NRG ENERGY, INC.
Form 10-K
February 28, 2008

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

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year ended December 31, 2007.

o **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.)*
211 Carnegie Center **Princeton, New Jersey**	**08540**
(Address of principal executive offices)	*(Zip Code)*

(609) 524-4500
(Registrant s telephone number, including area code:)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Exchange on Which Registered**
Common Stock, par value $0.01	New York Stock Exchange
5.75% Mandatory Convertible Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Ruler 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of the last business day of the most recently completed second fiscal quarter, the aggregate market value of the common stock of the registrant held by non-affiliates was approximately $9,869,468,545 based on the closing sale price of $41.57 as reported on the New York Stock Exchange.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

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 February 25, 2008**
Common Stock, par value $0.01 per share	236,442,274

Documents Incorporated by Reference:

Portions of the Proxy Statement for the 2008 Annual Meeting of Stockholders to be held on May 14, 2008

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Glossary of Terms

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below:

Acquisition	February 2, 2006 acquisition of Texas Genco LLC, now referred to as the Company s Texas region
AMA	Administrative Management Agreement between NRG Development Company, Inc. and West Coast Power, LLC
APB	Accounting Principles Board
APB 18	APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*
Average gross heat rate	The product of dividing (a) fuel consumed in BTU s by (b) KWh generated
BART	Best Available Retrofit Technology
Baseload capacity	Electric power generation capacity normally expected to serve loads on an around-the-clock basis throughout the calendar year
BTA	Best Technology Available
BTU	British Thermal Unit
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
CAMR	Clean Air Mercury Rule
Capacity factor	The ratio of the actual net electricity generated to the energy that could have been generated at continuous full-power operation during the year
Capital Allocation Program	Share repurchase program announced in August 2006
CDWR	California Department of Water Resources
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
CL&P	Connecticut Light & Power
CO_2	Carbon dioxide

COLA	Combined Construction and Operating License Application
CPUC	California Public Utilities Commission
DNREC	Delaware Department of Natural Resources and Environmental Control
DPUC	Department of Public Utility Control
EAF	Measures the percentage of maximum generation available over time as the fraction of net maximum generation that could be provided over a defined period of time after all types of outages and deratings, including seasonal deratings, are taken into account

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EFOR	Equivalent Forced Outage Rates considers the equivalent impact that forced de-ratings have in addition to full forced outages
EITF	Emerging Issues Task Force
EITF 02-3	EITF Issue No. 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities*
EPAct of 2005	Energy Policy Act of 2005
EPC	Engineering, Procurement and Construction
ERCOT	Electric Reliability Council of Texas, the Independent System Operator and the regional reliability coordinator of the various electricity systems within Texas
ERO	Energy Reliability Organization
EWG	Exempt Wholesale Generator
Expected annual baseload generation	The net baseload capacity limited by economic factors (relationship between cost of generation and market price) and reliability factors (scheduled and unplanned outages)
FASB	Financial Accounting Standards Board, the designated organization for establishing standards for financial accounting and reporting
FCM	Forward Capacity Market
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretation
FIN 45	FIN No. 45 *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*
FIP	Federal Implementation Plan
Fresh Start	Reporting requirements as defined by SOP 90-7
GHG	Greenhouse Gases
Hedge Reset	Net settlement of long-term power contracts and gas swaps by negotiating prices to current market completed in November 2006
ICT	Independent Coordinator of Transmission

IGCC	Integrated Gasification Combined Cycle
IRS	Internal Revenue Service
ISO	Independent System Operator, also referred to as Regional Transmission Organizations, or RTO
ISO-NE	ISO New England, Inc.
ITISA	Itiquira Energetica S.A.
kW	Kilowatts
kWh	Kilowatt-hours
LFRM	Locational Forward Reserve Market

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LIBOR	London Inter-Bank Offer Rate
LMP	Locational Marginal Prices
MADEP	Massachusetts Department of Environmental Protection
Merit Order	A term used for the ranking of power stations in order of ascending marginal cost
MIBRAG	Mitteldeutsche Braunkohlengesellschaft mbH
Moody s	Moody s Investors Services, Inc., a credit rating agency
MMBtu	Million British Thermal Units
MRTU	Market Redesign and Technology Upgrade
MW	Megawatts
MWh	Saleable megawatt hours net of internal/parasitic load megawatt-hours
NAAQS	National Ambient Air Quality Standards
Net baseload capacity	Nominal summer net megawatt capacity of power generation adjusted for ownership and parasitic load, and excluding capacity from mothballed units as of December 31, 2007
Net Capacity Factor	Net actual generation divided by net maximum capacity for the period hours
Net Generating Capacity	Nominal summer capacity, net of auxiliary power
New York Rest of State	New York State excluding New York City
NiMo	Niagara Mohawk Power Corporation
NO_x	Nitrogen oxide
NOL	Net Operating Loss
NOV	Notice of Violation
NRC	United States Nuclear Regulatory Commission
NSR	New Source Review
NYPA	New York Power Authority

NYISO	New York Independent System Operator
NYSDEC	New York Department of Environmental Conservation
OCI	Other Comprehensive Income
OTC	Ozone Transport Commission
Phase II 316(b) Rule	A section of the Clean Water Act regulating cooling water intake structures
PJM	PJM Interconnection, LLC
PJM Market	The wholesale and retail electric market operated by PJM primarily in all or parts of Delaware, the District of Columbia, Illinois, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and West Virginia

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PMI	NRG Power Marketing, LLC, a wholly-owned subsidiary of NRG which procures transportation and fuel for the Company s generation facilities, sells the power from these facilities, and manages all commodity trading and hedging for NRG
Powder River Basin, or PRB, Coal	Coal produced in the northeastern Wyoming and southeastern Montana, which has low sulfur content
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PUHCA	Public Utility Holding Company Act of 2005
PURPA	Public Utility Regulatory Policy Act of 2005
Repowering	Technologies utilized to replace, rebuild, or redevelop major portions of an existing electrical generating facility, not only to achieve a substantial emissions reduction, but also to increase facility capacity, and improve system efficiency
*Repowering*NRG	NRG s program designed to develop, finance, construct and operate new, highly efficient, environmentally responsible capacity over the next decade
RFP	Request for proposal
RGGI	Regional Greenhouse Gas Initiative
RMR	Reliability Must-Run
ROIC	Return on invested capital
RTO	Regional Transmission Organization, also referred to as an ISO
S&P	Standard & Poor s, a credit rating agency
SARA	Superfund Amendments and Reauthorization Act of 1986
Sarbanes-Oxley	Sarbanes Oxley Act of 2002
Schkopau	Kraftwerk Schkopau Betriebsgesellschaft mbH, an entity in which NRG has a 41.9% interest
SCR	Selective Catalytic Reduction

SEC	United States Securities and Exchange Commission
SERC	Southeastern Electric Reliability Council/Entergy
SFAS	Statement of Financial Accounting Standards issued by the FASB
SFAS 71	SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*
SFAS 87	SFAS No. 87, *Employers Accounting for Pensions*
SFAS 106	SFAS No. 106, *Employers Accounting for Postretirement Benefits Other Than Pensions*
SFAS 109	SFAS No. 109, *Accounting for Income Taxes*
SFAS 123	SFAS No. 123, *Accounting for Stock-Based Compensation*

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SFAS 123R	SFAS No. 123 (revised 2004), *Share-Based Payment*
SFAS 133	SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities as amended*
SFAS 142	SFAS No. 142, *Goodwill and Other Intangible Assets*
SFAS 143	SFAS No. 143, *Accounting for Asset Retirement Obligations*
SFAS 144	SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*
SFAS 157	SFAS No. 157, *Fair Value Measurement*
SFAS 158	SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R)*
SO_2	Sulfur dioxide
SOP	Statement of Position issued by the American Institute of Certified Public Accountants
SOP 90-7	Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*
STP	South Texas Project Nuclear generating facility located near Bay City, Texas in which NRG owns a 44% interest
STPNOC	South Texas Project Nuclear Operating Company
TCEQ	Texas Commission on Environmental Quality
Texas Genco	Texas Genco LLC, now referred to as the Company s Texas region
Tonnes	Metric tonnes, which are units of mass or weight in the metric system each equal to 2,205 lbs and are the global measurement for GHG
Uprate	A sustainable increase in the electrical rating of a generating facility
US	United States of America
USEPA	United States Environmental Protection Agency
U.S. GAAP	Accounting principles generally accepted in the United States
VAR	Value at Risk

VOC	Volatile Organic Carbon
WCP	WCP (Generation) Holdings, Inc.

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PART I

Item 1 *Business*

General

NRG Energy, Inc., or NRG or the Company, is a wholesale power generation company with a significant presence in major competitive power markets in the United States. NRG is engaged in the ownership, development, construction and operation of power generation facilities, the transacting in and trading of fuel and transportation services, and the trading of energy, capacity and related products in the United States and select international markets. As of December 31, 2007, NRG had a total global portfolio of 191 active operating generation units at 49 power generation plants, with an aggregate generation capacity of approximately 24,115 MW, and approximately 740 MW under construction which includes partners interests. Within the United States, NRG has one of the largest and most diversified power generation portfolios in terms of geography, fuel-type and dispatch levels, with approximately 22,880 MW of generation capacity in 175 active generating units at 43 plants. These power generation facilities are primarily located in Texas (approximately 10,805 MW), the Northeast (approximately 6,980 MW), South Central (approximately 2,850 MW), and West (approximately 2,130 MW) regions of the United States, with approximately 115 MW of additional generation capacity from the Company s thermal assets. NRG s principal domestic power plants consist of a mix of natural gas-, coal-, oil-fired and nuclear facilities, representing approximately 46%, 33%, 16% and 5% of the Company s total domestic generation capacity, respectively. In addition, 15% of NRG s domestic generating facilities have dual or multiple fuel capacity, which allows plants to dispatch with the lowest cost fuel option. NRG s domestic generation facilities consist of baseload, intermediate and peaking power generation facilities, the ranking of which is referred to as Merit Order, and include thermal energy production plants. The sale of capacity and power from baseload generation facilities accounts for the majority of the Company s revenues and provides a stable source of cash flow. In addition, NRG s generation portfolio provides the Company with opportunities to capture additional revenues by selling power during periods of peak demand, offering capacity or similar products to retail electric providers and others, and providing ancillary services to support system reliability.

NRG s Major Initiatives

The Company s strategy is reflected in its five major initiatives, four of which were announced and began implementation in 2006. The fifth, Focus on ROIC @NRG , or *FOR*NRG, successfully concluded its third year in 2007. NRG s five major initiatives, described below, are designed to enhance the Company s competitive advantages of the opportunities and surmount the challenges faced by the power industry.

I. ***FOR*NRG** is a companywide effort, introduced in 2005, and is designed to increase the return on invested capital, or ROIC, through operational performance improvements to the Company s asset fleet, along with a range of initiatives at plants and at corporate offices to reduce costs or, in some cases, generate revenue. The *FOR*NRG earnings accomplishments disclosed in NRG s SEC filings and press releases include both recurring and one time improvements measured from a 2004 baseline, with the exception of the Texas region where benefits are measured using 2005 as the base year. For plant operations, the program measures cumulative current year benefits using current gross margins times the change in baseline levels of certain key performance indicators. The plant performance benefits include both positive and negative results for plant reliability, capacity, heat rate and station service. *FOR*NRG contributed $39 million to pre-tax earnings in 2005 and $144 million were achieved through the end of 2006. For 2007, the Company attained its previously announced target of $220 million which includes $11 million of one-time benefits.

II. ***Repowering*NRG** is a comprehensive portfolio redevelopment program designed to develop, construct and operate new multi-fuel, multi-technology, highly efficient and environmentally responsible generation capacity over the next decade. Through this initiative, the Company anticipates retiring certain existing units and adding new generation to meet growing demand in the Company s core markets, with an emphasis on new baseload capacity that is expected to be supported by long-term power purchase agreements, or PPAs, and financed with limited or non-recourse project financing.

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lIl. **econrg** represents NRG s commitment to environmentally responsible power generation. econrg seeks to find ways to meet the challenges of climate change, clean air and water, and protecting our natural resources while taking advantage of business opportunities. This initiative builds upon its foundation in environmental compliance and embraces environmental initiatives for the benefit of our communities, employees and shareholders, such as encouraging investment in new environmental technologies, pursuing activities that preserve and protect the environment and encouraging changes in the daily lives of our employees.

IV. **Future NRG** is the Company s workforce planning and development initiative and represents NRG s strong commitment to planning for future staffing requirements to meet the on-going needs of the Company s current operations in addition to the Company s *Repowering*NRG initiatives. Future NRG encompasses analyzing the demographics, skill set and size of the Company s workforce in addition to the organizational structure with a focus on succession planning requirements, training, development, staffing and recruiting needs. Included under the Future NRG umbrella is NRG University, which develops leadership, managerial, supervisory and technical training programs and includes individual skill development courses.

V. **NRG Global Giving** - Respect for the community is one of NRG s core values. NRG s Global Giving Program invests the Company s resources to strengthen the communities where NRG does business and seeks to make investments in four focus areas: community and economic development, education, environment and human welfare.

Business Strategy

NRG s strategy is to optimize the value of the Company s generation assets while using its asset base as a platform for growth and enhanced financial performance which can be sustained and expanded upon in the years to come. NRG plans to maintain and enhance the Company s position as a leading wholesale power generation company in the United States in a cost-effective and risk-mitigating manner in order to serve the bulk power requirements of NRG s existing customer base and other entities that offer load or otherwise consume wholesale electricity products and services in bulk. NRG s strategy includes the following principles:

Increase value from existing assets NRG has a highly diversified portfolio of power generation assets in terms of region, fuel-type and dispatch levels. Through the *FOR*NRG initiative, NRG will continue to focus on extracting value from its portfolio by improving plant performance, reducing costs and harnessing the Company s advantages of scale in the procurement of fuels and other commodities, parts and services, and in doing so improving the Company s ROIC.

Reduce the volatility of the Company s cash flows through asset-based commodity hedging activities NRG will continue to execute asset-based risk management, hedging, marketing and trading strategies within well-defined risk and liquidity guidelines in order to manage the value of the Company s physical and contractual assets. The Company s marketing and hedging philosophy is centered on generating stable returns from its portfolio of baseload power generation assets while preserving an ability to capitalize on strong spot market conditions and to capture the extrinsic value of the Company s intermediate and peaking facilities and portions of its baseload fleet. NRG believes that it can successfully execute this strategy by leveraging its (i) expertise in marketing power and ancillary services, (ii) its knowledge of markets, (iii) its balanced financial structure and (iv) its diverse portfolio of power generation assets.

Pursue additional growth opportunities at existing sites NRG is favorably positioned to pursue growth opportunities through expansion of its existing generating capacity and development of new generating capacity at its existing facilities. NRG intends to invest in its existing assets through plant improvements, repowerings, brownfield

development and site expansions to meet anticipated requirements for additional capacity in NRG s core markets. Through the *Repowering*NRG initiative, NRG will continue to develop, construct and operate new and enhanced power generation facilities at its existing sites, with an emphasis on new baseload capacity that is supported by long-term power sales agreements and financed with limited or non-recourse project financing. NRG expects that these efforts will provide one or more of the following benefits: improved heat rates; lower delivered costs; expanded electricity production capability; an improved ability to dispatch economically across the regional

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general portfolio; increased technological and fuel diversity; and reduced environmental impacts, including facilities that either have near zero greenhouse gas, or GHG, emissions or can be equipped to capture and sequester GHG emissions.

Reduce carbon intensity of portfolio while taking advantage of carbon-driven business opportunities NRG continues to actively pursue investments in new generating facilities and technologies that will be highly efficient and will employ no and low carbon technologies to limit CO_2 emissions and other air emission. Through the *Repowering*NRG and econrg initiatives, NRG is focused on the development of low or no GHG emitting energy generating sources, such as nuclear, wind, clean coal and gas, and the employment of post-combustion capture technologies, which represent significant commercial opportunities.

Maintain financial strength and flexibility NRG remains focused on cash flow and maintaining appropriate levels of liquidity, debt and equity in order to ensure continued access to capital for investment, to enhance risk-adjusted returns and to provide flexibility in executing NRG s business strategy. NRG will continue to focus on maintaining operational and financial controls designed to ensure that the Company s financial position remains strong. At the same time, the Company s ongoing capital allocation objective includes scheduled repayment of debt based on the amount of cash flow by the Company each year, as well as an annual return of capital to shareholders, targeted at an average rate of 3% of market capitalization, of approximately $250 million to $300 million per year.

Pursue strategic acquisitions and divestures NRG will continue to pursue selective acquisitions, joint ventures and divestitures to enhance its asset mix and competitive position in the Company s core markets. NRG intends to concentrate on opportunities that present attractive risk-adjusted returns. NRG will also opportunistically pursue other strategic transactions, including mergers, acquisitions or divestitures.

Competition and Competitive Strengths

Competition Wholesale power generation is a capital-intensive, commodity-driven business with numerous industry participants. NRG competes on the basis of the location of its plants and ownership of multiple plants in various regions, which increases the stability and reliability of its energy supply. Wholesale power generation is basically a local business that is currently highly fragmented relative to other commodity industries and diverse in terms of industry structure. As such, there is a wide variation in terms of the capabilities, resources, nature and identity of the companies NRG competes with depending on the market.

Scale and diversity of assets NRG has one of the largest and most diversified power generation portfolios in the United States, with approximately 22,880 MW of generation capacity in 175 active generating units at 43 plants as of December 31, 2007. The Company s power generation assets are diversified by fuel-type, dispatch level and region, which help mitigate the risks associated with fuel price volatility and market demand cycles. NRG s U.S. baseload facilities, which consist of approximately 8,700 MW of generation capacity measured as of December 31, 2007, provide the Company with a significant source of stable cash flow, while its intermediate and peaking facilities, with approximately 14,180 MW of generation capacity as of December 31, 2007, provide NRG with opportunities to capture the significant upside potential that can arise from time to time during periods of high demand. In addition, approximately 15% of the Company s domestic generation facilities have dual or multiple fuel capability, which allows most of these plants to dispatch with the lowest cost fuel option.

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The following chart demonstrates the diversification of NRG s domestic power generation assets as of December 31, 2007:

Reliability of future cash flows NRG has sold forward or otherwise hedged a significant portion of its expected baseload generation capacity through 2013. The Company has the capacity and intent to enter into additional hedges in later years when market conditions are favorable. In addition, as of December 31, 2007, the Company had purchased forward under fixed price contracts (with contractually-specified price escalators) to provide fuel for approximately 59% of its expected baseload coal generation output from 2008 to 2013. The hedge percentage is reflective of the current agreement of the Jewett mine in which NRG has the contractual ability to adjust volumes in future years. These forward positions provide a stable and reliable source of future cash flow for NRG s investors, while preserving a portion of its generation portfolio for opportunistic sales to take advantage of market dynamics.

Favorable cost dynamics for baseload power plants In 2007, approximately 87% of the Company s domestic generation output was from plants fueled by coal or nuclear fuel. In many of the competitive markets where NRG operates, the price of power is typically set by the marginal costs of natural gas-fired and oil-fired power plants that currently have substantially higher variable costs than solid fuel baseload power plants. As a result of NRG s lower marginal cost for baseload coal and nuclear generation assets, the Company expects the baseload assets in ERCOT to generate power nearly 100% of the time they are available.

Locational advantages Many of NRG s generation assets are located within densely populated areas that are characterized by significant constraints on the transmission of power from generators outside the particular region. Consequently, these assets are able to benefit from the higher prices that prevail for energy in these markets during periods of transmission constraints. NRG has generation assets located within New York City, southwestern Connecticut, Houston and the Los Angeles and San Diego load basins; all areas with constraints on the transmission of electricity. This gives the Company the opportunity to capture additional revenues by offering capacity to retail electric providers and others, selling power at prevailing market prices during periods of peak demand and providing ancillary services in support of system reliability. These facilities also are often ideally situated for repowering or the addition of new capacity, because their location and existing infrastructure give them significant advantages over newly developed sites in their regions.

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Performance Metrics

The following table contains a summary of NRG s operating revenues by segment for the year ended December 31, 2007 as discussed in Item 15 Note 17, *Segment Reporting,* to the Consolidated Financial Statements.

Region	Energy Revenues	Capacity Revenues	Risk Management Activities	Contract Amortization	Thermal Revenues	Other Revenues	Total Operating Revenues
			(In millions)				
Texas	$ 2,698	$ 363	$ (33)	$ 219	$	$ 40	$ 3,287
Northeast	1,104	402	27			72	1,605
South Central	404	221	10	23			658
West	4	122				1	127
International	42	83				15	140
Thermal	13	5			125	16	159
Corporate/Eliminations						13	13
Total	$ 4,265	$ 1,196	$ 4	$ 242	$ 125	$ 157	$ 5,989

In understanding NRG s business, the Company believes that certain performance metrics are particularly important. These are industry statistics defined by the North American Electric Reliability Council and are more fully described below:

Annual Equivalent Availability Factor, or EAF: Measures the percentage of maximum generation available over time as the fraction of net maximum generation that could be provided over a defined period of time after all types of outages and deratings, including seasonal deratings, are taken into account.

Gross heat rate: NRG calculates the gross heat rate for the Company s fossil-fired power plants by dividing the average amount of fuel in BTUs required to generate one kWh of electricity by the generator output.

Net Capacity Factor: The net amount of electricity that a generating unit produces over a period of time divided by the net amount of electricity it could have produced if it had run at full power over that time period. The net amount of electricity produced is the total amount of electricity generated minus the amount of electricity used during generation.

The tables below present the North American power generation performance metrics for the Company s power plants discussed above for the years ended December 31, 2007 and 2006:

	Year Ended December 31, 2007				
Region	Net Owned Capacity (MW)	Net Generation (MWh)	Annual Equivalent Availability Factor	Average Net Heat Rate Btu/kWh	Net Capacity Factor

		(In thousands of MWh)			
Texas	10,805	47,779	87.6%	10,300	50.7%
Northeast[(a)]	6,980	14,163	83.6		