



Q: *Who is NRG?*

A: NRG Energy is recognized as one of the most respected independent energy companies in the world. But locally we are so much more. From 1998 to 2001 NRG acquired and built nearly 2000 megawatts of generating capacity for the state of California, which is enough electricity to power nearly two million homes. In southern California they have facilities located in Carlsbad, El Segundo and Long Beach. NRG's facilities and its employees have been recognized on numerous occasions for stewardship of the environment.

Q: *What is the current source for San Diego County's electric energy?*

A: Electricity consumed in San Diego County comes essentially from three sources: (i) electric transmission lines (much like long extension cords) which bring power from sources outside of the county, (ii) small producers of energy within the county who market their excess electricity to SDG&E, and (iii) locally sited central power stations, such as the Encina Power Station.

Q: *What happened to our power grid during the recent wildfires?*

A: During the recent wildfires numerous transmission lines throughout the region were taken out of service. To help fill the power void, local power plants like ours, stepped up to meet the region's energy demands. The wildfires demonstrated the importance of having in-basin electric generation reliability.

Q: *Why do we need to upgrade the Encina Power Station?*

A: The Carlsbad Energy Center project is essential for local energy reliability. Our recent energy crisis demonstrated to the community, and all of southern California, that available electrical resources in California and San Diego County are insufficient to deal with current and expected growth in the region. With our first true energy crisis earlier in this decade, we experienced a series of damaging blackouts. For the past two summers, our region has set multiple records for energy consumption. Our population is expanding to the eastern parts of San Diego County where summers are hotter and air conditioning is essential to health and safety. Regional resources have not kept pace with this growth. Encina units 1, 2 and 3 have almost reached the end of their useful lives. The loss of their energy production to the region would have severe consequences if these units were not replaced.

Q: *Rather than replace the Encina Power Station units – why not add another electric transmission line and import more power?*

A: There are currently two regional transmission projects proposed that could bring additional power into the county. Even if one or both are approved and constructed, these methods of bringing power to the area are subject to the risk of disruption and are inefficient, with significant losses of electricity during transportation over hundreds of miles. Even if a line is built, the regional energy resource plan still requires at least another 1,005 megawatts of newly produced power sources to be constructed locally in order to meet our region's energy demand.



Q: *What will be the impact on our air quality by re-powering Encina units 1, 2 and 3 with the Carlsbad Energy Center and will emissions from the new proposed stack have adverse impacts like “stripping paint off our cars” as some fear?*

A: The Carlsbad Energy Center will employ state of the art technology and best available emissions control equipment. The proposed Carlsbad Energy Center will enhance local air quality by using the most efficient, newly designed equipment available and by operating exclusive natural gas fuel—not oil, which has caused negative impacts in the past. In addition, the new units are replacing existing units 1, 2 and 3 at Encina, forever eliminating the higher air emissions from those units attributed to their lower efficiency and less modern emission control devices. Existing units 4 & 5 will continue to operate at Encina and each of those units employs best available emission control devices. Because of exclusive use of clean burning natural gas and the state of the art technology being used, the Carlsbad Energy Center will not create any air emissions that will strip paint off cars, or cause any other type of property damage.

Q: *What does the State of California say about our region's energy needs?*

A: Recently, the California Public Utilities Commission determined that 1,005 megawatts of locally produced power will be required to meet our region's energy demands by 2015. In addition, the Commission recognizes the environmental benefits associated with repowering aging power plants and the need to modernize our aging power infrastructure. They urge California utilities to give priority preference to repowering projects like the Carlsbad Energy Center Project.

Q: *How will Carlsbad Energy Center affect the global warming situation?*

A: The new units are approximately 30% more efficient than the generators they replace. This translates into 30% fewer emissions of greenhouse gas forming compounds, such as carbon dioxide, per megawatt of power produced. Further, the new units will be well under newly established state mandates for greenhouse gas emission performance, beating the standard by 20%.

Q: *Why can't renewable resources be utilized instead of a fossil fueled power plant?*

A: NRG supports expansion of San Diego County's fleet of renewable resources and also has its own renewable energy division, Padoma Wind Power located here in San Diego County. While we need to continue to find cost effective renewable resources, we also need highly reliable forms of electrical generation that can be depended on during periods of extreme heat and high electrical demand. Often during these high demand periods, high ambient temperatures create conditions in which the wind does not blow and wind generation can be less than 5% available, thus the need for generating units that can engage in times when the renewable resources are unavailable to the grid. The Carlsbad Energy Center Project will be capable of extremely fast, 10-minute startups to deliver reliable electrical energy during these peak demand situations. This fast starting feature enables San Diego County and California to dip more deeply into renewable resources, knowing that dependable, fast responding resources like Carlsbad Energy Center are there to back them up.

During the heat wave of 2006 and the energy demand surge during the summer of 2007, available wind generating capacity was extremely low. Of the 4500 megawatts of installed wind capacity generation in the entire west, there were less than 150 MWs actually generating electricity.



Q: *Where will the Carlsbad Energy Center be located?*

A: The proposed site is east of the railroad tracks and west of the freeway on the Encina Power Station property, where several unused fuel oil tanks sit today. Utilizing this area of the power station in a recessed location approximately 30 feet below grade substantially eliminates visual impacts often expected from power plants. Visual simulations are available at www.carlsbadenergycenter.com showing how this project is substantially hidden from the public eye by the selection of the location on plant property and screening via established landscaping.

Q: *How does the project site compare to the existing plant and will it be larger as described by the City of Carlsbad?*

A: The proposed project is substantially smaller than the existing plant. The existing power block building is approximately 158 feet high and the boiler stack is approximately 400 feet high. The proposed project stacks will be approximately 100 feet high and the generating equipment will be approximately 90 feet high. However, by starting at 30 feet below grade in the recessed area, the effective stack heights will only be 70 feet above grade.

Q: *Will the Carlsbad Energy Center project affect the I-5 widening?*

A: Caltrans plans for widening the I-5 freeway are in the preliminary stages of development. While alignment options may move lanes toward the Carlsbad Energy Center Project, there is enough room for both. NRG will work with the city of Carlsbad as well as Caltrans to determine viable solutions to maintain appropriate barriers between the project and I-5 for safety and visual screening.

Q: *Why should the Carlsbad Energy Center be located at the proposed site?*

A: The City of Carlsbad's General Plan designates the site as "U"- Utility allowing power plant and other public resource uses such as a desalination facility, and the city's South Carlsbad Coastal Redevelopment Plan expressly allows power plant uses. Additionally, the transmission wires owned by SDG&E, adjacent to the site, are a permanent fixture and will not be removed.

Q: *What will become of the Encina Power Plant and the 400-foot stack?*

A: Ultimately, as units 4 & 5 reach the end of their useful lives, the power plant structure and its famous stack that sits on the property next to Carlsbad Boulevard could be removed. NRG is exploring possible alternate uses for that property that better fit the Carlsbad beach environment. This project, and the retirement of units 1-3 at Encina, sets in motion actions that are likely to result in the eventual retirement of units 4 & 5, but the timeframe is dependent on San Diego's need for electrical resources and when new replacement resources become available.

Q: *How will the community benefit by repowering the existing power plant?*

A: The community will benefit in a number of ways. Most important would be increased electric reliability and a lower cost energy product. Other benefits will range from better air quality, improved greenhouse gas emission performance, continued maintenance of the Agua Hedionda Lagoon, higher tax base to the city of Carlsbad, and future betterments to the beachfront property. In addition to these benefits, NRG Energy has proven to be a positive resource to communities in



which it works. Through its charitable endeavors, NRG is a true community partner wherever it goes. Our continued presence in Carlsbad will bring community value.

Q: *Will the number of employees remain about the same at the new station?*

A: During construction of the facility, NRG estimates that approximately 350 new construction jobs will be created. After the facility is fully operative, NRG expects that the existing level of employees will be retained due to the retirement of units 1-3. In addition, local suppliers and businesses will benefit during the construction and operations periods due to the procurement of goods and services locally and the spending of income locally by the construction force. For example, it is estimated that approximately \$30 million would be spent locally during construction and \$4.5 million annually during the operating period.¹

Q: *How much will this facility produce in terms of tax revenues?*

A: Various taxes will apply to the project, including property taxes, fuel tax, and income tax. An overall increase in annual tax revenue of approximately \$6-7 million per year is expected from the project relative to the existing operations of the plant. Property taxes generated from this facility will increase by approximately \$3.5 to 4.5 million annually due to the substantial \$350-450 million in capital investment associated with the project. Thanks to the foresight of the city of Carlsbad and its formation of the South Carlsbad Coastal Redevelopment Plan back in 2000, Carlsbad will retain the majority of the new property taxes locally. Additional fuel related taxes are also expected to increase revenues to the city of Carlsbad by another \$2.5 million per year.²

Q: *How much do you estimate the project will cost and will state or local tax dollars be used for the project?*

A: Capital investment from the project is estimated at approximately \$350 to 450 million, all of which would be privately financed. No state or local tax dollars will be utilized for this project.

Q: *When do you expect to begin construction and when would this facility begin producing electricity for local consumption?*

A: Our goal is to begin construction in the 4th quarter of 2008 and be fully operational by the summer of 2010. This operational date is aligned with San Diego Gas & Electric's need for substantial new electrical resource needs.

Q: *How will environmental and community impacts be assessed and how will I know that no adverse impacts will be created from this project?*

A: The California Energy Commission (CEC) has jurisdiction over all proposed power plants in the state via their Application for Certification process. This is a comprehensive evaluation process that (i) closely examines proposed projects like Carlsbad Energy Center, (ii) determines along with community input if any adverse impacts may be caused, and (iii) mandates adverse impacts be mitigated prior to approval of a project. This process was initiated in early September 2007 and is expected to take approximately 12 months to complete. Community involvement is a

¹ AFC Section 5.10 Socioeconomics.

² AFC Section 5.10 Socioeconomics.



fundamental part of the process and hearings and meetings are all held locally. A complete record of the CEC's review of this project can be found at:

www.energy.ca.gov/sitingcases/carlsbad/index.html . NRG will also provide project licensing information by contacting us at (760) 408-9833.

Q: *This is an important project in many ways to this community. Will I have an opportunity to provide my input to the process?*

A: Yes. There will be a number of ways for you to become a part of the permitting process overseen by the California Energy Commission. It is NRG's intent for this to be a totally transparent process. Accordingly, we will host community forums for you to examine the project closely and to add your opinion and suggestions. In addition to our own hosted community forums, the California Energy Commission will also host meetings locally at which your voice can be heard.

In an effort to make your participation as easy as possible, NRG maintains a corporate website where you can find project updates as they occur. That website is:

www.carlsbadenergycenter.com. Also, if you will please provide us with an e-mail address, we will send you timely project updates as they occur.

Q: *What impact would the eventual removal of the existing water cooled power plant have on the proposed Poseidon desalination project?*

A: Senior management at Poseidon Resources has advised us that their project is prepared to succeed with or without the existing Encina Power Station. This is good news for a region that clearly needs new and reliable sources of drinking water. We recommend that all questions relating to the desalination project should be directed to Poseidon Resources. The Poseidon phone number to which questions should be addressed is: 619-595-7802. The Poseidon project website is: www.carlsbaddesal.com.

Q: *NRG Energy is not a household name in San Diego. Who are you besides the owner and operator of the Encina Power Station?*

A: NRG is so much more than an energy company. As members of the community, NRG's facilities and its employees have been recognized on numerous occasions for stewardship of the environment – including recognition from local, state and federal government for our efforts to eradicate “Killer Algae” (*caulerpa taxifolia*) in the Agua Hedionda Lagoon in Carlsbad. The recognition on this effort from the federal government (National Oceanic and Atmospheric Administration) is one that NRG West is especially proud of, given that the award is only given once every two years and it was the first time that such an award was given to a power producer.

NRG West enjoys the respect of our peers, regulatory and legislative bodies for the leadership positions we are embracing in the west, including leading efforts on regulatory, market and environmental efforts – while at the local level we have equally garnered significant respect for contributing nearly \$200,000 per year to worthy non-profit organizations (501 C 3 organizations – such as the Sempre Fi Wounded Warrior Fund for the families of injured Marines returning from deployments, local Boys & Girls clubs, Wetlands Restoration efforts and other at risk youth programs, to name a few) in the communities where we operate.

On a national level NRG is receiving the same kind of attention having recently received two of



the industry's highest honors given by Platts Global Energy. NRG was recognized by the judges for vision, environmental responsibility, overall financial performance and energy strategy-- taking home the "Industry Leadership" and "Energy Company of the Year" awards.

These Frequently Asked Questions contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are subject to certain risks, uncertainties and assumptions and include NRG's expectations with respect to the Carlsbad Energy Center Project and typically can be identified by the use of words such as "will," "expect," "estimate," "anticipate," "forecast," "plan," "believe" and similar terms. Although NRG believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Factors that could cause actual results to differ materially from those contemplated above include, among others, general economic conditions, hazards customary in the power industry, weather conditions, competition and changes in wholesale power markets, the volatility of energy and fuel prices, failure of customers to perform under contracts, changes in government regulation of markets and of environmental emissions, unanticipated outages at our generation facilities, and construction delays.

NRG undertakes no obligation to 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 NRG's actual results to differ materially from those contemplated in the forward-looking statements included in this news release should be considered in connection with information regarding risks and uncertainties that may affect NRG's future results included in NRG's filings with the Securities and Exchange Commission at www.sec.gov.

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