

**RELIANT ENERGY MID-ATLANTIC POWER
HOLDINGS, LLC**

RELIANT ENERGY MID-ATLANTIC POWER HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(thousands of dollars)			
Revenues:				
Revenues.....	\$ 10,179	\$ 12,646	\$ 36,837	\$ (11,264)
Revenues – affiliates.....	248,906	195,056	709,054	506,250
Total.....	<u>259,085</u>	<u>207,702</u>	<u>745,891</u>	<u>494,986</u>
Expenses:				
Cost of sales.....	91,395	70,614	219,060	192,007
Cost of sales – affiliates.....	4,043	3,479	10,912	6,885
Operation and maintenance.....	24,061	19,768	86,008	74,855
Operation and maintenance – affiliates.....	14,183	14,656	45,369	39,814
Facilities leases.....	14,962	14,962	44,886	44,886
General and administrative – affiliates.....	9,269	9,409	30,735	34,337
Gains on sales of assets and emission allowances, net – primarily affiliate.....	–	–	(922)	(1,970)
Depreciation.....	8,343	8,062	26,743	24,638
Amortization.....	10,371	23,726	35,753	40,085
Total operating expense.....	<u>176,627</u>	<u>164,676</u>	<u>498,544</u>	<u>455,537</u>
Operating Income	<u>82,458</u>	<u>43,026</u>	<u>247,347</u>	<u>39,449</u>
Other Income (Expense):				
Interest expense.....	(178)	(22)	(1,127)	(99)
Interest expense – affiliates.....	(14,406)	(18,395)	(45,604)	(53,381)
Interest income.....	77	108	385	626
Total other expense.....	<u>(14,507)</u>	<u>(18,309)</u>	<u>(46,346)</u>	<u>(52,854)</u>
Income (Loss) Before Income Taxes	67,951	24,717	201,001	(13,405)
Income tax expense (benefit).....	27,828	8,687	82,438	(7,081)
Net Income (Loss)	<u>\$ 40,123</u>	<u>\$ 16,030</u>	<u>\$ 118,563</u>	<u>\$ (6,324)</u>

See Note to the Unaudited Consolidated Interim Financial Statements

RELIANT ENERGY MID-ATLANTIC POWER HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2008	December 31, 2007
	(thousands of dollars)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,747	\$ 28,536
Restricted cash	2,226	1,663
Accounts receivable	4,942	4,875
Receivables from affiliates, net	58,571	59,180
Inventory	86,996	81,382
Prepaid lease	59,030	59,030
Derivative assets	55,508	71,538
Accumulated deferred income taxes	14,562	11,319
Prepayments and other current assets	11,092	7,227
Total current assets	308,674	324,750
Property, plant and equipment, gross	956,423	909,151
Accumulated depreciation	(250,963)	(227,476)
Property, Plant and Equipment, net	705,460	681,675
Other Assets:		
Goodwill, net	3,635	3,635
Other intangibles, net	98,700	98,732
Derivative assets	68,300	89,595
Accumulated deferred income taxes	4,166	48,968
Prepaid lease	288,132	270,133
Other	33,251	40,820
Total other assets	496,184	551,883
Total Assets	\$ 1,510,318	\$ 1,558,308
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 94	\$ 89
Accounts payable, principally trade	35,726	28,543
Subordinated accounts payable to affiliates, net	153,578	193,897
Subordinated interest payable to affiliate, net	13,759	29,800
Derivative liabilities	74,650	96,778
Other	40,011	18,389
Total current liabilities	317,818	367,496
Other Liabilities:		
Derivative liabilities	165,115	210,563
Benefit obligations	41,130	39,289
Taxes payable to Reliant Energy, Inc.	44,907	-
Other	19,593	19,597
Total other liabilities	270,745	269,449
Subordinated Note Payable to Affiliate	543,563	618,658
Long-term Debt	571	642
Commitments and Contingencies		
Member's Equity:		
Common stock; no par value (1,000 shares authorized, issued and outstanding)	-	-
Additional paid-in capital	284,672	284,672
Retained earnings	143,856	82,455
Accumulated other comprehensive loss	(50,907)	(65,064)
Total member's equity	377,621	302,063
Total Liabilities and Member's Equity	\$ 1,510,318	\$ 1,558,308

See Note to the Unaudited Consolidated Interim Financial Statements

RELIANT ENERGY MID-ATLANTIC POWER HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
	(thousands of dollars)	
Cash Flows from Operating Activities:		
Net income (loss).....	\$ 118,563	\$ (6,324)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization.....	62,496	64,723
Deferred income taxes.....	31,724	(7,081)
Net changes in energy derivatives.....	(6,899)	38,392
Gains on sales of assets and emission allowances, net.....	(922)	(1,970)
Other, net.....	(64)	(30)
Changes in other assets and liabilities:		
Accounts receivable.....	(67)	(254)
Receivables from affiliates, net.....	10,026	(32,658)
Inventory.....	(5,614)	3,920
Prepaid lease.....	(17,999)	(20,563)
Accounts payable, principally trade.....	4,372	3,221
Other current assets.....	(737)	(308)
Other current liabilities.....	(2,635)	(3,371)
Other assets.....	7,570	305
Subordinated accounts payable to affiliates, net.....	(40,319)	13,901
Subordinated interest payable to affiliate, net.....	(16,041)	(28,445)
Income taxes payable/receivable.....	(2,747)	(72)
Long-term taxes payable to Reliant Energy, Inc.....	44,907	-
Other liabilities.....	2,475	3,113
Net cash provided by operating activities.....	188,089	26,499
Cash Flows from Investing Activities:		
Capital expenditures.....	(47,733)	(24,399)
Purchases of emission allowances – affiliate.....	(21,294)	(27,828)
Other, net.....	406	3,779
Net cash used in investing activities.....	(68,621)	(48,448)
Cash Flows from Financing Activities:		
Payments on subordinated note payable to affiliate.....	(75,095)	-
Distributions to Reliant Energy, Inc.....	(57,162)	-
Changes in working capital note payable to affiliate.....	-	5,108
Net cash provided by (used in) financing activities.....	(132,257)	5,108
Net Change in Cash and Cash Equivalents.....	(12,789)	(16,841)
Cash and Cash Equivalents at Beginning of Period.....	28,536	17,274
Cash and Cash Equivalents at End of Period.....	\$ 15,747	\$ 433
Supplemental Disclosure of Cash Flow Information:		
Cash Payments:		
Interest paid to affiliates (net of amounts capitalized).....	\$ 82,551	\$ 72,023
Interest paid to third parties.....	210	41
Income taxes paid (net of income tax refunds received).....	8,554	72

See Note to the Unaudited Consolidated Interim Financial Statements

RELIANT ENERGY MID-ATLANTIC POWER HOLDINGS, LLC AND SUBSIDIARIES
NOTE TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(1) Basis of Presentation.

Effective January 1, 2008, Reliant Energy Mid-Atlantic Power Holdings, LLC (REMA) adopted FSP FIN 39-1, an Amendment of FASB Interpretation No. 39. In connection with the adoption, REMA changed the presentation of its December 31, 2007 consolidated balance sheet. REMA discontinued netting its derivative assets and liabilities (with the same counterparty pursuant to a master netting arrangement) and presents them on a gross basis. Cash collateral amounts remain presented on a gross basis. This change has increased REMA's derivative assets and liabilities retrospectively for all financial statements presented and is accounted for as a change in accounting principle.