.

"Indebtedness" means and includes, for any Person, all obligations of such Person, without duplication, which are required by GAAP to be shown as liabilities on its balance sheet, and in any event shall include all of the following whether or not so shown as liabilities: (i) obligations of such Person for borrowed money, (ii) obligations of such Person representing the deferred purchase price of property or services, (iii) obligations of such Person evidenced by notes, acceptances, or other instruments of such Person or arising out of letters of credit issued for such Person's account, (iv) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or

production from Property now or hereafter owned or acquired by such Person, (v) Capitalized Lease Obligations of such Person and (vi) obligations for which such Person is obligated pursuant to a Guaranty, provided that Contingent Performance Guarantees of the Borrower shall not be deemed "Indebtedness" for purposes of this Agreement. All calculations of the Indebtedness of any Person (and the components thereof) shall be performed

6

on a consolidated basis, provided that Indebtedness shall not include obligations which are required by GAAP to be shown as liabilities on such Person's balance sheet but which are non-recourse to such Person.

"Interest Coverage Ratio" means, for any period of four consecutive fiscal quarters of the Borrower ending with the most recently completed fiscal quarter, the ratio of Consolidated EBITDA for such four consecutive fiscal quarters to the sum of Consolidated Interest Expense for such four consecutive fiscal quarters.

"Interest Period" is defined in Section 2.6 hereof.

"Intangible Assets" means, as of the date of determination thereof, all assets of the Borrower properly classified as intangible assets determined on a consolidated basis in accordance with GAAP.

"Lending Office" is defined in Section 9.4 hereof.

"Level I Status" means Borrower's S&P Rating is A- or higher and its Moody's Rating is A3 or higher.

"Level II Status" means Level I Status does not exist, but Borrower's S&P Rating is BBB+ or higher and its Moody's Rating is Baa1 or higher.

"Level III Status" means neither Level I Status nor Level II Status exists, but Borrower's S&P Rating is BBB or higher and its Moody's Rating is Baa2 or higher.

"Level IV Status" means neither Level I Status, Level II Status, nor Level III Status exists, but Borrower's S&P Rating is BBB- or higher and its Moody's Rating is Baa3 or higher.

"Level V Status" means none of Level I Status, Level II Status, Level III Status, nor Level IV Status exists.

"Level Status" means which of Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status then exists based upon the then applicable Ratings.

"LIBOR" is defined in Section 2.3(b) hereof.

"LIBOR Index Rate" is defined in Section 2.3(b) hereof.

"Lien" means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes. The term "Lien" shall also include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purposes of this

7

definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention of title shall constitute a "Lien."

"Loan" is defined in Section 2.1 hereof and, as so defined, includes a Base Rate Loan or Eurocurrency Loan, each of which is a "type" of Loan hereunder.

"Material Adverse Effect" means any material adverse change in, or any adverse development which materially affects or could reasonably be expected to materially affect, the business, condition (financial or otherwise), results of operations, or prospects of the Borrower and its Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under the Credit Documents, provided, that a downgrade of Borrower's S&P Rating and/or Moody's Rating shall not, in and of itself, be deemed a "Material Adverse Effect" for purposes of this Agreement.

"Material Subsidiary" means a Subsidiary (which, solely for purposes of this definition shall also include foreign Subsidiaries and also Wholly-Owned Subsidiaries of any Subsidiary (whether domestic or foreign)) of the Borrower whose (i) total assets represent at least 5% of the total consolidated assets of the Borrower, or (ii) EBITDA for the last four fiscal quarters contributed at least 5% of the Consolidated EBITDA of the Borrower for such period, all as determined based upon the most recent financial statements delivered pursuant to Section 7.6 (as determined in accordance with GAAP), provided, that none of Killingholme, Neo Corporation, NRGenerating Holdings (No. 4) B.V., Kladno Power No.1 B.V., Kladno Power No.2 B.V., Pacific Generation Company nor any of their Subsidiaries shall be deemed a Material Subsidiary.

"Minimum Consolidated Net Worth" means an amount, as of any determination thereof, equal to the sum of \$1,500,000,000 plus 25% of Consolidated Net Income for the period from and including January 1, 2002 to such determination date but which amount shall in no event be less than \$1,500,000,000.

"Moody's Rating" means the rating assigned by Moody's Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency to the outstanding senior unsecured non-credit enhanced long-term debt obligations of a Person (or if neither Moody's Investors Service, Inc. nor any such successor shall be in the business of rating long-term indebtedness, a nationally recognized rating agency in the U.S. as mutually agreed between the Required Banks and Borrower). Any reference in this Agreement to any specific rating is a reference to such rating as currently defined by Moody's Investors Service, Inc. (or such a successor) and shall be deemed to refer to the equivalent rating if such rating system changes.

"Note" is defined in Section 2.10(a) hereof.

"Obligations" means all fees payable hereunder, all obligations of the Borrower to pay principal or interest on Loans and all other payment obligations of the Borrower arising under or in relation to any Credit Document.

"Percentage" means, for each Bank, the percentage of the Revolving Credit Commitments represented by such Bank's Revolving Credit Commitment or, if the Revolving Credit Commitments have been terminated, the percentage held by such Bank of the aggregate principal amount of all outstanding Obligations.

"Performance Guarantee" means a guarantee issued by the Borrower or a Subsidiary that the Borrower or such Subsidiary will cause some action (other than the payment of money) to be performed, whether by performing the action

itself or paying others to perform such action.

"Person" means an individual, partnership, corporation, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means at any time an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by a member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"PBGC" is defined in Section 5.9 hereof.

"Project Finance Subsidiary" means any special purpose Subsidiary of the Borrower formed solely to facilitate the financing of the assets of such Subsidiary, and as to which the recourse of any creditors of such Subsidiary is limited solely to such assets and the stock or other equity interest of such Subsidiary.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"Rating" means the rating given to senior unsecured non-credit enhanced debt obligations of the Borrower by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successors thereto.

"Reference Banks" means ABN AMRO Bank N.V., and one other representative of the Banks. In the event that any of such Banks ceases to be a "Bank" hereunder or fails to provide timely quotations of interest rates to the Administrative Agent as and when required by this Agreement, then such Bank shall be replaced by a new reference bank jointly designated by the Administrative Agent and the Borrower.

"Replaceable Bank" is defined in Section 11.13(iii).

"Replacement Bank" is defined in Section 11.13(iii).

"Required Banks" means, as of the date of determination thereof, Banks holding in the aggregate at least 66 2/3% of the Percentages.

"Revolving Credit Commitment" is defined in Section 2.1 hereof.

"SEC" means the Securities and Exchange Commission.

"Security" has the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"S&P Rating" means the rating assigned by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. and any successor thereto that is a nationally recognized rating agency to the outstanding senior unsecured non-credit enhanced long-term debt obligations of a Person (or, if neither such division nor any successor shall be in the business of rating long-term indebtedness, a nationally recognized rating agency in the U.S. as mutually agreed between the Required Banks and Borrower). Any reference in this Agreement to any specific rating is a reference to such rating as currently defined by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. (or such a successor) and shall be deemed to refer to the

equivalent rating if such rating system changes.

"Solvent" means, with respect to any Person, that (a) the fair value of such Person's assets is in excess of the total amount of such Person's debts, as determined in accordance with the United States Bankruptcy Code, (b) the present fair saleable value of such Person's assets is in excess of the amount that will be required to pay such Person's debts as they become absolute and matured, (c) such Person's assets do not constitute unreasonably small capital to carry out its business as now conducted or as proposed to be conducted; (d) such Person does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be received by it and the amounts to be payable on or in respect of its obligations); (e) such Person does not believe that final judgments against it in actions for money damages presently pending will be rendered at a time when, or in an amount such that, it will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum reasonable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered); and (f) such Person's cash flow, after taking into account all other anticipated uses of its cash (including the payments on or in respect of debt referred to in clause (d) above), will at all times be sufficient to pay all such judgments promptly in accordance with their terms. As used in this definition, the term "debts" includes any legal liability, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent, as determined in accordance with the United States Bankruptcy Code.

"Subordinated Note" means that certain Subordinated Convertible Note dated as of February 28, 2002 issued by the Borrower in favor of Xcel Energy, Inc., a Minnesota corporation, which Subordinated Convertible Note shall be in form and substance satisfactory to the Administrative Agent.

"Subsidiary" means, as to the Borrower, any active, domestic corporation or other entity of which one hundred percent (100%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the Board of Directors of such corporation or similar governing body in the case of a non corporation (irrespective of whether or not, at the

10

time, stock or other equity interest of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly owned by the Borrower.

"Syndication Agents" means Salomon Smith Barney, Inc. and Barclays Bank PLC in their capacity as syndication agents. "Telerate Service" means Bridge Telerate (or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for deposits in U.S. Dollars).

"Termination Date" means March 7, 2003.

"Termination Event" means (i) a Reportable Event described in Section 4043 of ERISA and the regulations issued thereunder (other than a Reportable Event not subject to the provision for 30-day notice to the PBGC under such regulations), or (ii) the withdrawal of any member of the Controlled Group from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (iii) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC, or (v) any other event or condition that might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"Utilization" means the percentage obtained by dividing the aggregate outstanding principal amount of Loans on any date (after giving effect to any Borrowings and repayments occurring on such date) by the Commitments in effect

on such date (after giving effect to any reductions thereof on such date).

"U.S. Dollars" and "\$" each means the lawful currency of the United States of America.

"Voting Stock" of any Person means capital stock of any class or classes or other equity interests (however designated) having ordinary voting power for the election of directors or similar governing body of such Person.

"Welfare Plan" means a "welfare plan," as defined in Section 3(1) of ERISA.

"Wholly-Owned" when used in connection with any Subsidiary of the Borrower means a Subsidiary of which all of the issued and outstanding shares of stock or other equity interests (other than directors' qualifying shares as required by law) shall be owned by the Borrower and/or one or more of its Wholly-Owned Subsidiaries.

Section 1.2 Interpretation. The foregoing definitions shall be equally applicable to both the singular and plural forms of the terms defined. All references to times of day in this Agreement shall be references to Chicago, Illinois time unless otherwise specifically provided. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for

the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the specific provisions of this Agreement.

SECTION 2. THE REVOLVING CREDIT.

Section 2.1 The Loan Commitment. General Terms. Subject to the terms and conditions hereof, each Bank severally and not jointly agrees to make a loan or loans (individually a "Loan" and collectively "Loans") to the Borrower from time to time on a revolving basis in U.S. Dollars up to the amount of its revolving credit commitment set forth on Schedule 2 hereto (such amount, as reduced pursuant to Section 2.12 or changed as a result of one or more assignments under Section 11.12 or 11.13(b), its "Revolving Credit Commitment" and, cumulatively for all the Banks, the "Revolving Credit Commitments") before the Termination Date. The aggregate amount of Loans at any time outstanding shall not exceed the Revolving Credit Commitments in effect at such time. Each Borrowing of Loans shall be made ratably from the Banks in proportion to their respective Percentages. As provided in Section 2.5(a) hereof, the Borrower may elect that each Borrowing of Loans be either Base Rate Loans or Eurocurrency Loans. Loans may be repaid and the principal amount thereof reborrowed before the Termination Date, subject to all the terms and conditions hereof. The initial amount of Revolving Credit Commitments under this Agreement equals \$1,000,000,000.

Section 2.2 [Intentionally Omitted].

Section 2.3 Applicable Interest Rates.

(a) Base Rate Loans. Each Base Rate Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding computed on the basis of a year of 365 or 366 days, as applicable, and actual days elapsed on the unpaid principal amount thereof from the date such Loan is advanced, continued or created by conversion from a Eurocurrency Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate from time to time in effect, payable on the last day of its Interest Period and at maturity (whether

by acceleration or otherwise).

"Base Rate" means for any day the greater of:

(i) the rate of interest announced by the Administrative Agent at its offices in Chicago, Illinois, from time to time as its prime rate, or equivalent, for U.S. Dollar loans as in effect on such day, with any change in the Base Rate resulting from a change in said prime rate to be effective as of the date of the relevant change in said prime rate; and

(ii) the sum of (x) the rate determined by the Administrative Agent to be the prevailing rate per annum (rounded upwards, if necessary, to the nearest one hundred-thousandth of a percentage point) at approximately 10:00 a.m. (New

12

York time) (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) for the purchase at face value of overnight Federal funds, as published by the Federal Reserve bank of New York, in an amount comparable to the principal amount owed to the Administrative Agent for which such rate is being determined, plus (y) 1/2 of 1% (0.50%).

(b) Eurocurrency Loans. Each Eurocurrency Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued, or created by conversion from a Base Rate Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Adjusted LIBOR applicable for such Interest Period, payable on the last day of the Interest Period and at maturity (whether by acceleration or otherwise), and, if the applicable Interest Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period. All payments of principal and interest on a Loan (whether a Base Rate Loan or Eurocurrency Loan) shall be made in U.S. Dollars.

"Adjusted LIBOR" means, for any Borrowing of Eurocurrency Loans, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Eurocurrency Reserve Percentage}}$$

"LIBOR" means, for an Interest Period, (a) the LIBOR Index Rate for such Interest Period as from time to time quoted by the Telerate Service, if such rate is available, and (b) if the LIBOR Index Rate is not quoted by the Telerate Service, the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the nearest one-sixteenth of one percent) at which deposits in U.S. Dollars in immediately available funds are offered to each Reference Bank at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by major banks in the interbank eurocurrency market for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the Eurocurrency Loan scheduled to be made by the Administrative Agent as part of such Borrowing.

"LIBOR Index Rate" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one-sixteenth of one percent) for deposits in U.S. Dollars for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the Loan scheduled to be made by the Administrative Agent as part of such Borrowing, which appears on the Applicable Telerate Page, as of 11:00 a.m. (London, England time) on the day two (2) Business Days before the commencement of such Interest Period.

13

"Applicable Telerate Page" means the display page designated as "Page 3750" on the Telerate Service (or such other page as may replace such pages, as appropriate, on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for deposits in U.S. Dollars).

"Eurocurrency Reserve Percentage" means the daily average for the applicable Interest Period of the maximum rate, expressed as a decimal, at which reserves (including, without limitation, any supplemental, marginal and emergency reserves) are imposed during such Interest Period by the Board of Governors of the Federal Reserve System (or any successor) on "eurocurrency liabilities," as defined in such Board's Regulation D (or in respect of any other category of liabilities that includes deposits by reference to which the interest rate is determined or any category of extensions of credit or other assets that include loans by non-United States offices of any Bank to United States residents), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the Eurocurrency Loans shall be deemed to be "eurocurrency liabilities" as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D.

(c) Rate Determinations. The Administrative Agent shall determine each interest rate applicable to Obligations, and a determination thereof by the Administrative Agent shall be conclusive and binding except in the case of manifest error.

Section 2.4 Minimum Borrowing Amounts. Each Borrowing of Base Rate Loans and Eurocurrency Loans denominated in U.S. Dollars shall be in an amount not less than \$1,000,000 and in integral multiples of \$1,000,000.

Section 2.5 Manner of Borrowing Loans and Designating Interest Rates Applicable to Loans.

(a) Notice to the Administrative Agent. The Borrower shall give written notice to the Administrative Agent by no later than 10:00 a.m. (Chicago time) (i) at least three (3) Business Days before the date on which the Borrower requests the Banks to advance a Borrowing of Eurocurrency Loans and (ii) on the date the Borrower requests the Banks to advance a Borrowing of Base Rate Loans. The Loans included in each Borrowing shall bear interest initially at the type of rate specified in such notice of a new Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to Section 2.4's minimum amount requirement for each outstanding Borrowing, a portion thereof, as follows: (i) if such Borrowing is of Eurocurrency Loans, on the last day of the Interest Period applicable thereto, the Borrower may continue part or all of such Borrowing as Eurocurrency Loans for an Interest Period or Interest Periods specified by the Borrower or convert part or all of such Borrowing into Base Rate Loans, (ii) if

such Borrowing is of Base Rate Loans, on any Business Day, the Borrower may convert all or part of such

14

Borrowing into Eurocurrency Loans for an Interest Period or Interest Periods specified by the Borrower. The Borrower shall give all such notices requesting the advance, continuation, or conversion of a Borrowing to the Administrative Agent by telephone or facsimile (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing). Notices of the continuation of a Borrowing of Eurocurrency Loans for an additional Interest Period or of the conversion of part or all of a Borrowing of Eurocurrency Loans into Base Rate Loans or of Base Rate Loans into Eurocurrency Loans must be given by no later than 10:00 a.m. (Chicago time) at least three (3) Business Days before the date of the requested continuation or conversion. All such notices concerning the advance, continuation, or conversion of a Borrowing shall specify the date of the requested advance, continuation or conversion of a Borrowing (which shall be a Business Day), the amount of the requested Borrowing to be advanced, continued, or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurocurrency Loans, the Interest Period applicable thereto. The Borrower agrees that the Administrative Agent may rely on any such telephonic or facsimile notice given by any person it in good faith believes is an Authorized Representative without the necessity of independent investigation, and in the event any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon. There may be no more than five different Interest Periods in effect at any one time.

(b) Notice to the Banks. The Administrative Agent shall give prompt telephonic or facsimile notice to each Bank of any notice from the Borrower received pursuant to Section 2.5(a) above. The Administrative Agent shall give notice to the Borrower and each Bank by like means of the interest rate applicable to each Borrowing of Eurocurrency Loans and the amount thereof.

(c) Borrower's Failure to Notify. Any outstanding Borrowing of Base Rate Loans shall, subject to Section 6.2 hereof, automatically be continued for an additional Interest Period on the last day of its then current Interest Period unless the Borrower has notified the Administrative Agent within the period required by Section 2.5(a) that it intends to convert such Borrowing into a Borrowing of Eurocurrency Loans or notifies the Administrative Agent within the period required by Section 2.8(a) that it intends to prepay such Borrowing. If the Borrower fails to give notice pursuant to Section 2.5(a) above of the continuation or conversion of any outstanding principal amount of a Borrowing of Eurocurrency Loans before the last day of its then current Interest Period within the period required by Section 2.5(a) and has not notified the Administrative Agent within the period required by Section 2.8(a) that it intends to prepay such Borrowing, such Borrowing shall automatically be converted into a Borrowing of Base Rate Loans, subject to Section 6.2 hereof.

(d) Disbursement of Loans. Not later than 11:00 a.m. (Chicago time) on the date of any requested advance of a new Borrowing of Eurocurrency Loans, and not later than 12:00 noon (Chicago time) on the date of any requested advance of a new Borrowing of Base Rate Loans, subject to Section 6 hereof, each Bank shall make

15

available its Loan comprising part of such Borrowing in funds immediately available at the principal office of the Administrative Agent in Chicago, Illinois. The Administrative Agent shall make available to the Borrower Loans at the Administrative Agent's principal office in Chicago, Illinois or such other office as the Administrative Agent has previously agreed to, in writing, with the Borrower.

(e) Administrative Agent Reliance on Bank Funding. Unless the Administrative Agent shall have been notified by a Bank before the date on which such Bank is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Bank does not intend to make such payment, the Administrative Agent may assume that such Bank has made such payment when due and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Bank and, if any Bank has not in fact made such payment to the Administrative Agent, such Bank shall, on demand, pay to the Administrative Agent the amount made available to the Borrower attributable to such Bank together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Bank pays such amount to the Administrative Agent at a rate per annum equal to the Federal Funds Rate. If such amount is not received from such Bank by the Administrative Agent immediately upon demand, the Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Bank with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan.

Section 2.6 Interest Periods. As provided in Section 2.5(a) hereof, at the time of each request to advance, continue, or create by conversion a Borrowing of Eurocurrency Loans, the Borrower shall select an Interest Period applicable to such Loans from among the available options. The term "Interest Period" means the period commencing on the date a Borrowing of Loans is advanced, continued, or created by conversion and ending: (a) in the case of Base Rate Loans, on the last Business Day of the calendar quarter in which such Borrowing is advanced, continued, or created by conversion (or on the last day of the following calendar quarter if such Loan is advanced, continued or created by conversion on the last Business Day of a calendar quarter), and (b) in the case of Eurocurrency Loans, 1, 2, 3, or 6 months thereafter; provided, however, that:

(a) any Interest Period for a Borrowing of Base Rate Loans that otherwise would end after the Termination Date shall end on the Termination Date;

(b) for any Borrowing of Eurocurrency Loans, the Borrower may not select an Interest Period that extends beyond the Termination Date;

(c) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day, provided that, if such extension would cause the last day of an Interest Period for a Borrowing of Eurocurrency Loans to occur in the following calendar

month, the last day of such Interest Period shall be the immediately preceding Business Day; and

(d) for purposes of determining an Interest Period for a Borrowing of Eurocurrency Loans, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day

in the next calendar month; provided, however, that if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.7 Maturity of Loans. Unless an earlier maturity is provided for hereunder (whether by acceleration or otherwise), each Loan shall mature and become due and payable by the Borrower on the Termination Date.

Section 2.8 Prepayments.

(a) The Borrower may prepay without premium or penalty and in whole or in part (but, if in part, then: (i) if such Borrowing is of Base Rate Loans, in an amount not less than \$1,000,000, (ii) if such Borrowing is of Eurocurrency Loans in an amount not less than \$1,000,000, and (iii) in an amount such that the minimum amount required for a Borrowing pursuant to Section 2.4 hereof remains outstanding) any Borrowing of Eurocurrency Loans upon three Business Days prior notice to the Administrative Agent or, in the case of a Borrowing of Base Rate Loans, notice delivered to the Administrative Agent no later than 10:00 a.m. (Chicago time) on the date of prepayment, such prepayment to be made by the payment of the principal amount to be prepaid and accrued interest thereon to the date fixed for prepayment. In the case of Eurocurrency Loans, such prepayment may only be made on the last day of the Interest Period then applicable to such Loans. The Administrative Agent will promptly advise each Bank of any such prepayment notice it receives from the Borrower. Any amount paid or prepaid before the Termination Date may, subject to the terms and conditions of this Agreement, be borrowed, repaid and borrowed again.

(b) If the aggregate principal amount of outstanding Loans shall at any time for any reason exceed the Revolving Credit Commitments then in effect, the Borrower shall, immediately and without notice or demand, pay the amount of such excess to the Administrative Agent for the ratable benefit of the Banks as a prepayment of the Loans. Immediately upon determining the need to make any such prepayment the Borrower shall notify the Administrative Agent of such required prepayment.

(c) Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and shall be subject to Section 2.11.

Section 2.9 Default Rate. At any time (i) an Event of Default has occurred and is continuing, or (ii) after the occurrence of any event or circumstance which has a Material

Adverse Effect, each Obligation shall bear interest, computed on the basis of a year of 360 days and actual days elapsed (except for Base Rate Loans bearing interest based on the rate described in clause (i) of the definition of Base Rate, in which case such Loan shall bear interest computed on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed) from the date such Event of Default arises or such event or circumstance having a Material Adverse Effect occurs, as applicable, until paid in full, payable on demand, at a rate per annum equal to:

(a) for any Obligation other than a Eurocurrency Loan, the sum of two percent (2%) plus the Base Rate Margin plus the Base Rate from time to time in effect; and

(b) for any Eurocurrency Loan, the sum of two percent (2%)

plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period applicable thereto and, thereafter, at a rate per annum equal to the sum of two percent (2%) plus the Base Rate Margin plus the Base Rate from time to time in effect.

Section 2.10 The Notes.

(a) The Loans made to the Borrower by a Bank shall be evidenced by a single promissory note of the Borrower issued to such Bank in the form of Exhibit A hereto. Each such promissory note is hereinafter referred to as a "Note" and collectively such promissory notes are referred to as the "Notes."

(b) Each Bank shall record on its books and records or on a schedule to its Note the amount of each Loan advanced, continued, or converted by it, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan, and, for any Eurocurrency Loan, the Interest Period and the interest rate applicable thereto. The record thereof, whether shown on such books and records of a Bank or on a schedule to any Note, shall be prima facie evidence as to all such matters; provided, however, that the failure of any Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans made to it hereunder together with accrued interest thereon. At the request of any Bank and upon such Bank tendering to the Borrower the Note to be replaced, the Borrower shall furnish a new Note to such Bank to replace any outstanding Note, and at such time the first notation appearing on a schedule on the reverse side of, or attached to, such Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.11 Funding Indemnity. If any Bank shall incur any loss, cost or expense (including, without limitation, any loss of profit, and any loss, cost or expense incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Bank to fund or maintain any Eurocurrency Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to such Bank) as a result of:

18

(a) any payment (whether by acceleration or otherwise), prepayment or conversion of a Eurocurrency Loan on a date other than the last day of its Interest Period,

(b) any failure (because of a failure to meet the conditions of Section 6 or otherwise) by the Borrower to borrow or continue a Eurocurrency Loan, or to convert a Base Rate Loan into a Eurocurrency Loan, on the date specified in a notice given pursuant to Section 2.5(a) or established pursuant to Section 2.5(c) hereof,

(c) any failure by the Borrower to make any payment of principal on any Eurocurrency Loan (x) when due (whether by acceleration or otherwise), or (y) on the date specified in a notice of prepayment, or

(d) any acceleration of the maturity of a Eurocurrency Loan as a result of the occurrence of any Event of Default hereunder,

then, upon the demand of such Bank, the Borrower shall pay to such Bank such amount as will reimburse such Bank for such loss, cost or expense. If any Bank makes such a claim for compensation, it shall provide to the Borrower, with a copy to the Administrative Agent, a certificate executed by an officer of such Bank setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss,

cost or expense) and the amounts shown on such certificate if reasonably calculated shall be conclusive absent manifest error.

Section 2.12 Commitment Terminations. The Borrower shall have the right at any time and from time to time, upon five (5) Business Days prior written notice to the Administrative Agent, to terminate the Revolving Credit Commitments without premium or penalty, in whole or in part, any partial termination to be (i) in an amount not less than \$5,000,000, and (ii) allocated ratably among the Banks in proportion to their respective Percentages, provided that the Revolving Credit Commitments may not be reduced to an amount less than the amount of all Loans then outstanding. The Administrative Agent shall give prompt notice to each Bank of any such termination of Commitments. Any termination of Revolving Credit Commitments pursuant to this Section 2.12 may not be reinstated.

SECTION 3. FEES.

Section 3.1 Fees.

(a) Certain Fees. The Borrower shall pay, or cause to be paid, to ABN AMRO Bank N.V. and/or Salomon Smith Barney Inc. the fees set forth in the Fee Letters at the times specified in the Fee Letters for payment of such amounts.

(b) Facility Fee. For the period from the Effective Date to and including the Termination Date, the Borrower shall pay to the Administrative Agent for the ratable account of the Banks in accordance with their Percentages a facility fee accruing at a rate per annum equal to the Facility Fee Rate on the average daily amount of the

19

Commitments (whether used or unused), or if the Commitments have expired or terminated, on the principal amount of Loans. Such facility fee is payable in arrears on the last Business Day of each calendar quarter and on the Termination Date, unless the Revolving Credit Commitments are terminated in whole on an earlier date, in which event the fee for the period to but not including the date of such termination shall be paid in whole on the date of such termination.

(c) Fee Calculations. All fees payable under this Agreement shall be payable in U.S. Dollars and shall be computed on the basis of a year of 360 days, for the actual number of days elapsed. All determinations of the amount of fees owing hereunder (and the components thereof) shall be made by the Administrative Agent and shall be conclusive absent manifest error.

SECTION 4. PLACE AND APPLICATION OF PAYMENTS.

Section 4.1 Place and Application of Payments. All payments of principal of and interest on the Loans, and of all other amounts payable by the Borrower under this Agreement, shall be made by the Borrower to the Administrative Agent by no later than 12:00 Noon (Chicago time) on the due date thereof at the principal office of the Administrative Agent in New York, New York pursuant to the payment instructions set forth on Part A of Schedule 4 hereof (or such other location in the United States as the Administrative Agent may designate to the Borrower). Any payments received after such time shall be deemed to have been received by the Administrative Agent on the next Business Day. All such payments shall be made free and clear of, and without deduction for, any set-off, counterclaim, levy, withholding or any other deduction of any kind in U.S. Dollars, in immediately available funds at the place of payment. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on Loans or applicable fees ratably to the Banks and like funds relating to the payment of any other amount payable to any Person to such Person, in each case to be applied in accordance with the terms of this Agreement.

SECTION 5. REPRESENTATIONS AND WARRANTIES.

The Borrower hereby represents and warrants to each Bank as to itself and, where the following representations and warranties apply to Subsidiaries, as to each of its Subsidiaries, as follows:

Section 5.1 Corporate Organization and Authority. The Borrower and each of its Subsidiaries is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, except where such failure to be in good standing would not, individually or in the aggregate, have a Material Adverse Effect. Each is duly qualified to transact business in each jurisdiction in which such qualification is required, whether by reason of ownership or leasing of property or the conduct of business or otherwise, except where failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect. Each has the power and authority required to own, lease and operate its properties and to conduct

20

its business as currently conducted, except where failure to have such power and authority would not, individually or in the aggregate, have a Material Adverse Effect.

Section 5.2 Subsidiaries. Schedule 5.2 (as updated quarterly pursuant to Section 7.6(b) hereof or otherwise from time to time in writing by the Borrower) hereto identifies each Subsidiary and the jurisdiction of its incorporation. All of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and outstanding and fully paid and nonassessable except as set forth on Schedule 5.2 hereto. All such shares owned by the Borrower are owned beneficially, and of record, and, except in the case of (i) Liens granted in connection with the FinCo Revolving Loan Facility, and (ii) any Project Finance Subsidiary, free of any Lien.

Section 5.3 Corporate Authority and Validity of Obligations. The Borrower has full right and authority to enter into this Agreement and the other Credit Documents to which it is a party, to make the borrowings herein provided for, to issue its Notes in evidence thereof, and to perform all of its obligations under the Credit Documents to which it is a party. Each Credit Document to which it is a party has been duly authorized, executed and delivered by the Borrower and constitutes valid and binding obligations of the Borrower enforceable in accordance with its terms. No Credit Document, nor the performance or observance by the Borrower of any of the matters or things therein provided for, contravenes any provision of law or any charter or by-law provision of the Borrower or any material Contractual Obligation of or affecting the Borrower or any of its Properties or results in or requires the creation or imposition of any Lien on any of the Properties or revenues of the Borrower.

Section 5.4 Financial Statements. All financial statements heretofore delivered to the Banks showing historical performance of the Borrower for each of the Borrower's fiscal years ending on or before December 31, 2000, and for the Borrower's quarter ended September 30, 2001 have been prepared in accordance with generally accepted accounting principles applied on a basis consistent, except as otherwise noted therein, with that of the previous fiscal year. Each of such financial statements fairly presents on a consolidated basis the financial condition of the Borrower as of the dates thereof and the results of operations for the periods covered thereby. The Borrower and its Subsidiaries have no material contingent liabilities other than those disclosed in such financial statements referred to in this Section 5.4 or in comments or footnotes thereto, or in any report supplementary thereto, heretofore furnished to the Banks. Since December 31, 2000, no event or circumstance has occurred which has had or is reasonably expected to have a Material Adverse Effect.

Section 5.5 No Litigation; No Labor Controversies.

(a) Except as set forth on Schedule 5.5 (as updated quarterly pursuant to Section 7.6(b) hereof or otherwise from time to time in writing by the Borrower), there is no litigation or governmental proceeding pending, or to the knowledge of the Borrower, threatened, against the Borrower or any Subsidiary which, if adversely determined, could (individually or in the aggregate) have a Material Adverse Effect.

21

(b) Except as set forth on Schedule 5.5 (as updated quarterly pursuant to Section 7.6(b) hereof or otherwise from time to time in writing by the Borrower), there are no labor controversies pending or, to the best knowledge of the Borrower, threatened against the Borrower or any Subsidiary which could (individually or in the aggregate) have a Material Adverse Effect.

Section 5.6 Taxes. The Borrower and its Subsidiaries have filed all United States federal tax returns, and all other tax returns, required to be filed and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary, except such taxes, if any, as are being contested in good faith and for which adequate reserves have been provided. No notices of tax liens have been filed and no claims are being asserted concerning any such taxes, which liens or claims are material to the financial condition of the Borrower or any of its Subsidiaries (individually or in the aggregate). The charges, accruals and reserves on the books of the Borrower and its Subsidiaries for any taxes or other governmental charges are adequate.

Section 5.7 Approvals. Except as contemplated by Section 7.15, no authorization, consent, license, exemption, filing or registration with any court or governmental department, agency or instrumentality (including under the Public Utility Holding Company Act of 1935, as amended), nor any approval or consent of the stockholders of the Borrower or any Subsidiary or from any other Person, is necessary for the valid execution, delivery or performance by the Borrower or any Subsidiary of any Credit Document to which it is a party.

Section 5.8 Validity of Notes. When executed, authenticated and delivered pursuant to the provisions of this Agreement against payment of the consideration therefor, the Notes will be duly issued and will constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms, except for the effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the rights of creditors generally, and will rank pari passu with all other outstanding unsecured indebtedness of the Borrower.

Section 5.9 ERISA. With respect to each Plan, the Borrower and each other member of the Controlled Group has fulfilled its obligations under the minimum funding standards of and is in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and with the Code to the extent applicable to it and has not incurred any liability to the Pension Benefit Guaranty Corporation ("PBGC") or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. The Borrower does not have any contingent liabilities for any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

Section 5.10 Government Regulation. Neither the Borrower nor any Subsidiary is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.11 Margin Stock; Use of Proceeds. Neither the Borrower nor any Subsidiary is engaged principally, or as one of its primary activities, in the business of extending credit for

the purpose of purchasing or carrying margin stock ("margin stock" to have the same meaning herein as in Regulation U of the Board of Governors of the Federal Reserve System). The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by Section 7.10. The Borrower will not use the proceeds of any Loan in a manner that violates any provision of Regulation U or X of the Board of Governors of the Federal Reserve System.

Section 5.12 Licenses and Authorizations; Compliance with Laws. The Borrower and each of its Subsidiaries has all necessary licenses, permits and governmental authorizations to own and operate its Properties and to carry on its business as currently conducted and contemplated. The Borrower and each of its Subsidiaries is in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities except for any such law, regulation, ordinance or order which, the failure to comply therewith, could not reasonably be expected to have a Material Adverse Effect.

Section 5.13 Ownership of Property; Liens. The Borrower and each Subsidiary has good title to or valid leasehold interests in all its Property. None of the Borrower's Property is subject to any Lien, except as permitted in Section 7.9.

Section 5.14 No Burdensome Restrictions; Compliance with Agreements. Neither the Borrower nor any Subsidiary is (a) party or subject to any law, regulation, rule or order, or any Contractual Obligation that (individually or in the aggregate) could have a Material Adverse Effect or (b) in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in, nor has any event occurred (and is continuing) that constitutes or would (whether or not with the giving of notice and/or with the passage of time and/or the fulfillment of any other requirement) constitute, to the knowledge of the Borrower, a default or any breach or failure to perform by the Borrower under, any indenture, mortgage, loan agreement, lease or other agreement or instrument to which it is a party, which default could have a Material Adverse Effect.

Section 5.15 Full Disclosure. All information heretofore furnished by the Borrower to the Administrative Agent or any Bank for purposes of or in connection with the Credit Documents or any transaction contemplated thereby is, and all such information hereafter furnished by the Borrower to the Administrative Agent or any Bank will be, true and accurate in all material respects and not misleading on the date as of which such information is stated or certified.

Section 5.16 Solvency. The Borrower, on both an individual and on a consolidated basis, is Solvent.

SECTION 6. CONDITIONS PRECEDENT.

The obligation of each Bank to advance, continue, or convert any Loan shall be subject to the following conditions precedent:

Section 6.1 Initial Credit Event. Before or concurrently with the initial Credit Event:

- (a) The Administrative Agent shall have received for each Bank
 - (i) the favorable written opinion of (x) in-house counsel to the Borrower, and (y) a New York law enforceability opinion from Borrower's counsel, each in form and substance satisfactory to the Administrative Agent and its counsel;

(b) The Administrative Agent shall have received for each Bank copies of (i) the Articles of Incorporation, together with all amendments, and a certificate of good standing, for the Borrower, both certified as of a date not earlier than 20 days prior to the date hereof by the appropriate governmental officer of the Borrower's jurisdiction of incorporation and (ii) the Borrower's bylaws (or comparable constituent documents) and any amendments thereto, certified in each instance by its Secretary or an Assistant Secretary;

(c) The Administrative Agent shall have received for each Bank copies of resolutions of the Borrower's Board of Directors authorizing the execution and delivery of the Credit Documents and the consummation of the transactions contemplated thereby together with specimen signatures of the persons authorized to execute such documents on the Borrower's behalf, all certified in each instance by its Secretary or Assistant Secretary;

(d) The Administrative Agent shall have received for each Bank such Bank's duly executed Note of the Borrower dated the date hereof and otherwise in compliance with the provisions of Section 2.10(a) hereof;

(e) The Administrative Agent shall have received for each Bank a list of the Borrower's Authorized Representatives and such other documents as any Bank may reasonably request;

(f) The Borrower shall have provided evidence satisfactory to the Administrative Agent that contemporaneously with the first Credit Event hereunder, the Existing Credit Agreement and the Bridge Credit Agreement each shall have terminated and the Borrower shall have no further obligations thereunder (except obligations which by their terms survive the termination of the Existing Credit Agreement and the Bridge Credit Agreement);

(g) The Administrative Agent shall have received a certificate by the chief financial officer, treasurer, vice president of finance or corporate controller of the Borrower certifying (i) that on the date of such initial Credit Event that no Default or Event of Default has occurred and is continuing, (ii) that the conditions set forth in this Section 6.1 have been satisfied, and (iii) based on the financial statements most recently delivered under the Existing Credit Agreement, which of its Subsidiaries is a Material Subsidiary;

24

(h) The Borrower shall provide a certificate confirming that it has received at least \$300,000,000 in loans evidenced by the Subordinated Note;

(i) The Administrative Agent shall have received the favorable written opinion of counsel to the Administrative Agent;

(j) Each Bank shall have received from the Borrower the fees payable by it in connection herewith;

(k) All legal matters incident to the execution and delivery of the Credit Documents shall be satisfactory to the Banks;

The Administrative Agent shall have received such other certifications, opinions, financial or other information, approvals and documents as the Administrative Agent or any Bank may reasonably request, all in form and substance satisfactory to the Administrative Agent or such Bank (as the case may be).

Section 6.2 All Credit Events. As of the time of each Credit Event hereunder (including the initial Credit Event):

(a) The Administrative Agent shall have received the notice required by Section 2.5 hereof;

(b) Each of the representations and warranties set forth in Section 5 hereof shall be and remain true and correct in all material respects as of said time, taking into account any amendments to such Section (including, without limitation, any amendments to the Schedules referenced therein) made after the date of this Agreement in accordance with its provisions, except that if any such representation or warranty relates solely to an earlier date it need only remain true as of such date, provided that solely for purposes of this Section 6.2(b) the representations relating to the Borrower's Subsidiaries set forth in Section 5.2 hereof shall be deemed representations relating only to the Borrower's Material Subsidiaries;

(c) The Borrower shall be in full compliance with all of the terms and conditions hereof, and no Default or Event of Default shall have occurred and be continuing or would occur as a result of such Credit Event;

(d) No event of default by the Borrower has been declared and is continuing under any existing debt agreements; and

(e) Such Credit Event shall not violate any order, judgment or decree of any court or other authority or any provision of law or regulation applicable to any Bank (including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System).

25

Each request for a Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in paragraphs (b) and (c) of this Section 6.2, provided, that solely in the case of a Credit Event which is a continuation of a previous Borrowing, the Borrower shall not be deemed to have made any representation or warranty with regard to the matters set forth in Section 5.5(a) and (b) hereof.

SECTION 7. COVENANTS.

The Borrower covenants and agrees that, so long as any Loan is outstanding hereunder, or any Commitment is available to or in use by the Borrower hereunder, except to the extent compliance in any case is waived in writing by the Required Banks:

Section 7.1 Corporate Existence; Subsidiaries. The Borrower shall, and shall cause each of its Subsidiaries to, preserve and maintain its corporate existence, subject to the provisions of Section 7.11 hereof.

Section 7.2 Maintenance. The Borrower will, and will cause each of its Subsidiaries to, maintain, preserve and keep its plants, Properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such plants, Properties and equipment shall be reasonably preserved and maintained, and the Borrower will cause each of its Subsidiaries to do so in respect of Property owned or used by it; provided, however, that nothing in this Section 7.2 shall prevent the Borrower or a Subsidiary from discontinuing the operation or maintenance of any such Properties if such discontinuance is not disadvantageous to the Banks or the holders of the Notes, and is, in the judgment of the Borrower, desirable in the conduct of its business or the business of its Subsidiary.

Section 7.3 Taxes. The Borrower will duly pay and discharge, and will cause each of its Subsidiaries duly to pay and discharge, all taxes, rates, assessments, fees and governmental charges upon or against it or against its Properties, in each case before the same becomes delinquent and before penalties accrue thereon, unless and to the extent that the same is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor on the books of the Borrower.

Section 7.4 ERISA. The Borrower will promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed might result in the imposition of a Lien against any of its properties or assets and will promptly notify the Administrative Agent of (i) the occurrence of any reportable event (as defined in ERISA) affecting a Plan, other than any such event of which the PBGC has waived notice by regulation, (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (iii) its intention to terminate or withdraw from any Plan, and (iv) the occurrence of any event affecting any Plan which could result in the incurrence by the Borrower of any material liability, fine or penalty, or any material increase in the contingent liability of the Borrower under any post-retirement Welfare Plan benefit. The Administrative

26

Agent will promptly distribute to each Bank any notice it receives from the Borrower pursuant to this Section 7.4.

Section 7.5 Insurance. The Borrower will insure, and keep insured, and will cause each of its Subsidiaries to insure, and keep insured, with good and responsible insurance companies, all insurable Property owned by it of a character usually insured by companies similarly situated and operating like Property, as well as adequate business interruption insurance. To the extent usually insured (subject to self-insured retentions) by companies similarly situated and conducting similar businesses, the Borrower will also insure, and cause each of its Subsidiaries to insure, employers' and public and product liability risks with good and responsible insurance companies. The Borrower will upon request of the Administrative Agent furnish to the Administrative Agent a summary setting forth the nature and extent of the insurance maintained pursuant to this Section 7.5.

Section 7.6 Financial Reports and Other Information.

(a) The Borrower will maintain a system of accounting in accordance with GAAP and will furnish to the Banks and their respective duly authorized representatives such information respecting the business and financial condition of the Borrower and its subsidiaries as any Bank may reasonably request; and without any request, the Borrower will furnish each of the following to each Bank:

(i) within 120 days after the end of each fiscal year of the Borrower, (A) a copy of the Borrower's audited financial statements for such fiscal year, including the consolidated balance sheet of the Borrower for such year and the related statement of income and statement of cash flow, as certified by independent public accountants of recognized national standing selected by the Borrower in accordance with GAAP with such accountants unqualified opinion to the effect that the financial statements have been prepared in accordance with GAAP and present fairly in all material respects in accordance with GAAP the consolidated financial position of the Borrower and its subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and accordingly, such examination included such tests of the

accounting records and such other auditing procedures as were considered necessary in the circumstances; (B) a copy of the Borrower's unaudited consolidating financials for such fiscal year, including a consolidating unaudited balance sheet of the Borrower, and the related statement of income and shall use its best efforts to provide a statement of cash flow in a format acceptable to the Administrative Agent; all of the foregoing prepared by the Borrower in reasonable detail in accordance with GAAP and certified by the Borrower's chief financial officer, treasurer, vice president of finance or corporate controller as fairly presenting the financial condition as at the dates thereof and the results of operations for the periods covered thereby;

27

(ii) within 60 days after the end of each of the first three quarterly fiscal periods of the Borrower, a condensed consolidated unaudited balance sheet of the Borrower, and the related statement of income and statement of cash flow, as of the close of such period, all of the foregoing prepared by the Borrower in reasonable detail in accordance with GAAP and certified by the Borrower's chief financial officer, treasurer, vice president of finance or corporate controller as fairly presenting the financial condition as at the dates thereof and the results of operations for the periods covered thereby (subject to year end adjustments);

(iii) within the period provided in subsection (i) above, the written statement of the accountants who certified the audit report thereby required that in the course of their audit they have obtained no knowledge of any Default or Event of Default, or, if such accountants have obtained knowledge of any such Default or Event of Default, they shall disclose in such statement the nature and period of the existence thereof;

(iv) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports the Borrower sends to its shareholders, and copies of all other regular, periodic and special reports and all registration statements the Borrower files with the SEC or any successor thereto, or with any national securities exchanges;

(v) as soon as possible and in any event within five days after the Borrower or any member of the Controlled Group knows that any Termination Event with respect to any Plan has occurred, a statement of the chief financial officer of the Borrower describing such Termination Event and the action, if any, that the Borrower or such member of the Controlled Group, as the case may be, proposes to take with respect thereto;

(b) Each financial statement furnished to the Banks pursuant to subsection (i) or (ii) of Section 7.6(a) shall be accompanied by (A) a written certificate signed by the Borrower's chief financial officer, vice president of finance, corporate controller or treasurer (i) to the effect that no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower to remedy the same, (ii) to the effect that the representations and warranties contained in Section 5 hereof are true and correct in all material respects as though made on the date of such certificate (other than those made solely as of an earlier date, which need only remain true as of such date), taking into account any

amendments to such Section (including, without limitation, any amendments to the Schedules referenced therein) made after the date of this Agreement in accordance with its provisions and except as otherwise described therein, and (iii) notifying the Banks (x) of any litigation or governmental proceeding of the type described in Section 5.5 hereof or (y) of any change in the information set forth on the Schedules hereto and (B) a Compliance Certificate in the form of Exhibit B hereto

28

showing the Borrower's compliance with the covenants set forth in Sections 7.9, 7.11, 7.12, 7.13 and 7.14 hereof.

(c) The Borrower will (i) promptly (and in any event within three Business Days after an officer of the Borrower has knowledge thereof) give notice to the Administrative Agent and each Bank (x) of the occurrence of any Default or Event of Default, (y) of any payment default or payment event of default aggregating \$50,000,000 or more under any Contractual Obligation of the Borrower or (z) of any change in the Rating of Borrower by Moody's or S&P; and (ii) promptly (and in any event within ten Business Days after an officer of the Borrower has knowledge thereof) give notice to the Administrative Agent and each Bank of the occurrence of any event or circumstance which has had or which is reasonably expected to have a Material Adverse Effect.

Section 7.7 Bank Inspection Rights. Upon reasonable notice from any Bank, the Borrower will, at the Borrower's expense (such expenses to be reasonably incurred), permit such Bank (and such Persons as any Bank may designate) during normal business hours to visit and inspect, under the Borrower's guidance, any of the properties of the Borrower or any of its Subsidiaries, to examine all of their books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and with their independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Banks (and such Persons as any Bank may designate subject to confidentiality agreements reasonably acceptable to the Borrower) the finances and affairs of the Borrower and its Subsidiaries) all at such reasonable times and as often as may be reasonably requested; provided, however, that except upon the occurrence and during the continuation of any Default or Event of Default, not more than one such set of visits and inspections may be conducted each calendar quarter.

Section 7.8 Conduct of Business. The Borrower will not engage in any line of business other than business associated with or related to energy generation, transmission, marketing and distribution or other infrastructure lines of business.

Section 7.9 Liens. The Borrower shall cause the Obligations to at all times rank at least pari passu with all other senior unsecured obligations of the Borrower. The Borrower will not create, incur, permit to exist or to be incurred any Lien of any kind on any Property owned by the Borrower; provided, however, that this Section 7.9 shall not apply to nor operate to prevent:

(a) Liens upon any Property acquired by the Borrower to secure any Indebtedness (which for purposes of this Section 7.9(a) shall include non-recourse obligations) of the Borrower incurred to finance or refinance the purchase price of such Property (including Property which was initially purchased with equity), provided that any such Lien shall apply only to the Property that was so acquired and the aggregate principal amount of Indebtedness secured by such Liens shall not exceed the cost or value of the acquired Property;

(b) Other Liens not to exceed 10% of Consolidated Net Tangible Assets;

(c) Liens on the stock or other equity interests (i) granted in connection with the FinCo Revolving Loan Facility and (ii) of Project Finance Subsidiaries; and

(d) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing paragraphs (a) through (c), inclusive.

Section 7.10 Use of Proceeds; Regulation U. The proceeds of each Borrowing will be used by the Borrower to repay indebtedness outstanding under the Existing Credit Agreement, for working capital and general corporate purposes, and, subject to the limitation set forth in the following sentence, to repay Indebtedness. The Borrower will not (i) have Loans outstanding at any one time in excess of \$250,000,000, the proceeds of which were used directly or indirectly to repay or otherwise secure Indebtedness of the Borrower or its Subsidiaries (other than Loans used to repay the Obligations or indebtedness under the Existing Credit Agreement), or (ii) use any part of the proceeds of any of the Borrowings directly or indirectly to purchase or carry any Margin Stock (as defined in Section 5.11 hereof) or to extend credit to others for the purpose of purchasing or carrying any such Margin Stock.

Section 7.11 Mergers, Consolidations and Sales of Assets.

(a) The Borrower will not consolidate with or merge into any other Person or sell, convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Borrower shall not permit any Person to consolidate with or merge into the Borrower, unless: (i) immediately prior to and immediately following such consolidation, merger, sale or lease, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing; and (ii) the Borrower is the surviving or continuing corporation, or the surviving or continuing corporation that acquires by sale, conveyance, transfer or lease (a) has a Rating equal to or better than the Rating of the Borrower in effect prior to such consolidation or merger and (y) is incorporated in the United States and expressly assumes the payment and performance of all Obligations of the Borrower under the Credit Documents pursuant to documentation in form and substance satisfactory to the Required Banks.

(b) Except for the sale of the properties and assets of the Borrower substantially as an entirety pursuant to subsection (a) above, and other than assets required to be sold to conform with governmental regulations, the Borrower shall not sell or otherwise dispose of any assets (other than short-term, readily marketable investments purchased for cash management purposes with funds not representing the proceeds of other asset sales) if on a pro forma basis, the aggregate net book value of all such sales during the most recent 12-month period would exceed ten percent (10%) of Consolidated Net Tangible Assets computed as of the end of the most recent fiscal quarter preceding such sale; provided, however, that any such sales shall be disregarded for purposes of this ten percent (10%) limitation if the proceeds are invested in assets in similar or related

lines of business of the Borrower and, provided further, that the Borrower may sell or otherwise dispose of assets in excess of such ten percent (10%) if the proceeds from such sales or dispositions, which

are not reinvested as provided above, are retained by the Borrower as cash or cash equivalents at all times until invested in assets in similar or related lines of business of the Borrower.

(c) Notwithstanding anything in this Agreement to the contrary, the Borrower may not sell its equity interest in any Material Subsidiary unless prior to such sale the Borrower has delivered to the Administrative Agent a certificate pursuant to which the Borrower certifies that both immediately prior, and immediately after giving effect, to such sale no Default or Event of Default has occurred and is continuing and no event or circumstance has occurred which has had, or which is reasonably expected to have, a Material Adverse Effect.

Section 7.12 Consolidated Net Worth. The Borrower will at all times cause its Consolidated Net Worth to be equal to or greater than the Minimum Consolidated Net Worth.

Section 7.13 Indebtedness to Consolidated Capitalization. The Borrower will at the end of each of its fiscal quarters maintain a ratio of its Indebtedness (excluding, for purposes of the numerator of this ratio, Indebtedness evidenced by the Subordinated Note) to Consolidated Capitalization of not more than 0.68 to 1.00. For purposes of this covenant, (i) only fifty percent (50%) of any Indebtedness of the Borrower constituting Performance Guarantees of obligations of the Borrower's Affiliates shall be deemed Indebtedness, provided that if any demand has been made on such guarantee, the full amount of such guarantee shall be included in calculating Indebtedness, and (ii) the amount of Indebtedness which may be excluded per the immediately preceding clause (i) shall not exceed \$1,000,000,000.

Section 7.14 Interest Coverage Ratio. The Borrower will maintain an Interest Coverage Ratio of not less than 2.00 to 1.00, as determined at the end of each fiscal quarter.

Section 7.15 Compliance with Laws. Without limiting any of the other covenants of the Borrower in this Section 7, the Borrower will conduct, and cause each of its Subsidiaries to conduct, its business, and otherwise be, in compliance with all applicable laws, regulations, ordinances, writs, judgments, injunctions, decrees, awards and orders of any governmental or judicial authorities; provided, however, that the Borrower shall not be required to comply with any such law, rule, regulation, ordinance, writ, judgments, injunction, decree, award or order if the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 7.16 PUHCA. The Borrower has obtained, and will maintain in full force and effect, all necessary approvals, if any, under the Public Utility Holding Company Act of 1935, as amended, in connection with the Borrower's performance under the Credit Documents.

Section 7.17 Subordinated Note. On or before December 31, 2002 Xcel Energy Inc., a Minnesota corporation shall have converted all loans outstanding under the Subordinated Note to common stock of the Borrower pursuant to the terms set forth in the Subordinated Note.

SECTION 8. EVENTS OF DEFAULT AND REMEDIES.

Section 8.1 Events of Default. Any one or more of the following shall constitute an Event of Default:

(a) The Borrower shall (i) fail to make when due any payment of principal on the Notes, or (ii) fail to make when due, and continuance of such failure for three or more Business Days, payment of interest on the Notes or any fee or other amount required to be made

pursuant to the Credit Documents;

(b) Any representation or warranty made or deemed to have been made by or on behalf of the Borrower in the Credit Documents or on behalf of the Borrower in any certificate, statement, report or other writing furnished by or on behalf of the Borrower to the Administrative Agent pursuant to the Credit Documents or any other instrument, document or agreement shall prove to have been false or misleading in any material respect on the date as of which the facts set forth are stated or certified or deemed to have been stated or certified;

(c) The Borrower shall fail to comply with any of the covenants set forth in Sections 7.1 (as to Borrower and its Material Subsidiaries only), 7.5 (as to Borrower and its Material Subsidiaries only), 7.6(c), and 7.7 through and including 7.17 hereof;

(d) The Borrower shall fail to comply with any agreement, covenant, condition, provision or term contained in the Credit Documents (and such failure shall not constitute an Event of Default under any of the other provisions of this Section 8) and such failure to comply shall continue for 30 calendar days after the earlier to occur of (i) notice thereof to the Borrower by the Administrative Agent and (ii) first actual knowledge thereof by an officer of the Borrower;

(e) The Borrower or a Material Subsidiary shall become insolvent or shall generally not pay its debts as they mature or shall apply for, shall consent to, or shall acquiesce in the appointment of a custodian, trustee or receiver of the Borrower or a Material Subsidiary or for a substantial part of the property thereof or, in the absence of such application, consent or acquiescence, a custodian, trustee or receiver shall be appointed for the Borrower or a Material Subsidiary or for a substantial part of the Property of a Borrower or a Material Subsidiary and shall not be discharged within 60 days;

(f) Any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law shall be instituted by or against the Borrower or a Material Subsidiary, and, if instituted against the Borrower or a Material Subsidiary,

32

shall have been consented to or acquiesced in by the Borrower or a Material Subsidiary, or shall remain undismissed for 60 days, or an order for relief shall have been entered against the Borrower or a Material Subsidiary, or the Borrower or a Material Subsidiary shall take any corporate action to approve institution of, or acquiescence in, such a proceeding;

(g) Any dissolution or liquidation proceeding shall be instituted by or against the Borrower or a Material Subsidiary and, if instituted against the Borrower or a Material Subsidiary, shall be consented to or acquiesced in by the Borrower or shall remain for 60 days undismissed, or the Borrower or a Material Subsidiary shall take any corporate action to approve institution of, or acquiescence in, such a proceeding;

(h) A judgment or judgments, decrees or orders of any court, tribunal, arbitrator, administrative or other governmental body or entity for the payment of money in excess of the sum of \$50,000,000 in the aggregate shall be rendered against the Borrower or any Material Subsidiary (excluding the amount thereof covered by insurance as to which the insurance provider has acknowledged its liability in writing) or any of the Borrower's or a Material Subsidiary's Properties and (i) enforcement proceedings have been commenced with respect to such judgment, decree or order, or (ii) such judgment, decree or order (x)

shall remain unvacated and undischarged and unstayed for 60 consecutive days, or (y) ceases to be contested in good faith by appropriate proceedings;

(i) The institution by the Borrower of steps to terminate any Plan if in order to effectuate such termination, the Borrower would be required to make a contribution to such Plan, or would incur a liability or obligation to such Plan, in excess of \$50,000,000, or the institution by the PBGC of steps to terminate any Plan;

(j) Either (A) a default shall occur under that certain Credit Agreement dated as of November 30, 1999 among NRG Energy, Inc., the banks party thereto and Australia and New Zealand Banking Group Limited, as Administrative Agent, as such agreement may from time to time be restated, amended or otherwise modified or any substitute or replacement credit agreement with respect thereto (the "LC Agreement"), and as a result of such default is (x) the termination of the commitments under the LC Agreement, (y) the Borrower is required to provide cash collateral pursuant to the LC Agreement, or (z) the bank and/or the agent under the LC Agreement exercise any right or remedy thereunder, or (B) (i) a default in payment of any principal of or any interest aggregating \$50,000,000 or more on Indebtedness of the Borrower or a Material Subsidiary or under any indenture or other instrument under which any such evidence of Indebtedness has been issued or (ii) a default shall occur under any bond, debenture, note or other evidence of Indebtedness of the Borrower or a Material Subsidiary or under any indenture or other instrument under which any such evidence of Indebtedness has been issued and such default shall continue for a period of time sufficient to permit the holder or beneficiary of such indebtedness or a trustee therefor to cause the acceleration of the maturity of any such indebtedness of principal of or any interest aggregating \$50,000,000 or more or any mandatory unscheduled prepayment, purchase or funding thereof; or

33

(k) if at any time without the unanimous consent of the Banks, Xcel Energy Inc., a Minnesota corporation, or its successors, ceases to own a majority of the Voting Stock of the Borrower, it being agreed that an Event of Default pursuant to this subsection (k) may only be waived by the unanimous consent of the Banks.

Section 8.2 Non-Bankruptcy Defaults. When any Event of Default other than those described in subsections (e), (f) or (g) of Section 8.1 hereof has occurred and is continuing, the Administrative Agent shall, if so directed by the Required Banks by written notice to the Borrower: (a) terminate the remaining Commitments and all other obligations of the Banks hereunder on the date stated in such notice (which may be the date thereof); and (b) declare the principal of and the accrued interest on all outstanding Notes to be forthwith due and payable and thereupon all outstanding Notes, including both principal and interest thereon, shall be and become immediately due and payable together with all other amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind. The Administrative Agent, after giving notice to the Borrower pursuant to Section 8.1(c), 8.1(d) or this Section 8.2, shall also promptly send a copy of such notice to the other Banks, but the failure to do so shall not impair or annul the effect of such notice.

Section 8.3 Bankruptcy Defaults. When any Event of Default described in subsections (e), (f) or (g) of Section 8.1 hereof has occurred and is continuing, then all outstanding Notes shall immediately and automatically become due and payable together with all other amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind and the obligation of the Banks to extend further credit pursuant to any of the terms hereof shall immediately and automatically terminate.

Section 8.4 [Intentionally Omitted]

Section 8.5 Notice of Default. The Administrative Agent shall give notice to the Borrower under Section 8.1(d) hereof promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

Section 8.6 Expenses. The Borrower agrees to pay to the Administrative Agent and each Bank, and any other holder of any Note outstanding hereunder, all reasonable costs and expenses incurred or paid by the Administrative Agent or such Bank or any such holder, including attorneys' fees and court costs, in connection with any Default or Event of Default by the Borrower hereunder or in connection with the enforcement of any of the Credit Documents.

SECTION 9. CHANGE IN CIRCUMSTANCES.

Section 9.1 Change of Law. Notwithstanding any other provisions of this Agreement or any Note if at any time after the date hereof any change in applicable law or regulation or in the interpretation thereof makes it unlawful for any Bank to make, continue to maintain or convert a Borrowing into Eurocurrency Loans or to perform its obligations as contemplated hereby, such Bank shall promptly give notice thereof to the Borrower and such Bank's obligations to make, maintain or convert a Borrowing into Eurocurrency Loans under this

34

Agreement shall terminate until it is no longer unlawful for such Bank to make or maintain Eurocurrency Loans. The Borrower shall prepay on demand the outstanding principal amount of any such affected Eurocurrency Loans, together with all interest accrued thereon at a rate per annum equal to the interest rate applicable to such Loan; provided, however, subject to all of the terms and conditions of this Agreement, the Borrower may then elect to borrow the principal amount of the affected Eurocurrency Loans from such Bank by means of Base Rate Loans from such Bank, which Base Rate Loans shall not be made ratably by the Banks but only from such affected Bank.

Section 9.2 Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR. If on or prior to the first day of any Interest Period for any Borrowing of Loans:

(a) the Administrative Agent determines that deposits in U.S. Dollars (in the applicable amounts) are not being offered to it in the federal funds or eurocurrency interbank market, as applicable, for such Interest Period, or that by reason of circumstances affecting the federal funds or interbank eurocurrency market, as applicable, adequate and reasonable means do not exist for ascertaining the applicable Federal Funds Rate or LIBOR; or

(b) Banks having 25% or more of the aggregate amount of the Revolving Credit Commitments reasonably determine and so advise the Administrative Agent that the Federal Funds Rate or LIBOR, as applicable, as reasonably determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks or Bank of funding their or its Loans or Loan for such Interest Period;

then the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks or of the relevant Bank to make Base Rate Loans bearing interest at the Federal Funds Rate or Eurocurrency Loans in the currency so affected, as applicable, shall be suspended.

Section 9.3 Increased Cost and Reduced Return.

(a) If, on or after the date hereof, the adoption of any

applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the relevant jurisdiction) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its Eurocurrency Loans, its Notes, or its obligation to make Eurocurrency Loans, or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its Eurocurrency

35

Loans, or any other amounts due under this Agreement in respect of its Eurocurrency Loans or its obligation to make Eurocurrency Loans (except for changes in the rate of tax on the overall net income or profits of such Bank or its Lending Office imposed by the jurisdiction in which such Bank or its lending office is incorporated in which such Bank's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurocurrency Loans any such requirement included in an applicable Eurocurrency Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office) or shall impose on any Bank (or its Lending Office) or on the interbank market any other condition affecting its Eurocurrency Loans, its Notes, or its obligation to make Eurocurrency Loans;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any Eurocurrency Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall be obligated to pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction. In the event any law, rule, regulation or interpretation described above is revoked, declared invalid or inapplicable or is otherwise rescinded, and as a result thereof a Bank is determined to be entitled to a refund from the applicable authority for any amount or amounts which were paid or reimbursed by Borrower to such Bank hereunder, such Bank shall, so long as no Event of Default has occurred and is then continuing, refund such amount or amounts to Borrower without interest.

(b) If, after the date hereof, any Bank or the Administrative Agent shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending

Office) with any request or directive regarding capital adequacy (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the applicable jurisdiction) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital of any corporation controlling such Bank, as a consequence of its obligations hereunder to a level below that

36

which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(c) Each Bank that determines to seek compensation under this Section 9.3 shall notify the Borrower and the Administrative Agent of the circumstances that entitle the Bank to such compensation pursuant to this Section 9.3 and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section 9.3 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

(d) If any Bank (other than ABN AMRO Bank N.V.) has demanded compensation or given notice of its intention to demand compensation under this Section 9.3 or the Borrower is required to pay any additional amount to any Bank under Section 9.3, the Borrower shall have the right, with the assistance of the Administrative Agent, to seek a substitute Bank or Banks reasonably satisfactory to the Administrative Agent (which may be one or more of the Banks) to replace such Bank under this Agreement and on the date of replacement, the Borrower shall pay all accrued interest and fees to the Bank being replaced. The Bank to be so replaced shall cooperate with the Borrower and substitute Bank to accomplish such substitution, provided that all of such Bank's Loan Commitment is replaced.

Section 9.4 Lending Offices. Each Bank may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified on the appropriate signature page hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof (each a "Lending Office") for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Administrative Agent.

Section 9.5 Discretion of Bank as to Manner of Funding. Notwithstanding any other provision of this Agreement, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if each Bank had actually funded and maintained each Eurocurrency Loan through the purchase of deposits of U.S. Dollars in the eurocurrency interbank market having a maturity corresponding to such Loan's Interest Period and bearing an interest rate equal to LIBOR for such Interest Period.

37

SECTION 10. THE ADMINISTRATIVE AGENT.

Section 10.1 Appointment and Authorization of Administrative Agent. Each Bank hereby appoints ABN AMRO Bank N.V. as the Administrative Agent under the Credit Documents and hereby authorizes the agent to take such action as Administrative Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the Credit Documents. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Bank, the holder of any Note or any other Person; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

Section 10.2 Administrative Agent and its Affiliates. The Administrative Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and the Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as if it were not the Administrative Agent under the Credit Documents. The term "Bank" as used herein and in all other Credit Documents, unless the context otherwise clearly requires, includes the Administrative Agent in its individual capacity as a Bank. References in Section 2 hereof to the Administrative Agent's Loans, or to the amount owing to the Administrative Agent for which an interest rate is being determined, refer to the Administrative Agent in its individual capacity as a Bank.

Section 10.3 Action by Administrative Agent. If the Administrative Agent receives from the Borrower a written notice of an Event of Default pursuant to Section 7.6(c)(i) hereof, the Administrative Agent shall promptly give each of the Banks written notice thereof. The obligations of the Administrative Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action hereunder with respect to any Default or Event of Default, except as expressly provided in Sections 8.2 and 8.5. In no event, however, shall the Administrative Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it shall be first indemnified to its reasonable satisfaction by the Banks against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default exists unless notified to the contrary by a Bank or the Borrower. In all cases in which this Agreement and the other Credit Documents do not require the Administrative Agent to take certain actions, the Administrative Agent shall be fully justified in using its discretion in failing to take or in taking any action hereunder and thereunder.

Section 10.4 Consultation with Experts. The Administrative Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 10.5 Liability of Administrative Agent; Credit Decision.

Neither the Administrative Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection with the Credit Documents (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify: (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Credit Event; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any other party contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Section 6 hereof, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectability hereof or of any other Credit Document or of any other documents or writing furnished in connection with any Credit Document; and the Administrative Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The Administrative Agent may execute any of its duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, the Borrower, or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by it under the Credit Documents. The Administrative Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Administrative Agent signed by such payee in form satisfactory to the Administrative Agent. Each Bank acknowledges that it has independently and without reliance on the Administrative Agent or any other Bank, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Bank to keep itself informed as to the creditworthiness of the Borrower and any other relevant Person, and the Administrative Agent shall have no liability to any Bank with respect thereto.

Section 10.6 Indemnity. The Banks shall ratably, in accordance with their respective Percentages, indemnify and hold the Administrative Agent, and its directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to

be indemnified. The obligations of the Banks under this Section 10.6 shall survive termination of this Agreement.

Section 10.7 Resignation of Administrative Agent and Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation of the Administrative Agent, the Required Banks shall have the right to appoint a successor Administrative Agent with the consent of the Borrower, provided, that at any time an Event of Default has occurred and is continuing, no such consent shall be required. If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, with the consent of the Borrower, appoint a successor Administrative

Agent, which shall be any Bank hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$200,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring or removed Administrative Agent under the Credit Documents, and the retiring Administrative Agent shall be discharged from its duties and obligations thereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 10 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

SECTION 11. MISCELLANEOUS.

Section 11.1 Withholding Taxes.

(a) Payments Free of Withholding. Subject to Section 11.1(b) hereof, each payment by the Borrower under this Agreement or the other Credit Documents shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient). If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Bank and the Administrative Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which that Bank or the Administrative Agent (as the case may be) would have received had such withholding not been made. If the Administrative Agent or any Bank pays any amount in respect of any such taxes, penalties or interest the Borrower shall reimburse the Administrative Agent or that Bank for that payment on demand in the currency in which such payment was made. If the Borrower pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Bank or Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) on or before the thirtieth day after payment. If any Bank or the Administrative Agent determines it has

40

received or been granted a credit against or relief or remission for, or repayment of, any taxes paid or payable by it because of any taxes, penalties or interest paid by the Borrower and evidenced by such a tax receipt, such Bank or Administrative Agent shall, to the extent it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as such Bank or Administrative Agent determines is attributable to such deduction or withholding and which will leave such Bank or Administrative Agent (after such payment) in no better or worse position than it would have been in if the Borrower had not been required to make such deduction or withholding. Nothing in this Agreement shall interfere with the right of each Bank and the Administrative Agent to arrange its tax affairs in whatever manner it thinks fit nor oblige any Bank or the Administrative Agent to disclose any information relating to its tax affairs or any computations in connection with such taxes.

(b) U.S. Withholding Tax Exemptions. Each Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Administrative Agent on or before the earlier of the date the initial Borrowing is made hereunder and thirty (30) days after the date hereof, two duly

completed and signed copies of either Form W8BEN (relating to such Bank and entitling it to a complete exemption from withholding under the Code on all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) or Form W8ECI (relating to all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) of the United States Internal Revenue Service. Thereafter and from time to time, each Bank shall submit to the Borrower and the Administrative Agent such additional duly completed and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be (i) requested by the Borrower in a written notice, directly or through the Administrative Agent, to such Bank and (ii) required under then-current United States law or regulations to avoid or reduce United States withholding taxes on payments in respect of all amounts to be received by such Bank, including fees, pursuant to the Credit Documents or the Loans.

(c) Inability of Bank to Submit Forms. If any Bank determines, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that it is unable to submit to the Borrower or Administrative Agent any form or certificate that such Bank is obligated to submit pursuant to subsection (b) of this Section 11.1 or that such Bank is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Bank shall promptly notify the Borrower and Administrative Agent of such fact and the Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

Section 11.2 No Waiver of Rights. No delay or failure on the part of the Administrative Agent or any Bank or on the part of the holder or holders of any Note in the exercise of any power or right under any Credit Document shall operate as a waiver thereof, nor as an

41

acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power or right, and the rights and remedies hereunder of the Administrative Agent, the Banks and the holder or holders of any Notes are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 11.3 Non-Business Day. If any payment of principal or interest on any Loan or of any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such Loan or other Obligation bears for the period prior to maturity shall continue to accrue on such Obligation from the stated due date thereof to and including the next succeeding Business Day, on which the same shall be payable.

Section 11.4 Documentary Taxes. The Borrower agrees that it will pay any documentary, stamp or similar taxes payable in respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 11.5 Survival of Representations. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 11.6 Survival of Indemnities. All indemnities and all other

provisions relative to reimbursement to the Banks of amounts sufficient to protect the yield of the Banks with respect to the Loans, including, but not limited to, Section 2.11, Section 9.3 and this Section 11.16 hereof, shall survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations. If and to the extent any indemnification or reimbursement obligation of the Borrower under the Credit Documents is deemed unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of the underlying obligation permissible under applicable law.

Section 11.7 Set-Off.

(a) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Bank, each Affiliate of a Bank, and each subsequent holder of any Note is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, and in whatever currency denominated) and any other Indebtedness at any time held or owing by that Bank, its Affiliate or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the obligations and liabilities of the Borrower to that Bank, its Affiliate or that subsequent holder under the Credit Documents, including, but not limited to, all claims of any nature

42

or description arising out of or connected with the Credit Documents, irrespective of whether or not (a) that Bank, its Affiliate or that subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans or Notes and other amounts due hereunder shall have become due and payable pursuant to Section 8 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

(b) Each Bank agrees with each other Bank a party hereto that if such Bank shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise, on any of the Loans in excess of its ratable share of payments on all such obligations then outstanding to the Banks, then such Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Banks such amount of the Loans, or participations therein, held by each such other Bank (or interest therein) as shall be necessary to cause such Bank to share such excess payment ratably with all the other Banks; provided, however, that if any such purchase is made by any Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Bank, the related purchases from the other Banks shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest unless the purchasing Bank is required to pay interest thereon, in which case each Bank returning funds to such purchasing Bank shall pay its pro rata share of such interest.

Section 11.8 Notices. Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including facsimile or other electronic communication) and shall be given to a party hereunder at its address or facsimile number set forth below or such other address or facsimile number as such party may hereafter specify by notice to the Administrative Agent and the Borrower, given by courier, by United States certified or registered mail, or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Banks shall be

addressed to their respective addresses, facsimile or telephone numbers set forth on the signature pages hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof or at such other address as shall be designated by such party in a written notice to the other parties, and to the Borrower and to the Administrative Agent to:

If to the Borrower:

NRG Energy, Inc.
1221 Nicollet Mall
Suite 700
Minneapolis, MN 55403-2445
Attention: Treasurer
Facsimile: (612) 373-5341
Telephone: (612) 373-5306

If to the Administrative Agent:

Notices shall be sent to the applicable address set forth on Part B of Schedule 4 hereto.

43

With copies of all such notices to:

ABN AMRO Bank N.V.
135 South LaSalle Street
Suite 710
Chicago, Illinois 60603
Attention: David B. Bryant
Facsimile: (312) 904-1466
Telephone: (312) 904-2799

Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section 11.8 or on the signature pages hereof and a confirmation of receipt of such facsimile has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, three business days after such communication is deposited in the mail, registered with return receipt requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified in this Section 11.8; provided that any notice given pursuant to Section 2 hereof shall be effective only upon receipt.

Section 11.9 Counterparts. This Agreement may be executed in any number of counterpart signature pages, and by the different parties on different counterparts, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same instrument. This Agreement may also be executed by facsimile signature, and each such facsimile signature shall for all intents and purposes be deemed an original signature of the signatory thereof.

Section 11.10 Successors and Assigns. This Agreement shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of each of the Banks and the benefit of their respective successors and assigns, including any subsequent holder of any Note. The Borrower may not assign any of its rights or obligations under any Credit Document without the written consent of all of the Banks.

Section 11.11 Participants and Note Assignees. Each Bank shall have the right at its own cost to grant participations (to be evidenced by one or more agreements or certificates of participation) in its rights and/or obligations in the Loans made and/or Revolving Credit Commitments held by such Bank at any time and from time to time, and to assign its rights under such Loans or the Note

evidencing such Loans to a federal reserve bank; provided that (i) no such participation or assignment shall relieve any Bank of any of its obligations under this Agreement, (ii) no such assignee or participant shall have any rights under this Agreement except as provided in this Section 11.11, and (iii) the Administrative Agent shall have no obligation or responsibility to such participant or assignee, except that nothing herein is intended to affect the rights of an assignee of a Note to enforce the Note assigned. Any party to which such a participation or assignment has been granted shall have the benefits of Section 2.11 and Section 9.3, but shall not be entitled to receive any greater payment under either such Section

44

than the Bank granting such participation would have been entitled to receive in connection with the rights transferred. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement that would (A) increase any Revolving Credit Commitment of such Bank if such increase would also increase the participant's obligations, (B) forgive any amount of or postpone the date for payment of any principal of or interest on any Loan or of any fee payable hereunder in which such participant has an interest or (C) reduce the stated rate at which interest or fees in which such participant has an interest accrue hereunder.

45

Section 11.12 Assignment of Commitments by Banks.

(a) Each Bank shall have the right at any time, with the written consent of the Borrower and Administrative Agent (which consent shall not be unreasonably withheld or delayed), to assign all or any part of its Revolving Credit Commitment (including the same percentage of its Note and outstanding Loans) to one or more other Persons; provided that such assignment is in an amount of at least \$10,000,000 or the entire Revolving Credit Commitment of such Bank, and if such assignment is not for such Bank's entire Revolving Credit Commitment then such Bank's Revolving Credit Commitment after giving effect to such assignment shall not be less than \$10,000,000; and provided further that (i) neither the consent of the Borrower nor of the Administrative Agent shall be required for any Bank to assign all or part of its Revolving Credit Commitment to any Affiliate of the assigning Bank or another Bank and (ii) the consent of the Borrower shall not be required if an Event of Default then exists. Each such assignment shall set forth the assignee's address for notices to be given under Section 11.8 hereof hereunder and its designated Lending Office pursuant to Section 9.4 hereof. Upon any such assignment, delivery to the Administrative Agent of an executed copy of such assignment agreement and the forms referred to in Section 11.1 hereof, if applicable, and the payment of a \$3,500 recordation fee to the Administrative Agent, the assignee shall become a Bank hereunder, all Loans and the Revolving Credit Commitment it thereby holds shall be governed by all the terms and conditions hereof and the Bank granting such assignment shall have its Revolving Credit Commitment, and its obligations and rights in connection therewith, reduced by the amount of such assignment; provided, however, in the event a Bank assigns all or any portion of its Revolving Credit Commitment to an Affiliate of such Bank or at the request of the Borrower pursuant to Section

11.13(b), no recordation fee shall be required hereunder. Notwithstanding any other provision set forth in this Agreement, any Bank may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Loans owing to it and the Note held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System without notice to, or the consent of, the Borrower or the Administrative Agent.

(b) Notwithstanding anything to the contrary contained in this Agreement, any Bank (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") of such Granting Lender identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any such SPC to make any Loan, (ii) if such SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof and (iii) no SPC or Granting Lender shall be entitled to receive any greater amount pursuant to Section 2.3 or 2.8 than the Granting Lender would have been entitled to receive had the Granting Lender not otherwise granted such SPC the option to provide

any Loan to the Borrower. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Bank would otherwise be liable so long as, and to the extent that, the related Granting Lender provides such indemnity or makes such payment. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against or join any other person in instituting against such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. Notwithstanding the foregoing, the Granting Lender unconditionally agrees to indemnify the Borrower, the Administrative Agent and each Bank against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be incurred by or asserted against the Borrower, the Administrative Agent or such Bank, as the case may be, in any way relating to or arising as a consequence of any such forbearance or delay in the initiation of any such proceeding against its SPC. Each party hereto hereby acknowledges and agrees that no SPC shall have the rights of a Bank hereunder, such rights being retained by the applicable Granting Lender. Accordingly, and without limiting the foregoing, each party hereby further acknowledges and agrees that no SPC shall have any voting rights hereunder and that the voting rights attributable to any Loan made by an SPC shall be exercised only by the relevant Granting Lender and that each Granting Lender shall serve as the administrative agent and attorney-in-fact for its SPC and shall on behalf of its SPC receive any and all payments made for the benefit of such SPC and take all actions hereunder to the extent, if any, such SPC shall have any rights hereunder. In addition, notwithstanding anything to the contrary contained in this Agreement, any SPC may with notice to, but without the prior written consent of any other party hereto, assign all or a portion of its interest in any Loans to the Granting Lender. This

Section may not be amended without the prior written consent of each Granting Lender, all or any part of whose Loan is being funded by an SPC at the time of such amendment.

Section 11.13 Amendments.

(a) Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Banks, and (c) if the rights or duties of the Administrative Agent are affected thereby, the Administrative Agent; provided that:

(i) no amendment or waiver pursuant to this Section 11.13 shall (A) increase any Commitment of any Bank without the consent of such Bank or (B) reduce the stated rate at which interest or fees accrue or reduce the amount of or postpone any fixed date for payment of any principal or of interest on any Loan or of any fee payable hereunder without the consent of each Bank; and

47

(ii) no amendment or waiver pursuant to this Section 11.13 shall, unless signed by each Bank, change this Section 11.13, or the definition of Required Banks, or affect the number of Banks required to take any action under the Credit Documents.

(b) If the Borrower requests an amendment to this Agreement which requires the approval of all of the Banks and one of the Banks (a "Replaceable Bank") does not approve it, the Borrower may propose that another bank which is reasonably acceptable to the Administrative Agent (a "Replacement Bank") be substituted for and replace the Replaceable Bank for purposes of this Agreement. If a Replacement Bank is so substituted for the Replaceable Bank, the Replaceable Bank shall enter into an assignment agreement with the Replacement Bank, the Borrower and the Administrative Agent to assign and transfer to the Replacement Bank, the Replaceable Bank's Commitment hereunder, which shall provide, among other things, for the payment of all Obligations owing to the Replaceable Bank; provided, however, if a Replacement Bank cannot be found, then the Borrower may elect to take out the Replaceable Bank and reduce the facility accordingly by making a prepayment in the amount of such Replaceable Bank's outstanding Loans plus all accrued and unpaid interest thereon and all fees and all other Obligations due and owing to the Replaceable Bank on the date of replacement. Notwithstanding anything to the contrary contained herein, in no event shall the Administrative Agent be a Replaceable Bank.

Section 11.14 Nonliability of Agents and Lenders. The relationship between the Borrower on the one hand and the Banks, the Administrative Agent and the Documentation Agents on the other hand shall be solely that of borrower and lender. Neither the Administrative Agent, the Syndication Agents, the Documentation Agents nor any Bank shall have any fiduciary duty to the Borrower. Neither the Administrative Agent, the Syndication Agents, the Documentation Agents nor any Bank undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations. The Borrower agrees that neither the Administrative Agent, the Syndication Agents, the Documentation Agents nor any Bank shall have liability to the Borrower (whether sounding in tort, contract or otherwise) for losses suffered by the Borrower in connection with, arising out of, or in any way related to the transactions contemplated and the relationship established by the Credit Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or

willful misconduct of the party from which recovery is sought. Neither the Administrative Agent, the Syndication Agents, the Documentation Agents, any Bank nor any of their respective Subsidiaries, Affiliates, officers or directors shall have any liability with respect to, and the Borrower hereby waives, releases and agrees not to sue for, any special, indirect, consequential or punitive damages in connection with, arising out of, or in any way related to any of the Credit Documents or the transactions contemplated thereby.

Section 11.15 Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

48

Section 11.16 Legal Fees, Other Costs and Indemnification. The Borrower agrees to pay on demand all reasonable costs and expenses of the Administrative Agent and the Syndication Agents in connection with the preparation and negotiation of the Credit Documents (including past and future reasonable out-of-pocket expenses incurred by ABN AMRO Bank N.V. or Salomon Smith Barney Inc. in connection with the syndication of the transaction), including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent and the Syndication Agents, in connection with the preparation and execution of the Credit Documents and any amendment, waiver or consent related hereto, whether or not the transactions contemplated herein are consummated. The Borrower further agrees to indemnify each Bank, the Administrative Agent, and their respective Affiliates, directors, agents, officers and employees, against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may incur or reasonably pay or that may be claimed against any of them by any Person arising out of or relating to any Credit Document (including any relating to any misrepresentation or false certification by or on behalf of the Borrower) or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan other than those which arise from the gross negligence or willful misconduct of the party claiming indemnification. The Borrower, upon demand by the Administrative Agent or a Bank at any time, shall reimburse the Administrative Agent or Bank for any reasonable costs and legal or other expenses incurred in connection with investigating or defending against any of the foregoing or the enforcement of any rights or remedies under this Agreement, any Note and the other documents to be delivered hereunder, except if the same is directly due to the gross negligence or willful misconduct of the party to be indemnified.

Section 11.17 Entire Agreement. The Credit Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior or contemporaneous agreements, whether written or oral, with respect thereto are superseded thereby.

Section 11.18 Construction. The parties hereto acknowledge and agree that neither this Agreement nor the other Credit Documents shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of this Agreement and the other Credit Documents.

Section 11.19 Governing Law. The validity and interpretation of this Agreement and the other Credit Documents, and the terms and conditions set forth herein, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any provisions relating to conflict of laws other than section 5-1401 of the New York General Obligations Law.

Section 11.20 Submission to Jurisdiction; Waiver of Jury Trial. EACH OF THE BORROWER, EACH BANK AND THE ADMINISTRATIVE AGENT HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW

YORK STATE COURT SITTING IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH OF THE BORROWER, EACH BANK AND THE ADMINISTRATIVE AGENT IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. EACH OF THE BORROWER, EACH BANK AND THE ADMINISTRATIVE AGENT HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY.

Section 11.21 Rights and Liabilities of Documentation Agents and Syndication Agents. Neither Documentation Agents nor Syndication Agents has any special rights, powers, obligations, liabilities, responsibilities or duties under this Agreement as a result of acting in the capacity of Documentation Agent or Syndication Agent, as applicable, other than those applicable to them in their capacity as Banks hereunder. Without limiting the foregoing, neither Documentation Agents nor Syndication Agents shall have or be deemed to have a fiduciary relationship with any Bank. Each Bank hereby makes the same acknowledgments and undertakings with respect to Documentation Agents and the Syndication Agents as it makes with respect to the Administrative Agent and any directors, officers, agents and employees of the Administrative Agent in Sections 10.5 and 10.6.

Section 11.22 Confidentiality. The Administrative Agent and the Banks shall hold all non-public information provided to them by Borrower pursuant to or in connection with this Agreement in accordance with their customary procedures for handling confidential information of this nature, but may make disclosure to any of their examiners, regulators, Affiliates, outside auditors, counsel and other professional advisors in connection with this Agreement or any other Credit Document or as reasonably required by any potential bona fide transferee, participant or assignee, or in connection with the exercise of remedies under a Credit Document, or to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 11.22), or to any nationally recognized rating agency that requires access to information about a Bank's investment portfolio in connection with ratings issued with respect to such Bank, or as requested by any governmental agency or representative thereof or pursuant to legal process; provided, however, that unless specifically prohibited by applicable law or court order, the Administrative Agent and each Bank shall use reasonable efforts to promptly notify Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of the Administrative Agent or such Bank by such governmental agency) for disclosure of any such non-public information and, where practicable, prior to disclosure of such information. Prior to any such disclosure pursuant to this Section 11.22, the Administrative Agent and each Bank shall require any such bona fide transferee, participant and assignee receiving a disclosure of non-public information to agree, for the benefit of Borrower, in writing to be bound by this Section 11.22; and to require such Person to require any other Person to whom such Person discloses such non-public information to be similarly bound by this Section 11.22.

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed and delivered in New York, New York by their duly authorized officers as of the day and year first above written.

NRG ENERGY, INC.

By: _____
Name: Brian B. Bird
Title: Vice President & Treasurer

NRG ENERGY, INC. - 10-K SUBSIDIARY LIST
MARCH 14, 2002

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
Arcata Energia Ltda.	Acquired 10/03/2001	Peru	Subsidiary of Cementos Norte Pacasmayo Energia S.A. (CNPE)
Arthur Kill Power LLC	03/11/1999	Delaware	entity holding title to 842-MW Arthur Kill Generating Station, located on Staten Island, New York, includes two steam generating units designed to burn gas and oil
Astoria Gas Turbine Power LLC	03/11/1999	Delaware	entity holding title to 614-MW Astoria Gas Turbine Sites, located in Queens, New York, consist of 20 gas turbines, grouped into 11 units
B.L. England Operations Inc.	05/08/2000	Delaware	to act as a special purpose operating company to provide O&M services pursuant to a contract with B.L. England Power LLC
B.L. England Power LLC	05/08/2000	Delaware	entity holding title to 447 MW coal and oil-fired generating facility in Beesley's Point, New Jersey
Berrians I Gas Turbine Power LLC	06/04/2001	Delaware	simple cycle peaking unit whose purpose is to provide energy during periods of high demand in the NYC control area and to provide capacity to help insure the LSE's are able to meet the requirements set by the NYPSC
Big Cajun I Peaking Power LLC	08/03/2000	Delaware	develop, own and operate the Cajun expansion project
Big Cajun II Unit 4 LLC	09/14/2001	Delaware	electric power generation
Brazos Valley Energy LP	05/24/2001	Delaware	1% owner of 633 MW greenfield natural gas-fired combined cycle Brazos Valley Energy Project west of Houston, Texas
Brazos Valley Technology LP	05/24/2001	Delaware	633 MW greenfield natural gas-fired combined cycle Brazos Valley Energy Project west of Houston, Texas
Brimsdown Power Limited	12/11/1998	United Kingdom	project company for peaking unit associated with Enfield Energy Centre Limited in England
Cabrillo Power I LLC	12/11/1998	Delaware	owns and operates Encina electric generation station in San Diego, California
Cabrillo Power II LLC	12/11/1998	Delaware	entity holding title to 17 SDG&E combustion turbines in San Diego, California
Cadillac Renewable Energy LLC	02/27/1997	Delaware	owns Cadillac wood fired power plant in Michigan
Camas Power Boiler Limited Partnership	02/06/1990	Oregon	owns waste-wood fired steam boiler in Camas
SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
	Acquired 11/01/1997		paper mill in Washington
Camas Power Boiler, Inc.	02/06/1990 Acquired 11/01/1997	Oregon	general partner in Camas Boiler Limited Partnership
Capistrano Cogeneration Company	10/15/1986 Acquired 01/15/2002	California	
Carolina Energy, Limited Partnership	01/12/1993 Acquired 11/01/1997	Delaware	holds remaining non-generating assets of the Carolina Energy transfer station and waste-to-energy facility in North Carolina
Carquinez Strait Preservation Trust, Inc.	04/15/1994 Acquired 11/01/1997	California	non-profit corporation which provides monetary support to the communities surrounding the Crockett cogeneration facility in California
Cementos Norte Pacasmayo Energia S.A.	10/31/1997 Acquired 10/03/2001	Peru	Owner of 38 MW hydroelectric facility; 22.5 MW diesel power plant; and several mini hydropower facilities totaling 5.6 MW in Peru
Central and Eastern Europe Power Fund, Ltd.	11/25/1999	Bermuda	Investment vehicle for power generation projects, companies developing power generation projects and certain transmission and distribution systems in various countries in Central and Eastern Europe
Chickahominy River Energy Corp.	06/02/1988	Virginia	Acquired this
entity as part of the Commonwealth	Acquired 01/11/2002		Atlantic Power LLC closing as well as Hanover Energy Company
Clark Power LLC	11/15/2000	Delaware	Formed to acquire future assets (740 MW gas-fired Clark power station and related assets in Nevada)
Cobee Energy Development LLC	04/02/1998	Delaware	provides international business development

			services in Latin America for Compania Boliviana de Energia Electrica S.A.
Cobee Holdings Inc.	12/16/1996	Delaware	domestic holding company for Tosli Investments B.V. in Latin America
Cogeneration Corporation of America	12/05/1983 Acquired 04/30/1996	Delaware	develops, owns and operates cogeneration facilities in U.S.
Collinsville Operations Pty Ltd	11/30/1995	Australia	operates Collinsville coal fired power plant in Australia
Collinsville Power Joint Venture (unincorporated)	01/24/1996	Australia	owns Collinsville coal fired power plant in Australia
Commonwealth Atlantic Limited Partnership	01/13/1989 Acquired 01/11/2002	Virginia	Owns Hanover Energy Company, which owns 100% of Chickahominy, which owns 50.04995% of Commonwealth Atlantic Limited Partnership
Commonwealth Atlantic Power LLC	07/16/2001	Delaware	Entity to acquire shares in Hanover Energy Company

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
Compania Boliviana de Energia Electrica S.A.	04/17/1925 Acquired 12/20/1996	Canada (Nova Scotia)	owns and operates hydroelectric facilities in Bolivia (Latin America)
Compania Electrica Central Bulo Bulu S.A.	09/10/1999	Bolivia	will eventually be the Bulo Bulu project company owned by Inversiones Bulo Bulu S.A.
Conemaugh Power LLC	05/08/2000	Delaware	entity holding title to 1,711 MW coal fired generating facility located Conemaugh, Pennsylvania
Coniti Holding B.V.	06/09/1995 Acquired 12/19/1996	Netherlands	international holding company for the Bulo Bulu project in La Paz, Bolivia
Connecticut Jet Power LLC	07/30/1999	Delaware	sells electricity
Croatia Power Group	12/16/1999	Cayman Islands	Entity formed to hold interest in 190 MW electric power generation project in Reijka, Croatia
Crockett Cogeneration, A California Limited Partnership	01/11/1986 Acquired 11/01/1997	California	owns Crockett cogeneration facility in California
Csepel Luxembourg (No. 1) S.a.r.l.	03/28/2001	Luxembourg	Luxembourg holding company for the Csepel project
Csepele Aramtermelo Kft.	04/01/1996 Acquired 06/29/2001	Hungary	which owns a 389 MW CCGT facility and a 106 MW steam and hot water generation facility in Budapest, Hungary (Csepel II)
Csepele Eromu Rt.	05/10/1991 Acquired 06/29/2001	Hungary	Owns a 116 MW thermal and industrial park support complex in Budapest, Hungary
Deepwater Operations Inc.	05/08/2000	Delaware	to act as a special purpose operating company to provide O&M services pursuant to a contract with Deepwater Power LLC
Deepwater Power LLC	05/08/2000	Delaware	entity holding title to 239 MW fossil fuel generating facility Pensville, New Jersey
Denver City Energy Associates, L.P.	11/06/1996 Acquired 01/29/2001	Delaware	Project company for 487 MW plant located in Denver City, Texas
Devon Power LLC	07/30/1999	Delaware	sells electricity and thermal energy 401-MW generation capacity located on the Housatonic River at Milford, Conn.
Dunkirk Power LLC	03/10/1999	Delaware	entity holding title to Dunkirk Station, a four-unit, 600 MW plant, is located 55 miles southwest of Buffalo, New York
Eastern Generation Services (India) Private Limited	09/09/1997	India	O&M entity for 355 MW Lanco Kondapalli Power Plant in the State of Andhra Pradesh, India
Eastern Sierra Energy Company	03/28/1988 Acquired 09/20/2001	California	Production of electricity and thermal energy
ECK Generating, s.r.o.	11/30/1995	Czech Republic	owns new 300+ MW coal fired power plant expansion under construction in Kladno,

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
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Czech Republic

El Segundo Power II LLC	11/14/2000	Delaware	was formed to acquire future assets (project entity to install new units #5, #6 and #7 at the El Segundo Generating Station in California, with a target net electrical output of 641 MW)
El Segundo Power, LLC	11/25/1997	Delaware	owns El Segundo gas fired power plant in California
Elk River Resource Recovery, Inc.	02/06/1995	Minnesota	inactive - proposed owner of Elk River waste processing facility in Minnesota
Empresa de Generacion Electrica Cahua S.A.	Acquired 10/03/2001	Peru	Owner of 45 MW of hydroelectric generation in Peru
Energeticke Centrum Kladno, s.r.o.	09/30/1992 Acquired 08/25/1995	Czech Republic	owns existing coal fired power plant in Kladno, Czech Republic
Energy Developments Limited	08/30/1991 Acquired 02/11/1997	Australia (Queensland)	develops, owns and operates power generation and waste-to-energy projects in Australia, New Zealand, Asia and England
Energy Investors Fund, L.P.	01/06/1988 Acquired 11/01/1997	Delaware	domestic investment company which holds limited partner interests in Crockett, Curtis/Palmer, Windpower 87 and Windpower 88 projects; also a funding vehicle for numerous other unrelated projects in the U.S.
Energy National, Inc.	09/13/1984 Acquired 11/01/1997	Utah	domestic holding company which holds limited partner interests in Crockett, Curtis/Palmer, Maine Energy Recovery Company, Penobscot Energy Recovery Company, PowerSmith, Windpower 87, Windpower 88 projects; general partner in Penobscot Energy Recovery Co.
Enfield Energy Centre Limited	03/05/1993 Acquired 12/09/1996	United Kingdom	owns Enfield gas fired power plant in England
Enfield Holdings B.V.	03/27/1996	Netherlands	international holding company for Enfield Energy Centre Limited project in England.
Enfield Operations (UK) Limited	11/04/1997	United Kingdom	holds employees for Enfield Operations, L.L.C. in England
Enfield Operations, L.L.C.	08/07/1997	Delaware	operates Enfield gas fired power plant in England
ENI Crockett Limited Partnership	04/10/1995 Acquired 11/01/1997	Oregon	limited partner in Crockett Cogeneration, A California Limited Partnership
Enifund, Inc.	04/22/1988 Acquired 11/01/1997	Utah	holds property (house at Crockett cogeneration facility) and provides consulting services to Maine Energy Recovery Company
Enigen, Inc.	08/17/1987 Acquired 11/01/1997	Utah	general partner in The PowerSmith Cogeneration Project, Limited Partnership

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
Entrade d.o.o.	07/14/2000 Acquired 10/26/2000	Slovenia	Slovenian branch of Entrade GmbH
Entrade Deutschland GmbH	06/02/2000 Acquired 10/26/2000	Berlin, Germany	German branch of Entrade GmbH
Entrade GmbH	01/23/1998	Switzerland	Swiss energy trading company
Entrade Holdings B.V.	04/07/2000	Netherlands	international holding company registered to do business in Switzerland for Entrade GmbH
Entrade Poland Sp. z o.o.		Poland	Polish branch of Entrade GmbH
Entrade s.r.o.	08/20/2001 Acquired 09/19/2001	Czech Republic	Czech branch of Entrade GmbH
ESOCO Crockett, Inc.	12/09/1992 Acquired 11/01/1997	Oregon	operates Crockett cogeneration facility in California
ESOCO Fayetteville, Inc.	08/30/1996 Acquired 11/01/1997	Oregon	inactive - proposed operator of Fayetteville waste-to-energy facility in North Carolina
ESOCO Molokai, Inc.	02/06/1990 Acquired 11/01/1997	Utah	inactive - proposed operator of Molokai biomass fueled power plant in Hawaii
ESOCO Orrington, Inc.	02/01/1989 Acquired 11/01/1997	Utah	operates Penobscot Energy Recovery Company in Maine
ESOCO Soledad, Inc.	02/06/1990 Acquired 11/01/1997	Utah	inactive - proposed operator of Soledad wood burning power plant in California
ESOCO Wilson, Inc.	09/17/1996 Acquired 11/01/1997	Oregon	inactive - proposed operator of Carolina Energy waste-to-energy facility and transfer station in North Carolina

ESOCO, Inc.	02/01/1989 Acquired 11/01/1997	Utah	domestic holding company for individual Esoco O&M companies
European Generating S.a.r.l.	10/16/2000	Luxembourg	Project holding company for Rybnik project
Flinders Coal Pty Ltd	03/31/2000	Australia	entity holding title to the right to mine at the Leigh Creek Coalfields, South Australia
Flinders Labuan (No. 1) Ltd.	08/03/2000	Labuan	Holding company for Flinders project in South Australia
Flinders Labuan (No. 2) Ltd.	08/03/2000	Labuan	Holding company for Flinders project in South Australia
Flinders Osborne Trading Pty Ltd	08/17/2000	Australia	trading entity for gas supply to, and electricity take from, the 190 MW Osborne Power Station in South Australia
Flinders Power Finance Pty Ltd	08/14/2000	Australia	finance company borrowing funds for, and on-lending funds to, the NRG Flinders business in South Australia (which includes the 760 MW of coal fired stations in Port Augusta, South Australia)
Four Hills, LLC	08/19/1996	Delaware	landfill gas collection system for Nashua project in New Hampshire
Gladstone Power Station Joint Venture	03/30/1994	Australia	owns Gladstone coal fired power plant in

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
			(unincorporated) Australia
GPP Investors I, LLC	06/23/1997 Acquired 01/29/2001	Delaware	Limited partner of 487 MW plant located in Denver City, Texas
Granite II Holding, LLC	07/16/1999 Acquired 01/29/2001	Delaware	Holding company for Batesville, Kendall and Denver City projects acquired from LS Power, LLC
Granite Power Partners II, L.P.	01/31/1996 Acquired 01/29/2001	Delaware	Holding company for all LS Power, LLC's equity interest in independent power projects acquired by NRG on 1/20/2001.
Graystone Corporation	05/25/1989	Minnesota	general partner in Louisiana Energy Services, L.P.
Gunwale B.V.	11/19/1979 Acquired 12/01/1993	Netherlands	holds shares in NRGenerating Holdings (No. 4) B.V. for Loy Yang project in Australia
Hanover Energy Company	11/15/1988 Acquired 01/11/2002	California	acquired as part of the Commonwealth Atlantic Power LLC closing along with Chickahominy River Energy Corp.
Hsin Yu Energy Development Co., Ltd.	Acquired 07/27/2001		Owner of 170 MW cogeneration facility located at the Hsinchu Science-Based Industrial Park in Taiwan
Huntley Power LLC	03/10/1999	Delaware	entity holding title to the Huntley Station, located three miles north of Buffalo, is Niagara Mohawk's largest coal-fired plant and is comprised of six units with a total nominal rating of 760 MW
Indian River Operations Inc.	05/08/2000	Delaware	to act as a special purpose operating company to provide O&M services pursuant to a contract with Indian River Power LLC
Indian River Power LLC	05/08/2000	Delaware	entity holding title to 784 MW coal fired generating facility located in Millsboro, Delaware
Inversiones Bulo Bulo S.A.	09/10/1999	Bolivia	holding company that will eventually indirectly own the Bulo Bulo project.
Itiquira Energetica S.A.	09/15/2000	Brazil	entity formed to develop, construct, own and operate a 156 MW hydroelectric power generation facility in the State of Mato Grosso, Brazil
Jackson Valley Energy Partners, L.P.	05/21/1991	California	owns and operates waste lignite/cogeneration plant and lignite mining and reclamation operation in California
James River Cogeneration Company	Acquired 01/15/2005		
James River Power LLC	07/16/2001	Delaware	Entity to acquire shares in Capistrano Cogeneration Company
Kanel Kangal Elektrik Limited Sirketi	04/14/1998	Turkey	will own 450 MW coal-fired Kangal plant in

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
			central Turkey
Kaufman Cogen LP	05/24/1999 Acquired 12/18/2000	Delaware	project company for power generation project near Mesquite, Texas.

Keystone Power LLC	05/08/2000	Delaware	entity holding title to 1,711 MW coal fired generating facility located near Pittsburgh, Pennsylvania
Kiksis B.V.	12/30/1985 Acquired 12/01/1993	Netherlands	inactive - was to be used for first tier Dutch B.V. for Estonia project
Killingholme Generation Limited	10/11/1999 Acquired 10/11/1999	United Kingdom	project company for Killingholme Power Station in England
Killingholme Holdings Limited	02/20/2000 Acquired 03/17/2000	United Kingdom	additional holding company formed to hold interest in Killingholme Power Station through KGL in England
Killingholme Power Limited	05/25/1999 Acquired 03/29/2000	United Kingdom	project company for 665MW gas-fired Killingholme A combined-cycle, gas-turbine power station in North Lincolnshire, England.
Kingston Cogeneration Limited Partnership	Acquired 11/01/1997	Canada (Ontario)	owns Kingston cogeneration facility in Ontario, Canada
Kissimee Power Partners, Limited Partnership	02/18/1992	Delaware	limited partner in Cypress Energy Partners, Limited Partnership in Florida
Kladno Power (No. 1) B.V.	01/23/1995	Netherlands	international holding company in Energeticke Centrum Kladno, s.r.o. in Czech Republic
Kladno Power (No. 2) B.V.	01/23/1995	Netherlands	international holding company in Matra Powerplant Holding B.V. in Czech Republic (ECKG)
Kraftwerk Schkopau Betriebsgesellschaft mbH	Acquired 01/01/1994	Germany	operates Schkopau coal fired power plant in Germany
Kraftwerk Schkopau GbR	Acquired 01/01/1994	Germany	owns Schkopau coal fired power plant assets in Germany
KUSEL Kutahya Seyitomer Elektrik Limited Sirketi	04/19/2000	Turkey	will own as a part of a consortium Seyitomer 600 MW lignite-fired plant in Turkey
Lakefield Junction LLC	06/30/1998	Delaware	owns peaking plant 550-megawatt (MW) generation facility consisting of six natural gas-fired combustion turbine generators
Lambique Beheer B.V.	01/06/1977 Acquired 12/01/1993	Netherlands	international holding company in MIBRAG B.V. and Mitteldeutsche Braunkohlengesellschaft mbH in Germany
Lanco Kondapalli Power Pvt Ltd.	08/21/1995 Acquired 07/16/2001	India	355 MW Lanco Kondapalli Power Plant in the State of Andhra Pradesh, India
Landfill Power LLC	05/02/1994 Acquired 07/01/1994	Wyoming	owns and operates Flying Cloud landfill gas fueled power generation facility in Eden Prairie, Minnesota
Langage Energy Park Limited	11/30/1999	United Kingdom	will own land for project in Plymouth England

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Le Paz Incorporated	06/01/1990	Minnesota	limited partner in Louisiana Energy Services, L.P.
Long Beach Generation LLC	02/04/1998	Delaware	owns Long Beach gas fired power plant in California
Louisiana Energy Services, L.P.	04/09/1990	Delaware	owns uranium enrichment facility under development in Louisiana
Louisiana Generating LLC	06/14/1996	Delaware	will own Cajun non-nuclear generating assets in Louisiana (including gas and coal fired generation) 1,708MW
Loy Yang Power Management Pty Ltd	03/25/1997	Australia (Victoria)	operates Loy Yang coal fired power plant in Australia
Loy Yang Power Partners	04/17/1997	Australia	Name of Partnership (4 owners) for owns Loy Yang coal fired power plant in Australia
Loy Yang Power Projects Pty Ltd	03/25/1997	Australia (Victoria)	provides technical services to Loy Yang coal fired power plant in Australia
LS Power Management, LLC	07/29/1998 Acquired 01/29/2001	Delaware	
LSP Batesville Funding Corp.	08/03/1998 Acquired 01/29/2001	Delaware	Finance company for 837 MW plant in Batesville Mississippi (Are shares still publically traded?)
LSP Batesville Holding, LLC	07/29/1998 Acquired 01/29/2001	Delaware	Limited partner of 837 MW plant located in Batesville, Mississippi.
LSP Energy Limited Partnership	02/07/1996 Acquired 01/29/2001	Delaware	Project company for 837 MW plant located in Batesville Mississippi. (Are shares still publically traded?)
LSP Energy, Inc.	02/01/1996 Acquired 01/29/2001	Delaware	General partner of 837 MW plant located in Batesville Mississippi
LSP Equipment, LLC	10/19/1999 Acquired 01/29/2001	Delaware	

LSP-Denver City, Inc.	10/01/1996 Acquired 01/29/2001	Delaware	General partner of 487 MW plant located in Denver City, Texas (Mustang)
LSP-Hardee Energy, LLC	08/25/2000 Acquired 01/29/2001	Delaware	Project company for 510 MW plant under construction in Wachula, Florida
LSP-Kendall Energy, LLC	11/02/1998 Acquired 01/29/2001	Delaware	Project company for 1,160 MW plant under construction in Minooka, Illinois
LSP-Nelson Energy, LLC	03/01/1999 Acquired 01/29/2001	Delaware	Project company for 1,160 MW plant located in Nelson Township, Illinois
LSP-Pike Energy, LLC	01/21/2000 Acquired 01/29/2001	Delaware	Project company for 1,160 plant in final development stage located in Holmesville, Mississippi
Maine Energy Recovery Company	06/30/1983 Acquired 11/01/1997	Maine	owns waste-to-energy facility in Biddeford, Maine
Matra Powerplant Holding B.V.	11/28/1995	Netherlands	international holding company in ECK Generating, s.r.o. in Czech Republic

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
Meriden Gas Turbines LLC	12/20/2000	Delaware	project entity to hold 540 MW greenfield natural gas-fired combined cycle electric generating facility in central Connecticut
MESI Fuel Station #1 LLC	10/28/1999	Delaware	Project company in the business of producing and selling synthetic fuel from Ken West terminal in Catlettsburg, Boyd County Kentucky on the Big Sandy River
MIBRAG B.V.	12/09/1993	Netherlands	owns 99% of MIBRAG coal mines and coal fired power plants in Germany
MidAtlantic Generation Holding LLC	08/20/2000	Delaware	domestic holding company for MidAtlantic region
Mid-Continent Power Company, L.L.C.	12/12/1997	Delaware	owns Mid-Continent Power Company cogeneration facility in Oklahoma
Middletown Power LLC	07/30/1999	Delaware	sells electricity and thermal energy-856MW steam-powered plant located beside the Connecticut River in Middletown, Conn
Minnesota Methane Holdings LLC	04/08/1996	Delaware	inactive - domestic holding company
Minnesota Methane II LLC	04/08/1997	Delaware	owns and operates original 3 NEO/Ziegler landfill gas projects (Edward Kraemer in Burnsville, MN; Flying Cloud in Eden Prairie, MN and Nashua in New Hampshire)
Minnesota Methane LLC	09/21/1998 Acquired 07/01/1994	Delaware	owns and operates 18 landfill gas projects in the U.S. financed by Lyon Credit
Minnesota Waste Processing Company, L.L.C.	11/01/1993	Delaware	owns municipal solid waste processing facility and transfer station in Minnesota
Mitteldeutsche Braunkohlengesellschaft mbH	11/30/1993	Germany	operates MIBRAG coal mines and coal fired power plants in Germany
MM Albany Energy LLC	01/08/1997	Delaware	landfill gas fueled power generation for project in New York
MM Biogas Power LLC	04/08/1996	Delaware	domestic holding company - owns 100% interest in landfill gas fueled power generation projects not being financed
MM Burnsville Energy LLC	10/14/1997	Delaware	landfill gas fueled power generation for Edward Kraemer landfill in Minnesota
MM Corona Energy LLC	01/08/1997	Delaware	landfill gas fueled power generation for O'Brien project in California
MM Cuyahoga Energy LLC	06/18/1997	Delaware	landfill gas fueled power generation for project in Cleveland, Ohio
MM Ft. Smith Energy LLC	10/14/1997	Delaware	will sell landfill gas to other companies in Arkansas - not a GENCO
MM Hackensack Energy LLC	04/08/1997	Delaware	landfill gas fueled power generation for HMDC/Balefill/Kingsland O'Brien projects in

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
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Lyndhurst, New Jersey

MM Hartford Energy LLC	05/16/1997	Delaware	landfill gas fueled power generation for project in Connecticut
MM Lopez Energy LLC	12/13/1996	Delaware	landfill gas fueled power generation for Lopez Canyon project in Los Angeles, California
MM Lowell Energy LLC	01/08/1997	Delaware	landfill gas fueled power generation for project in Massachusetts
MM Nashville Energy LLC	06/20/1997	Delaware	landfill gas fueled power generation for project in Tennessee
MM Phoenix Energy LLC	01/20/1998	Delaware	landfill gas fueled power generation for project in Arizona
MM Prima Deshecha Energy LLC	01/08/1997	Delaware	landfill gas fueled power generation for project in Orange County, California
MM Prince William Energy LLC	06/18/1997	Delaware	landfill gas fueled power generation for project in Virginia
MM Riverside LLC	12/19/1996	Delaware	landfill gas fueled power generation for project in California
MM San Bernardino Energy LLC	12/30/1998	Delaware	transport landfill gas for re-sale
MM San Diego LLC	01/08/1997	Delaware	landfill gas fueled power generation for Miramar project in California
MM SKB Energy LLC	06/20/1997	Delaware	landfill gas fueled power generation for project in Pennsylvania
MM Spokane Energy LLC	01/08/1997	Delaware	landfill gas fueled power generation for project in Washington
MM Tacoma LLC	12/19/1996	Delaware	landfill gas fueled power generation for project in Washington
MM Tajiguas Energy LLC	01/20/1998	Delaware	landfill gas fueled power generation for project in Santa Barbara, California
MM Taunton Energy LLC	01/08/1997	Delaware	landfill gas fueled power generation for project in Massachusetts
MM Tomoka Farms Energy LLC	03/11/1997	Delaware	landfill gas fueled power generation for Volusia project in Florida
MM Tulare Energy LLC	05/16/1997	Delaware	landfill gas fueled power generation for Visalia project in California
MM West Covina LLC	12/04/1995	Delaware	landfill gas fueled power generation for BKK project in California
MM Woodville Energy LLC	02/11/1998	Delaware	landfill gas fueled power generation for project in California
MM Yolo Power LLC	02/14/1996	Delaware	landfill gas fueled power generation for project in California
MN San Bernardino Gasco I LLC	06/26/1998	Delaware	landfill gas collection system for project in California

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
MN San Bernardino Gasco II LLC	08/17/2001	Delaware	Landfill gas collection system for project in California.
Montauk-NEO Gasco LLC	08/17/2001	Delaware	Facilitation and marketing of landfill gas
Montville Power LLC	07/30/1999	Delaware	sells electricity and thermal energy -498MW Montville Station is located on the Thames River in Uncasville, Conn
Mt. Poso Cogeneration Company, A California Limited Partnership	10/15/1986 Acquired 11/01/1997	California	owns Mt. Poso cogeneration facility in California
NEO Albany, L.L.C.	09/12/1995	Delaware	landfill gas collection system for project in New York
NEO Burnsville, LLC	10/25/1996	Delaware	landfill gas collection system for Edward Kraemer landfill in Minnesota
NEO California Power LLC	09/21/2000	Delaware	entity formed to submit bid to California ISO on 3,000 MW of distributed generation.
NEO Chester-Gen LLC	07/13/2000 Acquired 09/12/2000	Delaware	owns 3.4 MW cogeneration facility at Crozer Chester Hospital in Chester, Pennsylvania
NEO Corona LLC	01/08/1997	Delaware	landfill gas collection system for O'Brien project in California
NEO Corporation	05/27/1993 Acquired 07/01/1994	Minnesota	develops, owns and operates landfill gas, hydroelectric and small cogeneration projects in the U.S.
NEO Cuyahoga, LLC	10/31/1996	Delaware	landfill gas collection system for project in Cleveland, Ohio
NEO Edgeboro, LLC	01/06/1997	Delaware	landfill gas collection system for O'Brien project in New Jersey

NEO Erie LLC	08/17/1999	Delaware	landfill gas collection system for project in Denver, Colorado
NEO Fitchburg LLC	01/16/1997	Delaware	landfill gas collection system for project in Massachusetts
NEO Freehold-Gen LLC	07/13/2000	Delaware	owns 2.1 MW cogeneration facility at Ashbury Park Press in Freehold, NJ
NEO Fresh Kills LLC	12/20/2001	Delaware	Owns 50% of Fresh Gas LLC (owner of gas collection system in Fresh Kills, NY).
NEO Ft. Smith LLC	10/14/1997	Delaware	landfill gas collection system for project in Arkansas
NEO Hackensack, LLC	01/06/1997	Delaware	landfill gas collection system for HMDC/Balefill/Kingsland O'Brien projects in Lyndhurst, New Jersey
NEO Hartford, LLC	10/13/1995	Delaware	landfill gas collection system for project in Connecticut
NEO Landfill Gas Holdings Inc.	04/08/1996	Delaware	domestic holding company - provides O&M services for landfill gas projects
NEO Landfill Gas Inc.	04/08/1996	Delaware	domestic holding company - holds 99% interest in landfill gas collection system

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
			projects financed by Lyon Credit
NEO Lopez Canyon LLC	01/04/1996	Delaware	landfill gas collection system for project in Los Angeles, California
NEO Lowell LLC	01/16/1997	Delaware	landfill gas collection system for project in Massachusetts
NEO MESI LLC	10/12/1999	Delaware	holding company for project company in the business of producing and selling synthetic fuel from Ken West terminal in Catlettsburg, Boyd County Kentucky on the Big Sandy River
NEO Nashville LLC	06/20/1997	Delaware	landfill gas collection system for project in Tennessee
NEO Phoenix LLC	01/04/1996	Delaware	landfill gas collection system for project in Arizona
NEO Power Services Inc.	04/11/2000 Acquired 09/12/2000	Delaware	holding company with intangible assets
NEO Prima Deshecha LLC	01/16/1997	Delaware	landfill gas collection system for project in Orange County, California
NEO Prince William, LLC	10/30/1996	Delaware	landfill gas collection system for project in Virginia
NEO Riverside LLC	12/19/1996	Delaware	landfill gas collection system for project in California
NEO San Diego LLC	10/12/1995	Delaware	landfill gas collection system for Miramar project in California
NEO SKB LLC	10/14/1997	Delaware	landfill gas collection system for project in Pennsylvania
NEO Spokane LLC	11/22/1995	Delaware	landfill gas collection system for project in Washington
NEO Tacoma, L.L.C.	10/31/1995	Delaware	landfill gas collection system for project in Washington
NEO Tajiguas LLC	12/05/1995	Delaware	landfill gas collection system for project in Santa Barbara, California
NEO Taunton LLC	01/16/1997	Delaware	landfill gas collection system for project in Massachusetts
NEO Toledo-Gen LLC	07/13/2000 Acquired 09/12/2000	Delaware	owns 1.0 MW cogeneration facility at Riverside Hospital in Toledo, Ohio
NEO Tomoka Farms LLC	12/05/1995	Delaware	landfill gas collection system for Volusia project in Florida
NEO Tulare LLC	12/05/1995	Delaware	landfill gas collection system for Visalia project in California
NEO West Covina LLC	07/16/1997	Delaware	landfill gas collection system for BKK project in California

SUBSIDIARY NAME	DATE OF	STATE OF	DESCRIPTION
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	INCORPORATION DATE ACQUIRED	INCORPORATION	
NEO Woodville LLC	02/11/1998	Delaware	landfill gas collection system for project in California
NEO Yolo LLC	12/23/1996	Delaware	landfill gas collection system for project in California
NEO-Montauk Genco LLC	08/17/2001	Delaware	facilitation and marketing of landfill gas
NEO-Montauk Genco Management LLC	08/21/2001	Delaware	Entity that owns landfill gas projects
Northbrook Acquisition Corp.	12/23/1994	Delaware	domestic holding company in STS Hydropower Ltd.
Northbrook Carolina Hydro, L.L.C.	10/05/1995	Delaware	owns and operates hydroelectric power plants in North Carolina and South Carolina
Northbrook Carolina Hydro II, L.L.C.	12/19/2001	Delaware	Hydroelectric power projects in the U.S.
Northbrook Energy, L.L.C.	11/04/1994 Acquired 12/19/1994	Delaware	develops hydroelectric power projects in the U.S.
Northbrook New York LLC	06/21/1999 Acquired 09/27/1999	Delaware	hydroelectric generation project located in Glen Park, New York
Northeast Generation Holding LLC	04/29/1999	Delaware	to hold 50% interest in NRG Northeast Generating LLC
Norwalk Power LLC	07/30/1999	Delaware	sells electricity and thermal energy-353MW on Manresa Island at the mouth of Norwalk Harbor
NR(Gibraltar)	12/11/1998	Gibraltar	inactive company utilized during the Enfield transactions in England
NRG Affiliate Services Inc.	01/11/2000	Delaware	sponsor and hold the contracts and 401k plans for CL&P, Somerset and other entities.
NRG Andean Development Ltda.	01/11/2002	Bolivia	Development office for Andean region.
NRG Arthur Kill Operations Inc.	04/29/1999	Delaware	Special purpose operating company to provide O&M services contract to Arthur Kill Power LLC
NRG Ashtabula Generating LLC	01/16/2002	Delaware	will own the Ashtabula assets
NRG Asia Corporate Services Pte Ltd.	11/09/2001	Singapore	Development office for Asia-Pacific region outside of Australia
NRG Asia-Pacific, Ltd.	04/23/1993	Delaware	provides international business development services in Australia and the Pacific Rim region
NRG Astoria Gas Turbine Operations Inc.	04/29/1999	Delaware	Special purpose operating company to provide O&M services contract to Astoria Gas Turbine Power LLC
NRG Audrain Generating LLC	10/21/1999 Acquired 05/11/2001	Delaware	Project company for 720 MW natural gas fired plant under construction in Audrain County Missouri
NRG Audrain Holding LLC	06/06/2001	Delaware	Holding company for 720 MW natural gas fired plant under construction in Audrain County Missouri

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NRG Batesville LLC	08/13/2001	Delaware	as part of the bond indenture, we had to form this entity to hold the assets and permits. Going forward, it will own Big Cajun II Unit 4 LLC
NRG Bayou Cove LLC	09/10/2001	Delaware	electric power generation
NRG Bourbonnais Equipment LLC	12/07/2001	Delaware	buy and sell qualified materials in the enterprise zone (sells to Indeck Bourbonnais LLC) during the construction of Bourbonnais project.
NRG Bourbonnais LLC	03/02/2000 Acquired 08/14/2001	Illinois	
NRG Brazos Valley GP LLC	05/24/2001	Delaware	general partner of Brazos Valley Energy L.P. which owns 633 MW greenfield natural gas-fired combined cycle Brazos Valley Energy Project west of Houston, Texas
NRG Brazos Valley LP LLC	05/24/2001	Delaware	limited partner of Brazos Valley Energy L.P. which owns 633 MW greenfield natural gas-fired combined cycle Brazos Valley Energy Project west of Houston, Texas
NRG Brazos Valley Technology LP LLC	05/24/2001	Delaware	99% owner of 633 MW greenfield natural gas-fired combined cycle Brazos Valley Energy Project west of Houston, Texas
NRG Cabrillo Power Operations Inc.	04/19/1999	Delaware	Special purpose operating company to provide O&M services contract to Cabrillo Power I LLC and Cabrillo Power II LLC
NRG Cadillac Inc.	04/15/1997	Delaware	domestic holding company in Cadillac Renewable Energy LLC
NRG Cadillac Operations Inc.	08/15/1997	Delaware	proposed operator for Cadillac wood fired power plant in Michigan
NRG Capital LLC	04/09/2001	Delaware	the sole member of the borrower (NRG Finance

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NRG Caymans Company	12/07/1999	Cayman Islands	Company I LLC) in connection with the \$2.5 billion construction/acquisition revovler Cayman Island holding company for Croatia Power Group
NRG Caymans-C	12/09/1999	Cayman Islands	Cayman Island holding company for SLAP-C corporation interests
NRG Caymans-P	12/09/1999	Cayman Islands	Cayman Island holding company for SLAP-P partnership interests
NRG Central U.S. LLC	01/12/2000	Delaware	to hold 50% interest in NRG Central Generating LLC (issuer in the Cajun deal)
NRG Collinsville Operating Services Pty Ltd	11/23/1995	Australia	international holding company in Collinsville Operations Pty Ltd in Australia

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NRG ComLease LLC	10/03/2000	Delaware	entity used to hold Lease Agreements for placement of cell towers on NRG owned stacks
NRG Connecticut Affiliate Services Inc.	09/23/1999	Delaware	This entity will house the payroll for the four Connecticut Operations, sponsor the Pension, 401(k), Welfare plans, etc. (NRG Middletown Operations Inc., NRG Montville Operations Inc., NRG Norwalk Harbor Operations Inc., NRG Devon Operations Inc.)
NRG Connecticut Generating LLC	12/09/1999	Delaware	Sole Member of Devon Power LLC, Norwalk Power LLC, Middletown Power LLC, Montville Power LLC and Connecticut Jet Power LLC
NRG Csepel Energia Kft.	02/24/1998 Acquired 06/29/2001	Hungary	Provides operations and maintenance services under contract to the Csepel II
NRG Development Company Inc.	08/30/1999	Delaware	entity created to limit development exposure on projects where NRG Energy, Inc. is pursuing the transaction with certain types of partners on DOMESTIC transactions
NRG Devon Operations Inc.	08/23/1999	Delaware	special purpose operating company to provide O&M services contract to Devon Power LLC
NRG do Brasil Ltda.	04/27/2001	Brazil	Brazilian development office
NRG Dunkirk Operations Inc.	04/29/1999	Delaware	Special purpose operating company to provide O&M services contract to Dunkirk Power LLC
NRG Eastern LLC	04/29/1999	Delaware	to hold 50% interest in NRG Northeast Generating LLC
NRG El Segundo Operations Inc.	01/20/1998	Delaware	proposed operator for El Segundo (and Long Beach as soon NRG Long Beach Operations Inc. is merged into this entity) gas fired power plants in California
NRG Energeticky Provoz, s.r.o.	06/06/1997	Czech Republic	O&M company for coal fired power plants in Kladno, Czech Republic
NRG Energy Center Dover LLC	07/12/2000	Delaware	own and operate electric generation facility in Dover, Delaware.
NRG Energy Center Grand Forks LLC	10/27/1999	Delaware	owns assets in connection with a contract to provide steam at the Grand Forks Air Force Base
NRG Energy Center Harrisburg Inc.	04/25/2000	Delaware	entity to provide steam to the central business district of Harrisburg, PA
NRG Energy Center Minneapolis LLC	10/27/1999	Delaware	owns and operates the district heating and cooling system serving customers in the downtown Minneapolis area
NRG Energy Center Paxton Inc.	04/25/2000	Delaware	will own the cogen and sell steam to NRG

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NRG Energy Center Harrisburg Inc.	Acquired 07/12/2000		Energy Center Harrisburg Inc.
NRG Energy Center Pittsburgh LLC	10/27/1999	Delaware	eventually will own and operate the Pittsburgh Thermal district heating and cooling plant which currently serves approx 25 customers in the Pittsburgh area. Will be regulated under the Pennsylvania Public Utility Commission Rules
NRG Energy Center Rock Tenn LLC	10/27/1999	Delaware	owns assets in connection with the sale of steam to Rock-Tenn Corporation in St. Paul.
NRG Energy Center Round Mountain LLC	01/12/2001	Delaware	will own and operate a 44 MW cogeneration facility to be locted in Bakersfield, CA
NRG Energy Center San Diego LLC	10/27/1999	Delaware	eventually will own and operate San Diego Power & Cooling, a chilled water plant serving customers in downtown San Diego area

NRG Energy Center San Francisco LLC	07/30/1991 Acquired 08/01/1995	Delaware	provides district heating and cooling services in California
NRG Energy Center Smyrna LLC	12/20/2001	Delaware	entity was created so that we could enter into an operating agreement to operate DEMEC's Warren F. Beasley Plant (a 45 MW plant located in Smyrna, Delaware. This entity will NOT own the plant, only operate it.
NRG Energy Center Washco LLC	10/27/1999	Delaware	Owens assets in connection with the sale of steam to Anderson Corporation and the State of Minnesota Correctional Facility
NRG Energy CZ, s.r.o.	11/01/1995	Czech Republic	provides international business development services in the Czech Republic and Europe
NRG Energy Development B.V.	04/07/2000	Netherlands	Amsterdam development office
NRG Energy Development GmbH	08/16/1994	Germany	provides international business development services in Germany and Europe
NRG Energy Insurance, Ltd.	08/09/2001	Cayman Islands	Insurance captive company.
NRG Energy Jackson Valley I, Inc.	04/10/1991	California	general partner in Jackson Valley Energy Partners, L.P.
NRG Energy Jackson Valley II, Inc.	04/10/1991	California	limited partner in (i) Jackson Valley Energy Partners, L.P., (ii) San Joaquin Valley Energy Partners I, L.P., (iii) San Joaquin Valley Energy Partners IV, L.P. and (iv) Bioconversion Partners, L.P.
NRG Energy Ltd.	10/19/1993	United Kingdom	provides international business development services in the U.K. and Europe
NRG Energy PL Sp. z o.o.	10/01/1999	Poland	provides international business development services in Poland
NRG Energy, Inc.	05/29/1992	Delaware	develops, builds, acquires, owns and operates non-regulated energy-related businesses world-wide

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
			world-wide
NRG Equipment Company LLC	09/15/2000 Acquired 08/14/2001	Illinois	
NRG Finance Company I LLC	02/06/2001	Delaware	Will act as the borrower under the proposed \$2 billion construction revolver
NRG Flinders Operating Services Pty Ltd	08/14/2000	Australia	operating entity for the NRG Flinders business in South Australia (which includes 760 MW of coal fired stations in Port Augusta, South Australia)
NRG Gila Bend Holdings Inc.	07/17/2001	Delaware	this entity will acquire the ownership interests of Gila Bend Power Partners LLC, a Delaware limited liability company, which is developing a generating project in Gila Bend, Arizona
NRG Gladstone Operating Services Pty Ltd	09/23/1993 Acquired 11/01/1993	Australia	operates Gladstone coal fired power plant in Australia
NRG Gladstone Superannuation Pty Ltd	10/29/1993 Acquired 11/02/1993	Australia	holds pension assets for employees of Gladstone coal fired power plant in Australia
NRG Granite Acquisition LLC	11/03/2000	Delaware	Acquisition company used to purchase LS Power, LLC's independent power project portfolio.
NRG Huntley Operations Inc.	04/29/1999	Delaware	Special purpose operating company to provide O&M services contract to Huntley Power LLC
NRG Ilion Limited Partnership	11/09/1990 Acquired 08/14/2001	Delaware	Owens Ilion energy center, NRG Rockford LLC (owner of Rockford electric generation project), and NRG Rockford Equipment LLC (captive equipment retailer)
NRG Ilion LP LLC	07/10/2001	Delaware	established simply to serve as the limited partner of Indeck Ilion, LP.
NRG International Acquisition Partnership	08/31/2001	Delaware	Domestic partnership formed to hold NRG's international portfolio
NRG International Development Inc.	10/14/1999	Delaware	entity created to limit development exposure on projects where NRG Energy, Inc. is pursuing the transaction with certain types of partners on INTERNATIONAL transactions
NRG International Holdings (No. 2) GmbH	08/28/2001	Switzerland	Swiss holding company
NRG International Holdings GmbH	08/28/2001	Switzerland	Swiss holding company
NRG International Holdings LP		Guernsey	
NRG International II Inc.	12/04/1997	Delaware	domestic holding company
NRG International III Inc.	11/17/2000	Delaware	domestic holding company - Dutch restructuring
NRG International Services Company	01/21/1998	Delaware	holds service agreements with expatriates and international consultants

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
NRG International, Inc.	10/21/1992	Delaware	domestic holding company
NRG Kaufman LLC	12/11/2000	Delaware	holding company for power generation project near Mesquite, Texas. The general partner of Kaufman Cogen LP
NRG Lakefield Inc.	02/05/1999	Delaware	special purpose entity to hold NRG's 50% member interest in Lakefield Junction LLC
NRG Lakefield Junction LLC	02/17/2000	Delaware	entity formed to act as limited partner in Lakefield Junction L.P. in order to develop, construct, own and operate peaking power generating facility in Martin County, Minnesota
NRG Lakeshore Generating LLC	01/16/2002	Delaware	will own the Lakeshore assets
NRG Latin America Inc.	08/18/1997	Delaware	provides international business development services in Latin America
NRG Louisiana LLC	04/07/2000	Delaware	Hold for potential Conoco project.
NRG McClain LLC	09/13/2001	Delaware	Entity was formed for McClain project
NRG Mesquite LLC	12/11/2000	Delaware	project company for power generation project near Mesquite, Texas. The limited partner of Kaufman Cogen LP
NRG Mextrans Inc.	09/21/1999	Delaware	This entity will develop a transmission line from Palo Verde power station through Arizona, into Mexico and back up into California, per a Presidential Permit (in development stage).
NRG MidAtlantic Affiliate Services Inc.	02/14/2001	Delaware	Payroll company for O&M employees arising out of Conectiv acquisition. Will have 300-400 employees first year.
NRG MidAtlantic Generating LLC	05/08/2000	Delaware	holds 50% interest in MidAtlantic Generation Holding LLC
NRG MidAtlantic LLC	08/23/2000	Delaware	holds 50% interest in MidAtlantic Generation Holding LLC
NRG Middletown Operations Inc.	08/23/1999	Delaware	special purpose operating company to provide O&M services contract to Middletown Power LLC
NRG Montville Operations Inc.	08/23/1999	Delaware	special purpose operating company to provide O&M services contract to Montville Power LLC
NRG Nelson Turbines LLC	02/19/2002	Delaware	captive retailer for Nelson project
NRG New Roads Generating LLC	07/19/1996	Delaware	inactive - alternative domestic holding company for Cajun non-nuclear generating assets in Louisiana (including gas and coal fired generation)
NRG New Roads Holdings LLC	03/07/2000	Delaware	Holding company to hold title to certain Cajun assets that, due to federal regulatory reasons

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
			could not be held by Louisiana Generating LLC
NRG Newberry Generation LLC	12/12/2001	Delaware	project entity for the proposed development (greenfield) of a natural gas combined cycle plant to be located in Newberry Township, PA.
NRG North Central Operations Inc.	04/20/2001	Delaware	Act as the operating company for the north central region (formed to provide operation and management services to various NRG Energy, Inc. entities that own electric generating facilities in the United States)
NRG Northeast Affiliate Services Inc.	05/19/1999	Delaware	manage payroll and benefits for Huntley and Dunkirk (approximately 330 employees)
NRG Northeast Generating LLC	03/11/1999	Delaware	special purpose holding company entity to facilitate east coast pool financing
NRG Northern Ohio Generating LLC	11/27/2001	Delaware	This entity was set up to act as a holding company to sign the purchase agreement and will facilitate financing at a later date. Will own certain assets of Eastlake and Bay Shore and will lease the majority of the Eastlake and Bay Shore assets (Lessee)
NRG Norwalk Harbor Operations Inc.	08/23/1999	Delaware	Special purpose operating company to provide O&M services contract to Oswego Power LLC and Norwalk Power LLC
NRG Ohio Ash Disposal LLC	01/16/2002	Delaware	will own the ash disposal assets
NRG Operating Services, Inc.	10/21/1992	Delaware	currently provides O&M services for Artesia,

Cadillac, Collinsville, Gladstone and Minneapolis Energy Center projects

NRG Oswego Harbor Power Operations Inc.	04/29/1999	Delaware	Special purpose operating company to provide O&M services contract to Oswego Power LLC
NRG PacGen Inc.	10/28/1997	Delaware	domestic holding company which acquired 100% of the stock of Pacific Generation Company
NRG Pacific Corporate Services Pty Ltd	11/19/2001	Australia	Australia corporate services company
NRG Pensions Limited	01/29/2001	United Kingdom	Entity to hold pensions for UK employees/Killingholme
NRG Power Marketing Inc.	08/18/1997	Delaware	holds power marketing license
NRG Power Options Inc.	02/04/2002	Delaware	develops, owns and operates small cogeneration projects in the U.S.
NRG Processing Solutions LLC	08/23/2000	Delaware	formed to own certain assets for the intake, separation, processing and sale of yard waste and separated organic compost (acquire assets from SKB Environmental)

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
NRG Rockford Acquisition LLC	07/06/2001	Delaware	Owner of project companies acquired from Indeck Energy
NRG Rockford Equipment II LLC	09/15/2000 Acquired 08/14/2001	Illinois	captive for equipment retailer for Rockford II
NRG Rockford Equipment LLC	02/04/2000 Acquired 08/14/2001	Illinois	captive equipment retailer for Rockford II (no longer being used)
NRG Rockford II LLC	09/15/2000 Acquired 08/14/2001	Illinois	owner of Rockford II electric generation project
NRG Rockford LLC	12/14/1999 Acquired 08/14/2001	Illinois	owner of Rockford electric generation project
NRG Rocky Road LLC	10/04/1999	Delaware	special purpose LLC formed to hold the 50% membership interest in Rocky Road LLC (a potential acquisition from Dynegy) (single member LLC) natural gas-fired, simple-cycle peaking facility in East Dundee, Il.
NRG Sabine River Works GP LLC	11/13/2000	Delaware	general partner of the Sabine River 450 MW gas-fired cogeneration project under construction in Orange, Texas
NRG Sabine River Works LP LLC	11/13/2000	Delaware	limited partner of the Sabine River 450 MW gas-fired cogeneration project under construction in Orange, Texas
NRG Saguaro Operations Inc.	07/16/2001	Delaware	operator of the Saguaro Powre Plant in Henderson, Nevada
NRG Services Corporation	06/06/1996	Delaware	provides payroll and benefits services through service agreements with individual O&M companies
NRG South Central Affiliate Services Inc.	02/14/2001	Delaware	Payroll company for O&M employees arising out of acquisition in the south central region. Will have 50 employees first year. Also would sign the O&M agreements
NRG South Central Generating LLC	01/12/2000	Delaware	special purpose holding company entity to facility central pool financing
NRG South Central Operations Inc.	03/29/2001	Delaware	Act as O&M company for the South Central region.
NRG Sterlington Power LLC	11/13/1998	Delaware	entity holding title to 200 MW simply cycle gas peaking facility in Sterlington, Louisiana
NRG Sunnyside Operations GP Inc.	02/15/1995	Delaware	general partner in Sunnyside Operations Associates L.P.
NRG Sunnyside Operations LP Inc.	02/15/1995	Delaware	limited partner in Sunnyside Operations Associates L.P.
NRG Taiwan Holding Company Limited	07/23/2001	Taiwan	Taiwan holding company for 170 MW cogeneration facility in Taiwan, with plans for a 245 MW expansion of the facility and a 490

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
NRG Telogia Power LLC	07/18/2001	Delaware	MW greenfield project at the Tainan Science-Based Park in Taiwan this entity will acquire the stock of Timber Energy Resources Inc., which owns a 14 MW biomass plant located in Florida and chip mill located in Georgia

NRG Thermal Corporation	10/25/1999	Delaware	the sole member of all the llcs under the new thermal restructuring
NRG Thermal Operating Services LLC	10/27/1999	Delaware	at this time has no assets
NRG Thermal Services Inc.	07/05/2000	Delaware	This entity will hold the chiller plant assets and diesel services business for NRG Energy Center Harrisburg Inc.
NRG Turbines LLC	08/15/2001	Delaware	owner for financing purposes of certain turbines prior to their assignment to project companies
NRG Valmy Power Holdings LLC	11/15/2000	Delaware	holding company for 50% interest in Valmy Power LLC
NRG Valmy Power LLC	11/15/2000	Delaware	holding company for 50% interest in Valmy Power LLC
NRG Victoria I Pty Ltd	12/10/1996 Acquired 02/11/1997	Australia	international holding company in NRG Victoria II Pty Ltd and NRG Victoria III Pty Ltd in Australia
NRG Victoria II Pty Ltd	12/10/1996 Acquired 02/11/1997	Australia	international holding company in NRG Victoria III Pty Ltd in Australia
NRG Victoria III Pty Ltd	12/10/1996 Acquired 02/11/1997	Australia	international holding company in Energy Developments Limited in Australia
NRG Web Mauritius Limited	02/24/1998 Acquired 07/16/2001	Maritius	Holding company for Kondapalli project in India
NRG West Coast Inc.	06/02/1999	Delaware	to act as holding company for West coast limited liability companies
NRG Western Affiliate Services Inc.	08/27/1999	Delaware	manage payroll and benefits for El Segundo and Long Beach
NRGenerating (Gibraltar)	08/11/2000	Gibraltar	Gibraltar entity formed to assist with the NRGIBV/Australian holding structure through Luxembourg
NRGenerating Energy Trading Ltd.	02/20/2000	United Kingdom	international power marketing entity held under NRGenerating, Ltd. in England
NRGenerating Holdings (No. 1) B.V.	06/12/1995	Netherlands	international holding company in Collinsville Power Joint Venture in Australia
NRGenerating Holdings (No. 11) B.V.	07/08/1996	Netherlands	will own assets for Langage Energy Park project in Plymouth England
NRGenerating Holdings (No. 13) B.V.	03/17/1999	Netherlands	will own land for power plant on greenfield site at Langage England (f/k/a Plymouth Energy

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
			Centre)
NRGenerating Holdings (No. 14) B.V.	03/17/1999	Netherlands	international holding company registered to do business in Estonia
NRGenerating Holdings (No. 15) B.V.	03/17/1999	Netherlands	Dutch holding company registered to do business in England for use with the Killingholme project
NRGenerating Holdings (No. 16) B.V.	03/17/1999	Netherlands	inactive - international holding company registered to do business in [HOLD FOR SHAUN]
NRGenerating Holdings (No. 17) B.V.	03/17/1999	Netherlands	Dutch holding company registered to do business in TURKEY will hold interest in consortium called KUSEL Kutahya Seyitomer Elektrik Limited Sirketi
NRGenerating Holdings (No. 18) B.V.	04/07/2000	Netherlands	international holding company for Rybnik project in Poland
NRGenerating Holdings (No. 19) B.V.	04/07/2000	Netherlands	international holding company for project holding company in Taiwan
NRGenerating Holdings (No. 2) GmbH	08/15/2000	Switzerland	Swiss holding company for Flinders project in South Australia
NRGenerating Holdings (No. 21) B.V.	04/07/2000	Netherlands	International holding company used for the Tosli Investments B.V. merger.
NRGenerating Holdings (No. 23) B.V.	04/07/2000	Netherlands	inactive - international holding company registered to do business in HOLD for TAX (Cubatao)
NRGenerating Holdings (No. 24) B.V.	12/15/1995 Acquired 04/12/2001	The Netherlands	Former owner of PowerGen's 1/3 interest in Schkopau and Mibrag
NRGenerating Holdings (No. 3) B.V.	09/04/1995	Netherlands	inactive - Dutch holding company registered to do business in Australia - hold for Flinders bid in Australia (development projects) [HOLD for SHAUN]
NRGenerating Holdings (No. 3) GmbH	05/16/2001	Switzerland	Swiss holding company
NRGenerating Holdings (No. 4) B.V.	09/04/1995	Netherlands	Dutch holding company in Loy Yang Power Partners, Loy Yang Power Management Pty Ltd and Loy Yang Power Projects Pty Ltd in Australia
NRGenerating Holdings (No. 4) GmbH	05/16/2001	Switzerland	Swiss holding company
NRGenerating Holdings (No. 5) B.V.	02/09/1996	Netherlands	Dutch holding company in NRG Energeticky Provoz, s.r.o. in the Czech Republic
NRGenerating Holdings (No. 6) B.V.	02/09/1996	Netherlands	inactive - Dutch holding company registered to do

business in Australia - hold for Ecogen assets in
Victoria / Transalta and AGL) (HOLD for SHAUN)

NRGenerating Holdings (No. 7) B.V.	03/27/1996	Netherlands	inactive - international holding company for

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION

NRGenerating Holdings (No. 8) B.V.	03/27/1996	Netherlands	West Java O&M company in formation in Indonesia inactive - international holding company for West Java O&M company in formation in Indonesia
NRGenerating Holdings (No. 9) B.V.	03/27/1996	Netherlands	Dutch holding company registered to do business in Turkey for consotrium called Kanel Kangal Elektrik Limited Sirketi
NRGenerating Holdings GmbH	12/03/1999	Switzerland	Swiss holding company for SLAP.
NRGenerating II (Gibraltar)	10/06/2000	Gibraltar	inactive - Gibraltar entity formed to assist with the _____ holding structure through Luxembourg
NRGenerating III (Gibraltar)	10/06/2000	Gibraltar	inactive - Gibraltar entity formed to assist with the _____ holding structure through Luxembourg
NRGenerating International B.V.	07/15/1993	Netherlands	Dutch holding company
NRGenerating IV (Gibraltar)	08/30/2001	Gibraltar	Gibraltar entity formed to assist with the Foreign Reorganization holding structure
NRGenerating Luxembourg (No. 1) S.a.r.l.	08/08/2000	Luxembourg	Luxembourg holding company.
NRGenerating Luxembourg (No. 2) S.a.r.l.	08/08/2000	Luxembourg	Luxembourg holding company.
NRGenerating Luxembourg (No. 3) S.a.r.l.		Luxembourg	Luxembourg entity formed to hold Csepel Shareholder Loans
NRGenerating Luxembourg (No. 4) S.a.r.l.	10/01/1999	Luxembourg	Luxembourg holding company.
NRGenerating Luxembourg (No. 5) S.a.r.l.	10/01/1999	Luxembourg	Luxembourg holding company.
NRGenerating Luxembourg (No. 6) S.a.r.l.	10/26/2001	Luxembourg	Luxembourg holding company.
NRGenerating Rupali B.V.	06/12/1995	Netherlands	inactive - international holding company for Rupali oil fired power plant bid in Pakistan
NRGenerating, Ltd.	01/04/2000 Acquired 01/28/2001	United Kingdom	UK holding company for Killingholme structure in England
O'Brien Biogas (Mazzaro), Inc.	02/26/1990 Acquired 04/30/1996	Delaware	landfill gas collection system for project in Pennsylvania
O'Brien Biogas IV LLC	07/08/1997	Delaware	landfill gas fueled power generation for Edgeboro project in New Jersey
O'Brien Cogeneration, Inc. II	12/31/1985 Acquired 04/30/1996	Delaware	general partner in O'Brien California Cogen Limited
O'Brien Standby Power Energy, Inc.	12/06/1988 Acquired 04/30/1996	Delaware	landfill gas fueled power generation for SKB project in Pennsylvania
Okeechobee Power I, Inc.	02/05/1992	Delaware	general partner in Cypress Energy Partners, Limited Partnership
Okeechobee Power II, Inc.	02/05/1992	Delaware	general partner in Kissimee Power Partners, Limited Partnership
Okeechobee Power III, Inc.	02/05/1992	Delaware	limited partner in Kissimee Power Partners, Limited Partnership

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION

ONSITE Energy, Inc.	01/22/1986 Acquired 11/01/1997	Oregon	domestic holding company for ONSITE Soledad, Inc. and ONSITE Marianas Corporation; also indirectly holds general partner interest in Mt. Poso project and limited partner interest in Turners Falls project
ONSITE Marianas Corporation	04/06/1988 Acquired 11/01/1997	Commonwealth of the Northern Marianas Islands	inactive - owned and operated Marianas solar energy plant in the Commonwealth of Northern Mariana Islands in Pacific Ocean
ONSITE/US Power Limited Partnership No. 1	10/02/1987 Acquired 11/01/1997	Oregon	inactive - owned Crossroads cogeneration facility in New Jersey
Orrington Waste, Ltd. Limited Partnership	01/13/1993 Acquired 11/01/1997	Oregon	provides waste disposal services to municipalities to be delivered to waste disposal operators in Maine, including Penobscot Energy Recovery Company
Oswego Harbor Power LLC	03/30/1999	Delaware	This company was formed for the purpose of acquiring, operating and owning two, 850 MW

			oil-fired operating units and four retired units
OU Nrg Energy Est	07/14/2000	Estonia	provides international business development services in Estonia
P.T. Dayalistrik Pratama	05/15/1996	Indonesia	will own and construct West Java coal fired power plant in Indonesia
Pacific Crockett Energy, Inc.	02/06/1997 Acquired 11/01/1997	Utah	general partner in Crockett Cogeneration, A California Limited Partnership
Pacific Crockett Holdings, Inc.	02/14/1991 Acquired 11/01/1997	Oregon	domestic holding company for Pacific Crockett Energy, Inc.
Pacific Generation Company	08/03/1984 Acquired 11/01/1997	Oregon	domestic holding company acquired by NRG (formerly a wholly owned subsidiary of PacifiCorp Holdings, Inc. which developed, built, owned, operated and managed energy production facilities); also a limited partner in Camas Power Boiler Limited Partnership
Pacific Generation Development Company	01/12/1995 Acquired 11/01/1997	Oregon	inactive - provided domestic business development services
Pacific Generation Holdings Company	01/12/1995 Acquired	Oregon	domestic holding company for Pacific Generation Funding and Pacific Recycling Energy; holds limited partner interests in Carolina Energy, Ltd Ptshp and Project Finance Fund III; and indirectly holds general partner interest in Kingston Cogen Ltd Ptshp
Pacific Generation Resources Company	11/21/1991 Acquired 11/01/1997	Oregon	domestic holding company which holds limited partner interest in Long Island Cogeneration, L.P.; holds limited and general partner

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
			interests in Curtis/Palmer, Windpower 87 and Windpower 88 projects; general partner in ENI Chester, Limited Partnership
Pacific Kingston Energy, Inc.	12/21/1995 Acquired 11/01/1997	Canada (Ontario)	general partner in Kingston Cogeneration Limited Partnership
Pacific Orrington Energy, Inc.	11/24/1992 Acquired 11/01/1997	Oregon	holds general and limited partner interests in Orrington Waste, Ltd., Limited Partnership
Pacific-Mt. Poso Corporation	06/08/1987 Acquired 11/01/1997	Oregon	general partner in Mt. Poso Cogeneration Company, A California Limited Partnership
Penobscot Energy Recovery Company, Limited Partnership	08/15/1985 Acquired 11/01/1997	Maine	owns waste-to-energy facility in Orrington, Maine
Power Operations, Inc.	11/06/1996 Acquired 01/01/1997	Delaware	provides O&M services for Artesia, Cadillac, Newark and Parlin projects
Project Finance Fund III, L.P.	10/28/1994 Acquired 11/01/1997	Delaware	funding vehicle for various (primarily) international operating projects
Prva Regulacna s.r.o.	08/10/1998 Acquired 10/26/2000	Slovakia	Slovakian branch of Entrade GmbH
Pyro-Pacific Operating Company	06/19/1987 Acquired 11/01/1997	California	operates Mt. Poso cogeneration facility in California
Reid Gardner Power LLC	11/15/2000	Delaware	605 MW four coal-fired units of the Reid Gardner power station and certain other related assets in Nevada
Rocky Road Power, LLC		Delaware	holding ownership in generation facility in Dundee, Illinois.
Rybnik (Gibraltar)	09/27/2000	Gibraltar	Gibraltar branch for Rybnik project
Rybnik Power B.V.	03/17/1999	Netherlands	international holding company for Rybnik project in Poland
Saale Energie GmbH	11/10/1993	Germany	German holding company in Kraftwerk Schkopau Betriebsgesellschaft mbH, Kraftwerk Schkopau GbR and Saale Energie Services GmbH
Saale Energie Services GmbH	12/16/1994	Germany	provides consulting services to MIBRAG (Germany)
Sachsen Holding B.V.	02/04/1994	Netherlands	Dutch holding company ifor P.T. Dayalistrik Pratama in Indonesia
Saguaro Power Company, a Limited Partnership	04/10/1989	California	owns a combined cycle cogen facility in Henderson, Nevada
Saguaro Power LLC	07/16/2001	Delaware	get information from David Fisfis
San Bernardino Landfill Gas Limited Partnership, a California limited partnership	09/18/1997	California	limited partner to landfill gas collection system for project in California
San Joaquin Valley Energy I, Inc.	01/21/1992	California	general partner in San Joaquin Valley Energy Partners I, L.P.

San Joaquin Valley Energy IV, Inc.	04/29/1992	California	general partner in San Joaquin Valley Energy
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SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
			Partners IV, L.P. and Bioconversion Partners, L.P.
San Joaquin Valley Energy Partners I, L.P.	04/30/1992	California	owns and operates three biomass waste-fuel power plants (Chowchilla II, El Nido and Madera) in California
Scudder Latin American Power I-C L.D.C.	07/05/1995	Cayman Islands, British West Indies	investment company which owns (primarily passive) investments in Latin American power projects
Scudder Latin American Power II-C L.D.C.	12/15/1997	Cayman Islands, British West Indies	investment company which owns (primarily passive) investments in Latin American power projects - phase II
Scudder Latin American Power II-Corporation A	12/15/1997	Cayman Islands, British West Indies	investment company which owns (primarily passive) investments in Latin American power projects - phase II
Scudder Latin American Power II-Corporation B	12/15/1997	Cayman Islands, British West Indies	investment company which owns (primarily passive) investments in Latin American power projects - phase II
Scudder Latin American Power II-P L.D.C.	12/15/1997	Cayman Islands, British West Indies	investment company which owns (primarily passive) investments in Latin American power projects - phase II
Scudder Latin American Power I-P L.D.C.	07/05/1995	Cayman Islands, British West Indies	investment company which owns (primarily passive) investments in Latin American power projects
Somerset Operations Inc.	11/17/1998	Delaware	proposed operator for Somerset coal fired power plant in Massachusetts
Somerset Power LLC	11/17/1998	Delaware	This company was formed for the purpose of acquiring, operating and owning the electric generating plant in Somerset, Massachusetts
South Central Generation Holding LLC	01/12/2000	Delaware	to hold 50% interest in NRG Central Generating LLC (issuer in the Cajun deal)
Southwest Generation LLC	11/15/2000	Delaware	holding company for Clark and Reid Gardner project companies
Southwest Power Holdings LLC	11/15/2000	Delaware	holding company for Southwest Generation LLC and Clark and Reid Gardner project in Nevada
SRW Cogeneration Limited Partnership	11/29/1999 Acquired 11/27/2000	Delaware	owner of the Sabine River 450 MW gas-fired cogeneration project in Orange, Texas
Statoil Energy Power/Pennsylvania, Inc.	11/21/1991	Pennsylvania	
Sterling (Gibraltar)	02/08/2000	Gibraltar	Gibraltar entity formed to assist with the NRGenerating, Ltd./UK holding structure through Luxembourg
Sterling Luxembourg (No. 1) s.a.r.l.	02/11/2000	Luxembourg	Luxembourg entity formed to hold Luxco2 as

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
			a part of the NRGenerating, Ltd. holding structure in the UK
Sterling Luxembourg (No. 2) s.a.r.l.	02/11/2000	Luxembourg	Luxembourg entity formed to hold the Swiss branch as a part of the NRGenerating, Ltd. holding structure in the UK
Sterling Luxembourg (No. 3) s.a.r.l.	03/10/2000	Luxembourg	Luxembourg entity formed as a part of the Sterling holding structure in the UK.
Sterling Luxembourg (No. 4) s.a.r.l.	03/10/2000	Luxembourg	Luxembourg entity formed as a part of the Sterling holding structure in the UK.
STS Hydropower Ltd.	08/11/1987 Acquired 12/19/1994	Michigan	owns and operates hydroelectric projects in California, Colorado, Michigan, Virginia and Washington
Suncook Energy LLC	10/14/1997	Delaware	landfill gas fueled power generation for Nashua project in New Hampshire
Sunnyside Operations Associates L.P.	02/15/1995	Delaware	operates waste coal power plant in Utah
Sunshine State Power (No. 2) B.V.	02/24/1994	Netherlands	Dutch holding company which holds a 17.5% undivided interest in Gladstone Power Station Joint Venture in Australia
Sunshine State Power B.V.	11/11/1993	Netherlands	Dutch holding company which holds a 20% undivided interest in Gladstone Power Station Joint Venture in Australia
Tacoma Energy Recovery Company	06/24/1999	Delaware	operate and manage power plant for City of Tacoma
Telogia Power Inc.	07/31/2001	Delaware	owns 100% of the stock of Timber Energy Resources,

Inc.

Termo Santander Holding (Alpha), L.L.C.			entity formed to purchase and thereafter sell certain equipment to Rocky Road Power, LLC
TermoRio S.A.	10/14/1999 Acquired 09/06/2001	Brazil	1040 MW gas-fired cogeneration project in Rio de Janeiro State, Brazil
The PowerSmith Cogeneration Project, Limited Partnership	09/03/1987 Acquired 11/01/1997	Delaware	owns PowerSmith cogeneration facility in Oklahoma
Timber Energy Resources, Inc.	07/18/1984 Acquired 08/02/2001	Texas	owns power plant and chip mill assets in FL & GA
Tosli (Gibraltar) B.V.	05/24/1999	Netherlands	Dutch holding company
Tosli Acquisition B.V.	05/28/1999	Netherlands	Dutch holding company for Itiquira project
Turners Falls Limited Partnership	Acquired 11/01/1997	Massachusetts	owns Turners Falls cogeneration facility in Massachusetts
Valmy Power LLC	10/16/2000	Delaware	holding company for NRG's 50% interest in the two coal-fired units of the Valmy power station (which SPR owns jointly with Idaho Power Company), and its 100% interest in two related gas and oil fired units, together with certain other related assets

SUBSIDIARY NAME	DATE OF INCORPORATION DATE ACQUIRED	STATE OF INCORPORATION	DESCRIPTION
Vienna Operations Inc.	05/08/2000	Delaware	to act as a special purpose operating company to provide O&M services pursuant to a contract with Vienna Power LLC
Vienna Power LLC	05/08/2000	Delaware	entity holding title to 170 MW oil fired generating station located in Vienna, Maryland
Wainstones Power Limited	11/10/1997	United Kingdom	will build, own and operate 800MW combined cycle gas turbine power plant on greenfield site at Langage England (f/k/a Plymouth Energy Centre)
WCP (Generation) Holdings LLC	06/17/1999	Delaware	Holding company for West Coast Financing
West Coast Power LLC	02/09/1999	Delaware	West coast holding company entity designed to facilitate west coast asset pool financing (El Segundo, Long Beach, Cabrill I&II)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-62958) and Form S-8 (No. 333-38892) of NRG Energy, Inc. of our report dated February 21, 2002 relating to the consolidated financial statements and financial statements schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
March 29, 2002

WEST COAST POWER LLC

Consolidated Financial Statements
As of December 31, 2001
Together With Auditors' Report

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Member of West Coast Power LLC:

We have audited the accompanying consolidated balance sheets of West Coast Power LLC (a Delaware limited liability company) as of December 31, 2001 and 2000, and the related consolidated statements of operations, member equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Coast Power LLC as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The 2001 consolidating information in Note 10 is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our

opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Houston, Texas

February 28, 2002 (except with respect to the matter discussed in Note 9, as to which the date is March 11, 2002)

WEST COAST POWER LLC

CONSOLIDATED BALANCE SHEETS--DECEMBER 31, 2001 AND 2000

	2001	2000
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 74,270,040	\$ 41,617,872
Accounts receivable	528,762,671	281,495,024
Less- Reserves	(303,514,340)	(34,895,799)
	-----	-----
Accounts receivable, net	225,248,331	246,599,225
Inventories	43,064,642	30,522,385
Prepaid expenses	6,198,008	3,164,171
Current derivative asset	52,354,974	-
	-----	-----
Total current assets	401,135,995	321,903,653
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	56,583,322	56,583,322
Plant and equipment	510,589,621	483,185,648
Less- Accumulated depreciation	(85,490,052)	(59,719,649)
	-----	-----
Property, plant and equipment, net	481,682,891	480,049,321
LONG-TERM DERIVATIVE ASSET	136,022,293	-
OTHER ASSETS:		
Goodwill, net of accumulated amortization of \$12,119,176 and \$9,283,968 for 2001 and 2000, respectively	38,998,481	41,833,689
Deferred financing costs, net of accumulated amortization of \$4,148,106 and \$2,313,084 for 2001 and 2000, respectively	2,488,844	3,855,127
	-----	-----
Total other assets	41,487,325	45,688,816
	-----	-----
Total assets	\$ 1,060,328,504	\$ 847,641,790
	=====	=====
LIABILITIES AND MEMBER EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 18,000,000	\$ 24,000,000
Accounts payable-		
Trade	5,425,292	14,799,923
Affiliates	52,806,753	165,757,432
Accrued liabilities	5,983,830	25,714,540
Current derivative liability	55,659,970	-
	-----	-----
Total current liabilities	137,875,845	230,271,895
LONG-TERM DEBT, net of current maturities	132,056,703	193,904,000
LONG-TERM DERIVATIVE LIABILITY	137,244,131	-
COMMITMENTS AND CONTINGENCIES (Note 8)		
MEMBER EQUITY	653,151,825	423,465,895
	-----	-----
Total liabilities and member equity	\$ 1,060,328,504	\$ 847,641,790
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

WEST COAST POWER LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	2001	2000	1999
	-----	-----	-----
REVENUES	\$ 1,830,680,808	\$ 910,145,395	\$ 289,578,949
Less- Reserves	(268,618,541)	(34,895,799)	(10,849,362)
	-----	-----	-----
Net revenues	1,562,062,267	875,249,596	278,729,587
OPERATING COSTS:			
Nonaffiliate	49,489,040	50,295,186	54,823,242
Affiliate	1,123,221,590	507,402,366	152,117,104
	-----	-----	-----
Total operating costs	1,172,710,630	557,697,552	206,940,346
	-----	-----	-----
Operating margin	389,351,637	317,552,044	71,789,241
DEPRECIATION AND AMORTIZATION	(30,440,631)	(34,455,219)	(26,397,605)
GENERAL AND ADMINISTRATIVE EXPENSES	(14,280,798)	(4,711,184)	(2,077,259)
	-----	-----	-----
Income from operations	344,630,208	278,385,641	43,314,377
INTEREST EXPENSE	(32,843,268)	(26,518,883)	(16,616,034)
CHANGE IN FAIR VALUE OF ELECTRICITY OPTIONS	12,080,525	(12,211,623)	-
INTEREST INCOME	2,491,253	5,724,794	2,346,407
	-----	-----	-----
NET INCOME	\$ 326,358,718	\$ 245,379,929	\$ 29,044,750
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

WEST COAST POWER LLC

CONSOLIDATED STATEMENTS OF MEMBER EQUITY AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	Accumulated Other Comprehensive Income	Member Equity	Comprehensive Income
	-----	-----	-----
BALANCE, January 1, 1999	\$ -	\$ 134,850,078	\$ -
Contributions	-	142,642,634	-
Net income	-	29,044,750	29,044,750
Distributions	-	(14,540,000)	-
	-----	-----	-----
Comprehensive income for the year ended December 31, 1999			\$ 29,044,750
			=====
BALANCE, December 31, 1999	-	291,997,462	\$ -
Contributions	-	16,207,956	-
Net income	-	245,379,929	245,379,929
Distributions	-	(130,119,452)	-
	-----	-----	-----

Comprehensive income for the year ended December 31, 2000			\$ 245,379,929
			=====
BALANCE, December 31, 2000	-	423,465,895	\$ -
Contributions	-	10,095,134	-
Net income	-	326,358,718	326,358,718
Distributions	-	(102,241,088)	-
Cumulative effect of change in accounting principle	(147,551)	-	-
Change in fair value of cash flow hedges	(6,411,167)	-	-
Amounts reclassified into income	2,031,884	-	-

Other comprehensive income	(4,526,834)	(4,526,834)	(4,526,834)
	-----	-----	-----
Comprehensive income for the year ended December 31, 2001			\$ 321,831,884
			=====
BALANCE, December 31, 2001	\$ (4,526,834)	\$ 653,151,825	
	=====	=====	

The accompanying notes are an integral part of these consolidated financial statements.

WEST COAST POWER LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 and 1999

	2001	2000	1999
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 326,358,718	\$ 245,379,929	\$ 29,044,750
Adjustments to reconcile net income to net cash provided by (used in) operating activities-			
Depreciation and amortization	30,440,631	34,455,219	26,397,605
Change in fair value of electricity options	(12,080,525)	12,211,623	-
Changes in assets and liabilities that provided (used) cash-			
Accounts receivable, net	21,350,894	(187,734,757)	(28,926,358)
Inventories	(12,542,257)	(14,918,903)	(65,213)
Prepaid expenses	(3,033,837)	(562,093)	(1,554,054)
Accounts payable	(125,087,533)	142,266,514	30,514,407
Accrued liabilities	(4,887,962)	(17,405,349)	(84,399,090)
Deferred revenues	-	(21,927,348)	(3,023,449)
Other assets	(468,737)	2,870,000	(5,901,933)
	-----	-----	-----
Net cash provided by (used in) operating activities	220,049,392	194,634,835	(37,913,335)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(27,403,973)	(13,266,570)	(3,523,332)
Business acquisitions, net of cash acquired	-	-	(352,500,064)
	-----	-----	-----
Net cash used in investing activities	(27,403,973)	(13,266,570)	(356,023,396)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	40,000,000	10,000,000	378,366,037
Repayments of borrowings	(107,847,297)	(89,596,000)	(80,866,037)
Loans to affiliates	-	11,465,643	(11,465,643)
Contributions	10,095,134	16,207,956	142,642,634
Distributions	(102,241,088)	(130,119,452)	(14,540,000)
	-----	-----	-----
Net cash provided by (used in) financing activities	(159,993,251)	(182,041,853)	414,136,991
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,652,168	(673,588)	20,200,260
CASH AND CASH EQUIVALENTS, beginning of year	41,617,872	42,291,460	22,091,200
	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of year	\$ 74,270,040	\$ 41,617,872	\$ 42,291,460
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	\$ 33,056,514	\$ 27,315,568	\$ 15,086,581
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

WEST COAST POWER LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BACKGROUND AND NATURE OF OPERATIONS:

Background

Prior to 1999, Dynegy Power Corp. (DPC), a wholly owned subsidiary of Dynegy Inc. (Dynegy), and NRG Energy, Inc. (NRG), a majority owned subsidiary of Northern States Power Company until its merger with New Century Energies, Inc., to form Xcel Energy, Inc., in August 2000 (collectively, the Sponsors) each held a 50 percent interest in two limited liability companies: El Segundo Power, LLC (ESP), and Long Beach Generation LLC (LBG) (collectively, the Historical LLCs). In May 1999, the Sponsors acquired the assets and liabilities which make up Cabrillo Power I LLC (Cabrillo I) and Cabrillo Power II LLC (Cabrillo II) (collectively, the New LLCs). Effective June 30, 1999, the Sponsors formed WCP Holdings LLC (Holdings) and West Coast Power LLC (WCP), a Delaware limited liability company. The Sponsors have an equal interest in Holdings and share in profits and losses equally. WCP is wholly owned by Holdings and serves as a holding company for the Historical LLCs and New LLCs.

Upon formation of WCP, the assets and liabilities of the Historical LLCs were contributed to WCP by the Sponsors and were recorded at their historical costs because the transfer represented a reorganization of entities under common control. These financial statements include the results of operations of the Historical LLCs for all of 2001, 2000 and 1999 and the results of operations of the New LLCs since the date of their acquisition. Operations are governed by the executive committee with two representatives from each Sponsor.

Nature of Operations

ESP owns a 1,020-megawatt (MW) plant located in El Segundo, California, consisting of four steam electric generating units. ESP's assets were purchased from the Southern California Edison Company (SCE) through a competitive bid process for \$88.3 million on April 4, 1998. Historically, the facility had operated as a merchant plant, selling energy and ancillary services through the deregulated California wholesale electric market. In 2001, the facility entered into a long-term power purchase agreement (PPA) with the California Department of Water Resources (CDWR), as discussed in Note 6, for a portion of the facility's generation through December 2004. The facility also maintained a must-run agreement (MRA) with the California Independent System Operator (ISO) that was terminated by the ISO on December 31, 1999.

LBG owns a 560-MW plant located in Long Beach, California, consisting of seven 60-MW gas turbine generators and two 70-MW steam turbine units. LBG's assets were purchased from SCE on April 1, 1998, through a competitive bid process for \$29.8 million. Historically, the facility had operated as a merchant plant, selling energy and ancillary services through the deregulated California wholesale electric market. In 2001, the facility entered into a long-term PPA with the CDWR, as discussed in Note 6, for a portion of the facility's generation through December 2004.

Cabrillo I owns a 965-MW plant located in Carlsbad, California, consisting of five steam electric generating units and one combustion turbine. Cabrillo I's assets were purchased from San Diego Gas & Electric (SDG&E) on May 22, 1999, at a purchase price of \$283.4 million. Historically, the facility had operated as a

merchant plant, selling energy and ancillary services through the deregulated California wholesale electric market. In 2001, the facility entered into a long-term PPA with the CDWR, as discussed in Note 6, for a portion of the facility's generation through December 2004. The facility also maintains an MRA with the ISO.

Cabrillo II owns 17 combustion turbines with an aggregate capacity of 253 MW located throughout San Diego County, California. Cabrillo II's assets were purchased on May 22, 1999, from SDG&E through a competitive bid process for a purchase price of \$69.1 million. The facility operates as a merchant plant, selling energy and ancillary services to the California wholesale electric market. The facility also maintains an MRA with the ISO.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidation

The consolidated financial statements include the accounts of WCP after elimination of intercompany accounts and transactions.

Cash and Cash Equivalents

WCP considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of market or cost using last-in, first-out (LIFO) or average cost and are comprised of the following at December 31, 2001 and 2000:

	2001	2000
	-----	-----
Emissions credits (average cost)	\$ 7,292,677	\$ 12,872,541
Materials and supplies (average cost)	10,810,138	10,372,169
Fuel oil (LIFO)	24,961,827	7,277,675
	-----	-----
	\$ 43,064,642	\$ 30,522,385
	=====	=====

Emission credits represent costs paid by WCP to acquire additional NOx credits. WCP uses these credits to comply with emission caps imposed by various environmental laws under which it must operate. As individual credits are used, costs are recognized as operating expense. See additional discussion below at "Environmental Costs."

Plant and Equipment

Plant and equipment costs are being depreciated on a straight-line basis over estimated useful lives of 3 to 29 years.

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the carrying amounts of long-lived assets could be impaired, an evaluation of recoverability is performed that compares the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down is required. If this evaluation indicates that the assets will not be recoverable, the carrying value of WCP's assets would be reduced to their estimated fair

value.

Goodwill

Goodwill represents the excess purchase cost over the estimated fair value of the assets acquired and liabilities assumed and has been amortized on a straight-line basis over 3 to 27 year estimated useful lives based on the useful life of the related plant and equipment.

Overhaul and Maintenance Reserves

Effective January 1, 2001, WCP changed its method of accounting for major maintenance costs. Prior to 2001, WCP accrued major overhaul and maintenance costs expected to be incurred that are not covered by the operations and maintenance (O&M) agreements. Other maintenance and repair costs were charged to expense as incurred. As of January 1, 2001, WCP capitalizes major overhaul and maintenance costs over \$100,000 that have future benefits and that are not covered by the O&M agreements as these costs are incurred. These costs are depreciated individually over the expected life of each overhaul or addition. Removal costs, parts having an expected life of one year or less and normal, routine maintenance and repair costs are expensed as incurred. The change had no material effect on the consolidated financial statements.

Federal Income Taxes

WCP is not a taxable entity for federal income tax purposes. Accordingly, there is no provision for income taxes in the accompanying consolidated financial statements.

Revenue Recognition

Revenues from the sale of energy and ancillary services are recorded based upon output delivered and/or service priced at market or other terms as contractually stipulated. Revenues received from the MRA are primarily derived from availability payments and amounts based on reimbursing variable costs. Historically, WCP's sales have been to the ISO, the California Power Exchange (PX) and Dynegy Power Marketing, Inc. (DYPM). In March 2001, WCP entered into a long-term PPA with the CDWR, as discussed at Note 6. Revenues identified as being subject to future resolution are accounted for as discussed in Note 8.

Environmental Costs

Environmental costs relating to current operations are expensed. Liabilities are recorded when an environmental assessment indicates that remedial efforts are probable and the costs can be reasonably estimated. During 2001, the state of California disallowed the purchase of NOx emission credits, but has allowed generators to use credits previously purchased. LBG and ESP have the ability to share emissions credits. When generators' emissions exceed the yearly allowance of credits and the inventory of previously purchased credits, a fine of \$7.50 per pound of excess emissions is assessed to that generator and future credit allocations are reduced. No such fines were incurred by WCP in 2001.

Cabrillo I executed a variance mitigation agreement (VMA) with the San Diego County Air Pollution Control District (SDC APCD) in March 2001 as Cabrillo I would not be able to meet District Rule 69's more stringent NOx emissions standards in 2001. The SDC APCD board gave Cabrillo I until July 1, 2003, to meet emission standards and approved the VMA for that time period, which set the mitigation fee for excess emissions above 419 tons per year at \$15,500 per ton. WCP incurred approximately \$11.1 million in mitigation fees during 2001. All emissions expenses are included in operating costs.

Risk Management Activities

WCP enters into various derivative instruments to hedge the risks associated with changes in commodity prices and interest rates. WCP uses physical forward

contracts to hedge a portion of its exposure to price fluctuations of natural gas and electricity. Effective January 1, 2001, hedging gains and losses are recognized in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." Prior to the adoption of SFAS No. 133, WCP recognized hedging gains and losses when the related sales transactions occurred. WCP also entered into interest rate swap agreements, which effectively exchange variable interest rate debt for fixed interest rate debt. The agreements are used to reduce the exposure to possible increases in interest rates. WCP entered into these swap agreements with major financial institutions.

Concentration of Credit Risk

WCP sells its electricity production to purchasers of electricity in California, which included the PX (prior to its declaring bankruptcy in January 2001), the ISO and, beginning in 2001, the CDWR. WCP remains exposed to credit risk on its outstanding ISO and PX receivables for power delivered from November 2000 through January 2001. Management is continually assessing WCP's exposure related to its California receivables and establishes reserves to reflect market uncertainties, as discussed in Notes 8 and 9.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires estimates and assumptions that affect the reported amounts of assets and liabilities as well as certain disclosures. WCP's financial statements include amounts that are based on management's best estimates and judgments. Such estimates include, among other things, estimated reserves for probable contingencies such as those discussed in Note 8. Actual results could differ from those estimates.

Fair Value of Financial Instruments

WCP's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and debt instruments. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair values due to the short-term maturity of these instruments. The fair value of WCP's debt instruments is considered to approximate the carrying amount of these instruments as their interest rates are based on the London Interbank Offering Rate (LIBOR). Additionally, WCP has entered into certain interest rate swap agreements in order to fix its effective interest rate as discussed in Note 7, fair value hedges, and electricity and gas options as discussed in Note 3.

Adoption of SFAS No. 133

The Financial Accounting Standards Board (FASB) issued and subsequently amended SFAS No. 133, which became effective January 1, 2001. Provisions in SFAS No. 133, as amended, affect the accounting and disclosure of certain contractual arrangements and operations of WCP. Under SFAS No. 133, as amended, all derivative instruments are recognized in the balance sheet at their fair values and changes in fair value are recognized immediately in earnings, unless the derivatives qualify and are designated as hedges of future cash flows or qualify and are designated as normal purchases and sales. For derivatives treated as hedges of future cash flows, the effective portion of changes in the fair value of the derivative instrument is recorded in other comprehensive income until the related hedged items impact earnings. Any ineffective portion of a hedge is reported in earnings immediately. For derivatives treated as fair value hedges, changes in the fair value of the derivative and changes in the fair value of the hedged risk attributable to the related asset, liability or firm commitment are recorded in current period earnings. If the fair value hedge is effective, the amounts recorded to income attributable to the derivative and hedged risk will offset. Derivatives treated as normal purchases or sales are recorded and recognized in income using accrual accounting. WCP adopted SFAS No. 133 on January 1, 2001, and recorded a cumulative effect adjustment of approximately

\$(0.1) million to other comprehensive income attributable to certain gas and interest rate cash flow hedges. There was no impact on earnings at adoption.

New Accounting Pronouncements

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and Accounting Principles Board (APB) Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events, and Transactions." WCP's adoption of SFAS No. 144 on January 1, 2002, did not have any impact on WCP's consolidated financial position or results of operations.

During 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which discontinues goodwill amortization over its estimated useful life; rather, goodwill will be subject to at least an annual fair value based impairment test. WCP is currently analyzing any impact the adoption of SFAS No. 142 effective January 1, 2002, will have on the consolidated financial position and results of operations for WCP.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred with the associated asset retirement costs being capitalized as a part of the carrying amount of the long-lived asset. SFAS No. 143 also includes disclosure requirements that provide a description of asset retirement obligations and reconciliation of changes in the components of those obligations. WCP is evaluating the future financial effects of adopting SFAS No. 143 and expects to adopt the standard effective January 1, 2003.

Reclassifications

Certain reclassifications have been made to conform the prior year presentation to the current year presentation.

3. DERIVATIVES AND HEDGING:

In 2000, WCP had purchased and sold gas and electricity options to manage the operating margins of its plants during 2001. The purchased gas call options had a fair value of approximately \$1.4 million, and the sold electricity call options had a fair value of approximately \$(12.2) million at December 31, 2000. The purchased gas calls were designated as cash flow hedges and, accordingly, changes in the market value of these contracts and the premiums paid were deferred until the actual natural gas purchases occurred in accordance with accounting principles generally accepted in the United States prior to the adoption of SFAS No. 133. The sold electricity options did not qualify for hedge accounting, and changes in the market value of these contracts were recorded in income. For the year ended December 31, 2000, WCP had recorded expense of approximately \$12.2 million related to the sold electricity options. During 2001, these options were exercised. As electricity prices decreased significantly, WCP recognized income of approximately \$12.1 million related to the sold electricity options.

As a result of interpretations of SFAS No. 133 in 2001, WCP determined that the CDWR contract qualifies for the normal purchases and sales exception. WCP has entered into other forward purchase sales agreements for physical delivery of gas and other forward sales agreements for physical delivery of power that qualify for the normal purchases and normal sales exception to SFAS No. 133.

WCP enters into interest rate swaps which qualify as cash flow hedges. These interest rate swaps are used to convert the floating interest rate component of debt to fixed rates as discussed in Note 7.

During the year ended December 31, 2001, there was no material ineffectiveness from changes in fair value of hedge positions, and no amounts were excluded from the assessment of hedge effectiveness related to the hedge of future cash flows. Additionally, no amounts were reclassified to earnings in connection with forecasted transactions that were no longer considered probable.

The balance in other comprehensive income at December 31, 2001, is expected to be reclassified to future earnings contemporaneously with the payments of interest. Of this amount, approximately \$3.3 million of expense is estimated to be reclassified into earnings over the year ending December 31, 2002. The actual amounts that will be reclassified to earnings over the next year and beyond could vary materially from these estimates as a result of changes in market conditions.

WCP has entered into a series of fixed price electricity purchases to hedge the fair value of its fixed price CDWR PPA. During the year ended December 31, 2001, there was no ineffectiveness from changes in fair value of hedge positions and no amounts were excluded from the assessment of hedge effectiveness. Additionally, no amounts were recognized in relation to firm commitments that no longer qualified as fair value hedge items.

The value of the fair value hedge at December 31, 2001, is approximately \$(188.4) million and is included in the derivative liability accounts. The corresponding value of the hedged risk is approximately \$188.4 million and is included in the derivative asset accounts.

4. RELATED PARTIES:

WCP purchases fuel for its plants under natural gas supply agreements (GSAs) with Dynegy Marketing and Trade (DMT), an affiliate of WCP. Charges for fuel are based upon similar terms and conditions as could be obtained from third parties.

WCP contracted with DYPM, an affiliate of WCP, to provide all power scheduling, power marketing and risk management for WCP under an energy management agreement (the EMA). Additionally, WCP contracted with DMT to provide all scheduling and marketing of fuel supply for WCP under the EMA.

WCP contracted with NRG West, Inc., an affiliate of WCP, to manage the operations and management services agreements (OMSA). The services provided under the OMSA consisted primarily of overseeing the operations and maintenance efforts of SCE and SDG&E. SCE operated ESP and LBG until April 2000, and SDG&E operated Cabrillo I and Cabrillo II until May 2001. WCP then entered into O&M agreements with NRG Cabrillo Power Operations Inc. and NRG El Segundo Operations Inc., affiliates of WCP, for Cabrillo I and Cabrillo II effective May 2001 and for ESP and LBG effective April 2000. Fees for services primarily include recovery of the costs of operating the plant as approved in the annual budget and a base monthly fee. When the OMSAs were terminated once NRG became operator, WCP contracted with NRG Development Company, Inc., an affiliate of WCP, to provide services under the Administrative Management Agreement (the AMA). Services provided under the AMA include local services not covered under the O&M agreements, including environmental, engineering, legal and public relations services. Fees for such services are subject to executive committee approval if the amounts exceed a certain percentage of the applicable approved budget.

WCP entered into an administrative services management agreement (the ASMA) with Dynegy Power Management Services, L.P., an affiliate of WCP, which provides administrative services such as business management and accounting to WCP. Fees for such services are subject to executive committee approval if the amounts exceed a certain percentage of the applicable annual approved budget.

In addition to the related-party transactions listed above, WCP paid \$14.2 million interest to DMT, as discussed in Note 8.

Affiliates of WCP provide various services for WCP. Charges for these services

are included in WCP's operating and general and administrative expenses and consisted of the following for 2001, 2000 and 1999:

	2001 -----	2000 -----	1999 -----
Operating expenses-			
Fuel	\$1,054,268,850	\$ 482,937,131	\$ 147,503,316
EMA charges	17,016,988	9,091,528	3,869,387
OMSA, O&M and AMA charges	51,935,752	15,373,707	744,401
	-----	-----	-----
	\$1,123,221,590	\$ 507,402,366	\$ 152,117,104
	=====	=====	=====
ASMA fees included in general and administrative expenses	\$ 1,374,214	\$ 776,403	\$ 491,659
	=====	=====	=====

5. OPERATION AND MAINTENANCE AGREEMENTS:

For the New LLCs' acquisition, WCP was required to enter into an O&M agreement with SDG&E which expired in May 2001. For 1999, the Historical LLCs were operated under an O&M agreement with SCE which expired in early 2000. The SDG&E and SCE O&M agreements were cost-plus agreements based on SDG&E's and SCE's estimates of the direct and indirect service costs for operating and maintaining the plant sites. Expenses related to such services of approximately \$5.5 million, \$14.1 million and \$25.9 million were included in nonaffiliate operating costs in the accompanying consolidated statements of operations for 2001, 2000 and 1999, respectively.

6. POWER PURCHASE AGREEMENT:

WCP entered into a long-term PPA with the CDWR in March 2001. From inception through December 31, 2001, the CDWR contracted for fixed price capacity sales of an aggregate of 1,000 MW from WCP's facilities. From January 2002 through December 31, 2004, the CDWR contracted for fixed price firm energy and fixed price capacity representing a substantial portion of WCP's capacity. Sales to CDWR constituted greater than 10 percent of WCP's total revenues in 2001.

7. LONG-TERM DEBT:

WCP entered into a credit agreement with Bank of America Securities LLC, as agent, to arrange with a syndicate of banks (the Lenders) a five-year, \$322.5 million amortizing term loan with a balloon payment and a \$40 million working capital facility line of credit (the Credit Agreement). The Credit Agreement matures in June 2004. At December 31, 2001, no amounts were outstanding under the working capital facility. The interest rate on the outstanding loan balance was LIBOR plus 2.0 percent, which increased on July 1, 2001, to 2.125 percent.

On September 30, 1999, WCP entered into two interest rate swap agreements related to the credit facility. One agreement effectively fixed the interest rate at 6.435 percent for the first \$60 million and matures June 2004. The second swap agreement effectively fixed the interest rate at 6.230 percent for an incremental \$40 million and matures in June 2002. At December 31, 2001, the fair values of the swaps maturing in 2004 and 2002, were approximately \$(3.7) million and \$(0.8) million, respectively. These swaps are designated as hedges of the future cash outflows for interest payments on the debt. WCP paid interest on the term loan, working capital line of credit and interest rate swaps totaling approximately \$18.6 million in 2001, \$27.3 million in 2000 and \$13.2 million in 1999.

The Credit Agreement is secured by all of WCP's assets and membership interests. The Sponsors have provided limited guarantees for environmental capital expenditures and interest. Environmental capital expenditures, as defined in the Credit Agreement, will be funded by the Sponsors, who will make capital

contributions or subordinated loans to WCP to the extent necessary for environmental capital expenditures up to an aggregate of \$60 million as of December 31, 2001. The Sponsors have each provided guarantees of approximately \$25 million associated with minimum insurance requirements under the Credit Agreement. Additionally, in December 2001, one credit agency's downgrade of Dynegy's debt triggered a requirement for additional credit assurance. As such, Dynegy was required by the Lenders to post a \$4.5 million letter of credit for WCP, which expires December 31, 2002. After year-end, this letter of credit was reduced to approximately \$3.3 million following WCP's annual payment on the term loan.

Future principal maturities under the term loan are as follows:

2002	\$	18,000,000
2003		18,000,000
2004		114,056,703

	\$	150,056,703
		=====

8. COMMITMENTS AND CONTINGENCIES:

California Power and Natural Gas Markets

Beginning in the fourth quarter of 2000, the power and natural gas markets in California experienced substantial volatility driven principally by a fundamental imbalance in supply and demand and the retail electricity price caps imposed on the state's two largest utilities. Both Pacific Gas & Electric Company (PG&E) and SCE defaulted on payments to the ISO and the PX as well as other creditors. PG&E has since filed for bankruptcy protection. As a result, the credit rating of both utilities has been reduced to noninvestment grade, and the ISO and the PX have defaulted in 2001 on payments due WCP.

WCP is actively seeking the collection of its outstanding accounts receivable. However, due to previously discussed payment defaults, coupled with the lag time between receipts of revenues, payment of expenses and the increased fuel cost, WCP was forced to defer payment for a portion of its fuel cost in 2001. This deferral of payment caused WCP to be temporarily out of compliance with the terms of its GSAs. WCP's noncompliance also caused WCP to be temporarily out of compliance with the terms of its Credit Agreement.

The executive committee of WCP took steps to address WCP's liquidity issues created by the California market situation as well as the resulting events of noncompliance under WCP's GSAs and Credit Agreement. These steps included (a) a negotiated deferral of payments owed under the GSAs, (b) a negotiated forbearance agreement with certain key creditors and (c) arrangement of alternative creditworthy purchasers for WCP's prospective operations.

Under the forbearance agreement, which was approved by the Lenders, DMT granted forbearances with respect to the past events of noncompliance discussed above, subject to certain parameters as described therein. By December 31, 2001, WCP had paid in full all outstanding balances under the forbearance agreement, including interest costs of approximately \$14.2 million. WCP is currently in compliance with its GSAs and its Credit Agreement. With all outstanding balances to DMT paid as of December 31, 2001, the forbearance agreement terminated on January 3, 2002.

The state of California, through legislation appropriating funds for power

purchases by the CDWR, has entered the market as a purchaser of electricity for resale to the utilities. In March 2001, WCP entered into an agreement to sell power to the CDWR through 2004, as discussed in Note 6. Under this agreement, the CDWR has always paid timely. Sales made to the ISO, which were backed by the CDWR and not related to sales under the PPA, were not paid timely. The payments were not made until after the issuance of the November 7th Federal Energy Regulatory Commission (FERC) order that required the ISO to bill the CDWR within 15 days and to file a schedule for bringing the remaining balance current within three months. By December 31, 2001, the ISO had remitted payment for February and March 2001. Since then, additional payments have been received; however, outstanding balances remain.

The executive committee of WCP continues to monitor the impact of the California power and natural gas markets on the financial position and liquidity of WCP. It believes that the successful execution of the CDWR agreement as well as the desire of the conflicted parties to resolve, on a long-term basis, the pertinent issues giving rise to the current situation will provide financial stability for WCP.

Litigation

Class Action Lawsuits--There have been multiple class action lawsuits filed which name WCP as a defendant. The six class action lawsuits stem from the events occurring in the California power market during the summer of 2000. The complaints allege violations of California's Business and Professions Code, Unfair Trade Practices Act and various other statutes. Specifically, the named plaintiffs allege that the defendants, including the owners of in-state generation and various power marketers, conspired to manipulate the California wholesale power market to the detriment of California consumers. Included among the acts forming the basis of the plaintiffs' claims are alleged improper sharing of generation outage data, improper withholding of generation capacity and manipulation of power market bid practices. The plaintiffs seek unspecified treble damages.

The six lawsuits are at preliminary stages. Defendants in the six lawsuits have yet to file answers. The plaintiffs filed motions to remand five of the cases to state court. In respect to the sixth case, the parties agreed that, based on a judge's decision to remand the other five lawsuits, the case should go back to state court. All six lawsuits will be consolidated before a single California state court judge.

After the actions were remanded, the parties agreed that the processing of these multiple actions should be coordinated. On December 12, 2001, the California Judicial Council resolved a dispute among the parties as to the county in which the actions should be coordinated, and it assigned the Coordination Proceedings (No. 4204 and No. 4205) to the Superior Court of California, County of San Diego. On December 20, 2001, the presiding judge of the San Diego Superior Court designated Judge Sammartino as the Coordination Trial Judge for the Coordination Proceedings. On January 17, 2002, Judge Sammartino set a preliminary trial conference for March 4, 2002, to, among other things, set schedules for (a) determining legal issues that might expedite disposition of the Coordination Proceedings, (b) establishing a discovery schedule and (c) resolving matters pertinent to the class action issue.

The defendants in the six lawsuits have formed various joint defense groups in an effort to coordinate the defense of the claims and to share certain costs of defense. WCP believes the allegations are without merit and will vigorously defend these claims. In the opinion of management, the amount of ultimate liability with respect to these actions will not have a material adverse effect on the consolidated financial position or results of operations of WCP.

FERC Orders--In response to the filing of a number of complaints challenging the level of wholesale prices, the FERC initiated a staff investigation and issued an order on December 15, 2000, implementing a series of wholesale market reforms and made subject to refund all spot market sales through the ISO and the PX

markets beginning October 2, 2000. FERC also included an interim price review procedure for prices above a \$150 per MW hour "breakpoint" on sales to the ISO and through the PX. The order does not prohibit sales above the breakpoint but the seller was subject to weekly reporting and monitoring requirements. In an order issued March 9, 2001, the FERC determined that only sales during so-called "Stage 3" emergency hours would be subject to refund beginning January 1, 2001. However, sales between October 2, 2000, and December 31, 2000, remained subject to refund under the FERC's December 15 order. Various parties sought rehearing of this market mitigation measure and, as explained below, the FERC ruled on the matter in an order issued on July 25, 2001.

On April 26, 2001, the FERC revised its market mitigation plan, effective May 29, 2001, to cover all emergency hours. The mitigated price was to be in effect only during reserve deficiency hours. Suppliers charging prices above the mitigated price during those hours could file to justify those prices.

On June 19, 2001, the FERC again revised its market mitigation plan, effective June 20, 2001. Pursuant to this plan, the FERC is mitigating prices charged in all hours throughout the Western Systems Coordinating Council based on the mitigated price in the ISO markets. During reserve deficiency hours, the mitigated price is set pursuant to an average index for gas times the heat rate of the last unit dispatched by the ISO during a "Stage 1" emergency, plus a 10 percent adder for credit risk. Nitrogen oxide charges, start-up costs and additional fuel costs will be collected through an ISO uplift charge. During nonreserve deficiency hours, the market clearing price is capped at 85 percent of the mitigated price. WCP has filed for rehearing and clarification of the order. The FERC also ordered all parties to participate in a 15-day settlement conference to determine refunds, which proved unsuccessful. Pursuant to that order, the settlement judge has issued a refund recommendation to the FERC, stating that refunds from all market participants since October 2000 probably total between several hundred million dollars and a billion dollars. The April 26, 2001, and June 19, 2001, orders apply only to sales made on a daily basis; that is, within 24 hours of delivery. After March 2001, the vast majority of power sold by WCP is committed to a long-term contract exempt from these orders.

On July 25, 2001, as modified on December 31, 2001, the FERC initiated refund hearing procedures related to California wholesale spot market sales that occurred between October 2, 2000, and June 20, 2001. The July 25th order supercedes prior refund orders issued by the FERC that cover this period. In the July 25th order, the FERC developed a methodology to redetermine allegedly competitive market outcomes during each hour of this period. An administrative law judge has been appointed to determine (a) the mitigated price for

power during each hour of the refund period, (b) the amount of refunds owed by each supplier according to the FERC's methodology and (c) the amount currently owed to each supplier (with separate quantities due from each entity) by the ISO, the investor-owned utilities and the state of California. Any refunds owed would then be offset against amounts not paid. Management does not expect the administrative law judge to issue his findings before August 2002. WCP is actively participating in these proceedings and is appealing these and related orders.

On December 19, 2001, the FERC issued an order that in part focused on the FERC-established price mitigation plan, which includes a formula prescribed by the FERC to determine maximum rates for wholesale power transactions in spot markets in the Western Systems Coordinating Council between June 21, 2001, and September 30, 2002. In this order, the FERC made some changes in this mitigation plan. Certain of these changes were put in place retroactively and might have the effect of reducing the applicable maximum rate in past periods. WCP has sought rehearing or clarification of this decision, pointing out that various other aspects of the December 19 order, coupled with other recent FERC orders, indicate that the FERC did not intend to modify past prices under this mitigation plan.

Because of the complexity and state of this matter, the effect on WCP and whether it will lead to additional litigation cannot be predicted with certainty.

In addition to the FERC investigation discussed above, several state and other federal regulatory investigations and complaints have commenced in connection with the wholesale electricity prices in California and other neighboring western states to determine the causes of the high prices and potentially to recommend remedial action. In California, the California Public Utilities Commission, the California Electricity Oversight Board, the California Bureau of State Audits, the California Office of the Attorney General and several California state legislative committees all have separate ongoing investigations into the high prices and their causes. With the exception of a report by the California Bureau of State Audits, none of these investigations has been completed and no findings have been made in connection with any of them. The California state audit report concluded that the primary causes of the market disruptions in California were fundamental flaws in the structure of the power market.

Additionally, on February 25, 2002, the California Public Utilities Commission and the California Electricity Oversight Board filed complaints with the FERC asking that it void or reform power supply contracts between CDWR and, among others, WCP. The complaints allege that prices under the contracts exceed just and reasonable prices permitted under the Federal Power Act. While WCP believes the terms of its contracts are just and reasonable and do not reflect alleged market manipulation, it cannot predict how the FERC will respond to these complaints.

Reserves

As of December 31, 2001, WCP has reserved approximately \$303.5 million related to disputed ISO revenues and penalties, disputed PX revenues, potential FERC refund amounts, accounts receivable collectibility and other miscellaneous amounts. These reserves are presented as offsets to receivables and revenue in the accompanying consolidated financial statements and represent management's best estimate of the probable exposure to losses arising from the ultimate resolution of the matters discussed above. Although such reserves may change over time as the market uncertainties are resolved, management believes such changes will not ultimately be material to WCP's consolidated financial position or results of operations.

During December 2000, WCP entered into an interim agreement with the ISO. As of December 31, 2000, WCP had accrued an incremental \$35 million in revenues that management believed to be associated with sales under this agreement. There is an ongoing reconciliation process between the ISO and WCP regarding this matter and, accordingly, the \$35 million was reserved as contingent. Due to subsequent information provided by the ISO in 2001, WCP has revised this estimate during 2001 and included it in the above reserve.

For the year ended December 31, 1999, WCP had accrued certain reserves pertaining to contingent revenues totaling approximately \$10.8 million, increasing reserves from prior periods to approximately \$37.8 million at December 31, 1999. These reserves were provided for various disputes with customers that were subject to

contract interpretations, compliance with processes and filed market disputes. Cash received totaling \$11.4 million associated with reserves was loaned in 1999 to the Sponsors until resolution of the disputed items. These reserves were settled during 2000, and all loans to affiliates were repaid. Adjustments related to the settlement were applied against the contingent reserves with an insignificant impact on the consolidated statement of operations in 2000.

9. SUBSEQUENT EVENT:

On March 11, 2002, the California attorney general filed, on behalf of the people of the state of California, complaints in San Francisco Superior Court against several energy generators, including those owned by WCP. The complaints allege that since June 1998, these generators sold power in the open market that should have been held in emergency reserve for the state. In the aggregate, the complaints seek more than \$150 million in penalties, restitution and return profits from the several generators. WCP believes the allegations are without merit and will vigorously defend these claims. In the opinion of management, the amount of ultimate liability with respect to this action will not have a material adverse effect on the consolidated financial position or results of operations of WCP.

10. ACQUISITION OF CABRILLO I AND CABRILLO II:

In May 1999, the Sponsors acquired the assets and liabilities of Cabrillo I and Cabrillo II from a third party. The acquisition was accounted for using the purchase method of accounting. Accordingly, the purchase cost, net of working capital, was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Consideration for the acquisition included cash paid of \$352.5 million and the assumption of approximately \$95.9 million in liabilities.

The following unaudited pro forma information presents a summary of consolidated results of operations of WCP for the year ended December 31, 1999, as if the acquisition of the New LLCs by the Sponsors and subsequent transfer to WCP had occurred on January 1, 1999:

Revenues	\$	300,418,772
Net income		23,593,479

Consolidating Financial Statements not included.