

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(thousands of dollars)			
Revenues:				
Revenues.....	\$ 16,638	\$ (5,587)	\$ 26,658	\$ (23,910)
Revenues – affiliates.....	232,154	162,254	460,148	311,194
Total.....	<u>248,792</u>	<u>156,667</u>	<u>486,806</u>	<u>287,284</u>
Expenses:				
Cost of sales.....	66,231	61,963	127,665	121,393
Cost of sales – affiliates.....	4,192	2,392	6,869	3,406
Operation and maintenance.....	40,022	31,132	61,947	55,087
Operation and maintenance – affiliates.....	16,775	11,683	31,186	25,158
Facilities leases.....	14,962	14,962	29,924	29,924
General and administrative – affiliates.....	11,600	13,275	21,466	24,928
Gains on sales of assets and emission allowances, net – primarily affiliate.....	(866)	(1,736)	(922)	(1,970)
Depreciation.....	10,315	8,613	18,400	16,576
Amortization.....	10,326	14,425	25,382	16,359
Total operating expense.....	<u>173,557</u>	<u>156,709</u>	<u>321,917</u>	<u>290,861</u>
Operating Income (Loss).....	<u>75,235</u>	<u>(42)</u>	<u>164,889</u>	<u>(3,577)</u>
Other Income (Expense):				
Interest expense.....	(518)	(25)	(949)	(77)
Interest expense – affiliates.....	(15,271)	(17,311)	(31,198)	(34,986)
Interest income.....	180	264	308	518
Total other expense.....	<u>(15,609)</u>	<u>(17,072)</u>	<u>(31,839)</u>	<u>(34,545)</u>
Income (Loss) Before Income Taxes.....	<u>59,626</u>	<u>(17,114)</u>	<u>133,050</u>	<u>(38,122)</u>
Income tax expense (benefit).....	24,455	(6,977)	54,610	(15,768)
Net Income (Loss).....	<u>\$ 35,171</u>	<u>\$ (10,137)</u>	<u>\$ 78,440</u>	<u>\$ (22,354)</u>

See Note to the Unaudited Consolidated Interim Financial Statements

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

	June 30, 2008	December 31, 2007
	(thousands of dollars)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 41,750	\$ 28,536
Restricted cash	5,312	1,663
Accounts receivable	4,481	4,875
Receivables from affiliates, net	108,981	59,180
Inventory	89,779	81,382
Prepaid lease	59,030	59,030
Derivative assets	209,667	71,538
Accumulated deferred income taxes	1,756	11,319
Prepayments and other current assets	10,202	7,227
Total current assets	530,958	324,750
Property, plant and equipment, gross	933,606	909,151
Accumulated depreciation	(242,719)	(227,476)
Property, Plant and Equipment, net	690,887	681,675
Other Assets:		
Goodwill, net	3,635	3,635
Other intangibles, net	98,700	98,732
Derivative assets	203,489	89,595
Accumulated deferred income taxes	3,975	48,968
Prepaid lease	262,489	270,133
Other	32,864	40,820
Total other assets	605,152	551,883
Total Assets	\$ 1,826,997	\$ 1,558,308
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 92	\$ 89
Accounts payable, principally trade	42,061	28,543
Subordinated accounts payable to affiliates, net	159,728	193,897
Subordinated interest payable to affiliate, net	9,602	29,800
Derivative liabilities	216,368	96,778
Other	44,420	18,389
Total current liabilities	472,271	367,496
Other Liabilities:		
Derivative liabilities	309,292	210,563
Benefit obligations	40,336	39,289
Other	19,466	19,597
Total other liabilities	369,094	269,449
Subordinated Note Payable to Affiliate	603,953	618,658
Long-term Debt	595	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	152,581	82,455
Accumulated other comprehensive loss	(56,169)	(65,064)
Total member's equity	381,084	302,063
Total Liabilities and Member's Equity	\$ 1,826,997	\$ 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)

	Six Months Ended June 30,	
	2008	2007
	(thousands of dollars)	
Cash Flows from Operating Activities:		
Net income (loss).....	\$ 78,440	\$ (22,354)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization.....	43,782	32,935
Deferred income taxes.....	54,610	(15,768)
Net changes in energy derivatives.....	(19,057)	40,723
Gains on sales of assets and emission allowances, net.....	(922)	(1,970)
Other, net.....	(44)	(11)
Changes in other assets and liabilities:		
Accounts receivable.....	394	(373)
Receivables from affiliates, net.....	(40,478)	(36,354)
Inventory.....	(8,397)	(2,473)
Prepaid lease.....	7,644	6,772
Accounts payable, principally trade.....	9,431	3,491
Other current assets.....	(1,139)	(1,274)
Other current liabilities.....	1,030	(2,098)
Other assets.....	7,957	1,743
Subordinated accounts payable to affiliates, net.....	(34,169)	40,555
Subordinated interest payable to affiliate, net.....	(20,198)	(31,162)
Income taxes payable/receivable.....	(1,604)	130
Other liabilities.....	1,342	341
Net cash provided by operating activities.....	<u>78,622</u>	<u>12,853</u>
Cash Flows from Investing Activities:		
Capital expenditures.....	(23,535)	(17,727)
Purchases of emission allowances – affiliate.....	(16,168)	(14,858)
Restricted cash.....	(3,649)	(343)
Other, net.....	963	2,012
Net cash used in investing activities.....	<u>(42,389)</u>	<u>(30,916)</u>
Cash Flows from Financing Activities:		
Payments on subordinated note payable to affiliate.....	(14,705)	–
Distributions to Reliant Energy, Inc.	(8,314)	–
Changes in working capital note payable to affiliate.....	–	1,000
Net cash provided by (used in) financing activities.....	<u>(23,019)</u>	<u>1,000</u>
Net Change in Cash and Cash Equivalents	13,214	(17,063)
Cash and Cash Equivalents at Beginning of Period	28,536	17,274
Cash and Cash Equivalents at End of Period	<u>\$ 41,750</u>	<u>\$ 211</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Payments:		
Interest paid to affiliates (net of amounts capitalized).....	\$ 72,893	\$ 59,896
Interest paid to third parties.....	170	28
Income taxes paid (net of income tax refunds received).....	1,604	(130)

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.