

## **ORION POWER HOLDINGS, INC. AND SUBSIDIARIES**

**As of March 31, 2008 and December 31, 2007 and For the Three Months Ended March 31, 2008 and 2007**

- Forward-Looking Information
- Financial Statements
- Management's Discussion and Analysis of Financial Condition and Results of Operations

## **FORWARD-LOOKING INFORMATION**

Projections, estimates or assumptions about revenues, costs, income, cash flow and other future events are called “forward-looking statements.” In some cases, you can identify forward-looking statements by words like “anticipate,” “estimate,” “believe,” “intend,” “may,” “expect” or similar words. Forward-looking statements are not guarantees of future performance. Actual results may differ from forward-looking statements. Each forward-looking statement speaks only as of its date and we are under no obligation to update these statements.

**ORION POWER HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
	(thousands of dollars)	
<b>Revenues:</b>		
Revenues.....	\$ 3,521	\$ 8,341
Revenues – affiliates.....	173,117	135,971
Total.....	176,638	144,312
<b>Expenses:</b>		
Cost of sales.....	73,359	59,919
Cost of sales – affiliates.....	(5,168)	622
Operation and maintenance.....	29,042	42,089
Operation and maintenance – affiliates.....	7,581	9,490
Taxes other than income taxes.....	2,695	3,192
General and administrative – primarily affiliates.....	5,174	7,406
Gains on sales of assets and emission allowances, net – primarily affiliates.....	(1)	(3,169)
Depreciation.....	19,558	18,969
Amortization.....	4,441	2,149
Total operating expenses.....	136,681	140,667
<b>Operating Income</b> .....	<b>39,957</b>	<b>3,645</b>
<b>Other Income (Expense):</b>		
Other, net.....	1	–
Interest expense.....	(6,757)	(9,418)
Interest expense – affiliates.....	(1,597)	(1,583)
Interest income – primarily affiliates.....	1,434	2,534
Total other expense.....	(6,919)	(8,467)
<b>Income (Loss) from Continuing Operations Before Income Taxes</b> .....	<b>33,038</b>	<b>(4,822)</b>
Income tax expense (benefit).....	13,014	(1,841)
<b>Income (Loss) from Continuing Operations</b> .....	<b>20,024</b>	<b>(2,981)</b>
Loss from discontinued operations.....	–	(1,652)
<b>Net Income (Loss)</b> .....	<b>\$ 20,024</b>	<b>\$ (4,633)</b>

See Notes to the Unaudited Consolidated Interim Financial Statements

**ORION POWER HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	<b>(Unaudited)</b>	
	<b>(thousands of dollars, except share and per share amounts)</b>	
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents .....	\$ 16	\$ 259
Accounts receivable, principally customer, net of allowance of \$0 .....	517	102
Receivables from affiliates, net .....	52,613	19,968
State income taxes receivable .....	26,181	45,763
Inventory .....	57,182	57,233
Collateral posted under agreement with Reliant Energy, Inc. ....	-	2,000
Prepayments and other current assets .....	7,776	8,556
Current assets of discontinued operations .....	-	2,132
Total current assets .....	144,285	136,013
Property, plant and equipment, gross .....	2,060,669	2,031,704
Accumulated depreciation .....	(431,508)	(412,053)
<b>Property, Plant and Equipment, net</b> .....	<b>1,629,161</b>	<b>1,619,651</b>
<b>Other Assets:</b>		
Goodwill, net .....	173,570	173,570
Other intangibles, net .....	165,062	165,509
Long-term note receivable from Reliant Energy, Inc. ....	67,200	67,200
Long-term collateral posted under agreement with Reliant Energy, Inc. ....	14,392	14,392
Other .....	6,755	9,383
Total other assets .....	426,979	430,054
<b>Total Assets</b> .....	<b>\$ 2,200,425</b>	<b>\$ 2,185,718</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities:</b>		
Current portion of long-term debt .....	\$ 11,681	\$ 11,409
Accounts payable, principally trade .....	43,543	36,278
Accrued interest payable .....	19,994	7,999
Other taxes payable .....	10,813	12,496
Other .....	11,118	17,530
Total current liabilities .....	97,149	85,712
<b>Other Liabilities:</b>		
Accumulated deferred income taxes .....	169,745	165,709
Benefit obligations .....	47,657	46,726
Taxes payable to Reliant Energy, Inc. ....	74,328	66,294
Other .....	10,133	10,602
Long-term liabilities of discontinued operations .....	4,000	3,542
Total other liabilities .....	305,863	292,873
<b>Revolving Credit Facility with Reliant Energy, Inc.</b> .....	10,503	37,299
<b>Long-term Debt</b> .....	413,869	416,934
<b>Commitments and Contingencies</b>		
Stockholder's Equity:		
Common stock; par value \$1.00 per share (1,000 shares authorized, issued and outstanding) .....	1	1
Additional paid-in capital .....	2,211,138	2,211,138
Accumulated deficit .....	(831,583)	(851,607)
Accumulated other comprehensive loss .....	(6,515)	(6,632)
Total stockholder's equity .....	1,373,041	1,352,900
<b>Total Liabilities and Stockholder's Equity</b> .....	<b>\$ 2,200,425</b>	<b>\$ 2,185,718</b>

See Notes to the Unaudited Consolidated Interim Financial Statements

**ORION POWER HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three Months Ended March 31,	
	2008	2007
	(thousands of dollars)	
<b>Cash Flows from Operating Activities:</b>		
Net income (loss).....	\$ 20,024	\$ (4,633)
Loss from discontinued operations .....	–	1,652
Net income (loss) from continuing operations .....	20,024	(2,981)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization.....	23,999	21,118
Deferred income taxes .....	6,030	10,428
Net changes in energy derivatives .....	–	793
Net amortization of contractual rights and obligations .....	(92)	(131)
Amortization of revaluation of acquired debt.....	(2,792)	(2,607)
Gains on sales of assets and emission allowances, net – primarily affiliates .....	(1)	(3,169)
Changes in other assets and liabilities:		
Accounts receivable, net.....	(415)	1,607
Inventory .....	51	2,754
Other current assets .....	1,035	(202)
Other assets .....	380	6,045
Accounts payable .....	10,643	(517)
Payable to/receivable from affiliates, net .....	(14,287)	1,034
Collateral returned (posted) under agreement with Reliant Energy, Inc.....	2,000	742
Income taxes payable/receivable .....	18,695	(15)
Accrued interest .....	11,995	12,012
Long-term taxes payable to Reliant Energy, Inc. and related accrued interest .....	8,032	(12,267)
Other current liabilities.....	(3,095)	(3,812)
Other liabilities.....	1,579	(2,966)
Net cash provided by continuing operations from operating activities.....	83,781	27,866
Net cash provided by (used in) discontinued operations from operating activities .....	1,757	(1,664)
Net cash provided by operating activities.....	85,538	26,202
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures .....	(29,708)	(16,876)
Proceeds from sales of emission allowances – affiliates.....	63	3,786
Purchases of emission allowances – affiliates .....	(29,340)	–
Net cash used in investing activities.....	(58,985)	(13,090)
<b>Cash Flows from Financing Activities:</b>		
Changes in revolving credit facility with Reliant Energy, Inc., net .....	(26,796)	(12,268)
Net cash used in financing activities .....	(26,796)	(12,268)
<b>Net Change in Cash and Cash Equivalents .....</b>	<b>(243)</b>	<b>844</b>
<b>Cash and Cash Equivalents at Beginning of Period .....</b>	<b>259</b>	<b>81</b>
<b>Cash and Cash Equivalents at End of Period .....</b>	<b>\$ 16</b>	<b>\$ 925</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash Payments:		
Interest paid (net of amounts capitalized) to third parties for continuing operations .....	\$ –	\$ 9
(Income tax refunds) net of income taxes paid for continuing operations .....	(18,695)	15

See Notes to the Unaudited Consolidated Interim Financial Statements

## ORION POWER HOLDINGS, INC. AND SUBSIDIARIES

### NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### (1) Background and Basis of Presentation

##### (a) Background.

“Orion Power” refers to Orion Power Holdings, Inc. (Orion Power Holdings) and its consolidated subsidiaries. Orion Power Holdings is a wholly-owned subsidiary of Reliant Energy, Inc. “Reliant Energy” refers to Reliant Energy, Inc. and its consolidated subsidiaries. These interim financial statements and notes (interim financial statements) are unaudited, omit certain disclosures and should be read in conjunction with the audited consolidated financial statements and notes for the three years ended December 31, 2007 (2007 annual consolidated financial statements).

##### (b) Basis of Presentation.

*Estimates.* Management makes estimates and assumptions to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that affect:

- the reported amount of assets, liabilities and equity,
- the reported amounts of revenues and expenses and
- the disclosure of contingent assets and liabilities at the date of the financial statements.

*Adjustments and Reclassifications.* The interim financial statements reflect all normal recurring adjustments necessary, in management’s opinion, to present fairly Orion Power’s financial position and results of operations for the reported periods. Amounts reported for interim periods, however, may not be indicative of a full year period due to seasonal fluctuations in demand for electricity and energy services, changes in commodity prices, timing of maintenance and other expenditures, dispositions, changes in interest expense and other factors.

#### (2) Related Party Transactions

These financial statements include the impact of significant transactions between Orion Power and Reliant Energy. The majority of these transactions involve the purchase or sale of energy, capacity, fuel, emission allowances or related services (including transportation, transmission and storage services) from or to Orion Power and allocations of costs to Orion Power for support services.

*Support and Technical Services.* Reliant Energy provides commercial support, technical services and other corporate services to Orion Power. Reliant Energy allocates certain support services costs to Orion Power based on Orion Power’s underlying planned operating expenses relative to the underlying planned operating expenses of other entities to which Reliant Energy provides similar services and also charges Orion Power for certain other services based on usage. Management believes this method of allocation is reasonable. These allocations and charges were not necessarily indicative of what would have been incurred had Orion Power been an unaffiliated entity.

The following details the amounts recorded as operation and maintenance – affiliates and general and administrative – affiliates:

	Three Months Ended March 31,	
	2008	2007
	(in millions)	
Allocated or charged by Reliant Energy.....	\$ 13	\$ 17

*Commodity Procurement and Marketing.* Orion Power has sales to and purchases from Reliant Energy related to commodity procurement and marketing services.

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
	(in millions)	
Sales to Reliant Energy under various commodity agreements <sup>(1)</sup> .....	\$ 173	\$ 136
Purchases from Reliant Energy under various commodity agreements <sup>(2)</sup> .....	1	2
Gains on coal sales to Reliant Energy <sup>(3)</sup> .....	6	1
Sales of emission allowances to Reliant Energy <sup>(4)</sup> .....	–	4
Gains on emission allowances sales to Reliant Energy <sup>(5)</sup> .....	–	3

(1) Recorded in revenues – affiliates.

(2) Recorded in cost of sales – affiliates.

(3) Recorded in cost of sales – affiliates.

(4) Reflects price at which Reliant Energy sold the emission allowances to third parties.

(5) Recorded in gains on sales of assets and emission allowances, net.

*Debt Obligations from/to Reliant Energy.* In December 2004, Orion Power Midwest, L.P. (Orion MidWest) entered into a \$75 million revolving credit facility, among other notes that have terminated, with Reliant Energy. This \$75 million Orion MidWest revolving credit facility matures in December 2008; however, Reliant Energy plans to extend the maturity each December for 12 months from that date. Orion Power has incurred an insignificant amount of interest expense related to this revolving credit facility during the three months ended March 31, 2008 and 2007.

In March 2006, Orion Power made a term loan to Reliant Energy for \$92 million, which matures in 2010. The note bore interest at ten percent through September 30, 2007 and interest is payable monthly. Effective October 1, 2007, the interest rate was changed to 7.5 percent. During the third quarter of 2007, Reliant Energy paid down \$25 million on this loan. Orion Power has earned interest income related to this term loan of \$1 million and \$2 million during the three months ended March 31, 2008 and 2007, respectively.

*Secured Revolving Letter of Credit Facility Agreement with Reliant Energy.* Reliant Energy posts letters of credit on behalf of Orion Power. As of March 31, 2008 and December 31, 2007, Reliant Energy posted letters of credit totaling \$14 million and \$16 million, respectively, on behalf of Orion Power. During September 2006, Reliant Energy and Orion Power entered into a Secured Revolving Letter of Credit Facility Agreement whereby Orion Power will provide cash to Reliant Energy as collateral for letters of credit when issued up to a maximum of \$20 million. The agreement expires on April 30, 2010. As letters of credit expire, the cash collateral will be returned to Orion Power. Orion Power will reimburse Reliant Energy for the costs of the letters of credit and will earn interest income on the collateral posted. As of March 31, 2008 and December 31, 2007, Orion Power has provided cash collateral of \$14 million and \$16 million, respectively, to Reliant Energy. During the three months ended March 31, 2008 and 2007, the letters of credit costs, recorded in interest expense, and the related interest income were insignificant.

*Income Taxes.* As of March 31, 2008 and December 31, 2007, Orion Power has \$74 million and \$66 million, respectively, recorded as long-term taxes payable to Reliant Energy, Inc., which includes accrued interest payable of \$7 million and \$6 million, respectively. Orion Power has incurred interest expense related to this payable of \$1 million and \$0 during the three months ended March 31, 2008 and 2007, respectively. For discussion of Orion Power's policy with respect to income taxes and long-term taxes payable to Reliant Energy, Inc., see note 2(j) to the 2007 annual consolidated financial statements.

### (3) Comprehensive Income (Loss)

The components of total comprehensive income (loss) are:

	Three Months Ended March 31,	
	2008	2007
(in millions)		
Net income (loss).....	\$ 20	\$ (5)
Other comprehensive income (loss), net of tax:		
Reclassification of net deferred gain from cash flow hedges realized in net loss .....	-	(1)
Comprehensive income (loss).....	<u>\$ 20</u>	<u>\$ (6)</u>

### (4) Goodwill

*2008 Annual Goodwill Impairment Test.* Orion Power is in the process of performing its annual goodwill impairment test effective April 1, 2008.

*Estimation of Fair Value.* Orion Power anticipates using substantially the same subjective factors and significant assumptions to estimate fair value in its 2008 test as it used in the April 2007 test. See note 4(a) to the 2007 annual consolidated financial statements.

### (5) Debt

Orion Power's outstanding debt to third parties is:

	March 31, 2008			December 31, 2007		
	Stated Interest Rate <sup>(1)</sup>	Long-term	Current	Stated Interest Rate <sup>(1)</sup>	Long-term	Current
(in millions, except interest rates)						
Orion Power Holdings senior notes due 2010.....	12.00	\$ 400	\$ -	12.00	\$ 400	\$ -
Adjustment to fair value of debt <sup>(2)</sup> .....		13	12		17	11
Total debt .....		<u>\$ 413</u>	<u>\$ 12</u>		<u>\$ 417</u>	<u>\$ 11</u>

(1) The stated interest rates are as of March 31, 2008 or December 31, 2007.

(2) Included in interest expense is amortization of \$3 million for valuation adjustments for debt during the three months ended March 31, 2008 and 2007.

See note 2 for discussion of Orion Power's debt obligations to Reliant Energy.

### (6) Income Taxes

#### (a) Tax Rate Reconciliation.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is:

	Three Months Ended March 31,	
	2008	2007
Federal statutory rate .....	35%	35%
Additions (reductions) resulting from:		
State income taxes, net of federal income taxes .....	4	4
Other, net .....	-	(1)
Effective rate .....	<u>39%</u>	<u>38%</u>

#### (b) Adoption of FIN 48 and Tax Uncertainties.

Effective January 1, 2007, Orion Power adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," (FIN 48). This interpretation addresses whether (and when) tax benefits claimed in Orion Power's tax returns should be recorded in the financial statements. Pursuant to FIN 48,

Orion Power may only recognize the tax benefit for financial reporting purposes from an uncertain tax position when it is more-likely-than-not that, based on the technical merits, the position will be sustained by taxing authorities or the courts. The recognized tax benefits are measured as the largest benefit having a greater than fifty percent likelihood of being realized upon settlement with a taxing authority. FIN 48 also provides guidance for derecognition, classification, interest and penalties, disclosures, transition rules and related matters. Orion Power classifies accrued interest and penalties related to uncertain income tax positions in income tax expense/benefit.

## **(7) Guarantees and Indemnifications**

*Equity Pledged as Collateral for Reliant Energy.* Orion Power Holdings' equity is pledged as collateral under certain of Reliant Energy's credit and debt agreements, which have an outstanding balance of \$1.2 billion as of March 31, 2008.

*Interests Pledged as Collateral to Reliant Energy.* In connection with Orion Power's debt to Reliant Energy (as discussed in note 2), Orion Power Holdings has pledged its interests in Orion Power Capital, LLC, and its subsidiaries, including Orion Power New York, L.P. and Orion MidWest, to Reliant Energy.

*Other.* Orion Power enters into contracts that include indemnification and guarantee provisions. In general, Orion Power enters into contracts with indemnities for matters such as breaches of representations and warranties and covenants contained in the contract and/or against certain specified liabilities. Examples of these contracts include asset sales agreements, service agreements and procurement agreements.

Orion Power is unable to estimate its maximum potential exposure under these agreements until an event triggering payment occurs. Orion Power does not expect to make any material payments under these agreements.

## **(8) Contingencies**

Orion Power is involved in a number of legal, environmental and other matters before courts and governmental agencies, some of which may involve substantial amounts. Unless otherwise noted, Orion Power cannot predict the outcome of the matters described below.

*New Source Review Matters.* The United States Environmental Protection Agency (EPA) and various states are investigating compliance of coal-fueled electric generating stations with the pre-construction permitting requirements of the Clean Air Act known as "New Source Review." The EPA has agreed to share information relating to its investigations with state environmental agencies.

*Ash Disposal Landfill Closures.* Orion Power is responsible for environmental costs related to the future closures of two ash disposal landfills owned by Orion MidWest. Orion Power recorded the estimated discounted costs associated with these environmental liabilities as part of its asset retirement obligations. See note 2(o) to the 2007 annual consolidated financial statements.

## **(9) Other Employee Matters**

As of March 31, 2008, approximately 74% of Orion Power's employees were subject to bargaining arrangements and 48% of these employees were covered under arrangements that expire by March 31, 2009. Subsequent to March 31, 2008, Orion Power and the employees reached an agreement on bargaining arrangements which were set to expire in May 2008. As a result, 28% of employees subject to bargaining arrangements are covered under arrangements that expire by March 31, 2009.

## **(10) Discontinued Operations**

Subsequent to the sale of the New York plants in February 2006, Orion Power continues to have (a) insignificant settlements with the independent system operator and (b) property tax settlements. These amounts are classified as discontinued operations in the results of operations. Orion Power recognized \$1 million of loss before income taxes from discontinued operations during the three months ended March 31, 2007. In addition, Orion Power has some amounts on its consolidated balance sheets classified as discontinued operations relating to these items.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following should be read in conjunction with our 2007 annual consolidated financial statements.

**Consolidated Results of Operations**

**Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007**

*Net Income (Loss).* We reported \$20 million consolidated net income for the three months ended March 31, 2008 compared to \$5 million consolidated net loss for the same period in 2007.

	<b>Three Months Ended March 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
	(in millions)		
Gross margin <sup>(1)</sup> .....	\$ 108	\$ 84	\$ 24
Operation and maintenance (including from affiliates) ..	(36)	(52)	16
Taxes other than income taxes .....	(3)	(3)	–
General and administrative – primarily affiliates .....	(5)	(7)	2
Gains on sales of assets and emission allowances, net – primarily affiliates .....	–	3	(3)
Depreciation and amortization .....	(24)	(21)	(3)
Interest expense .....	(6)	(9)	3
Interest expense – affiliates .....	(2)	(2)	–
Interest income – primarily affiliates .....	1	2	(1)
Income tax (expense) benefit .....	(13)	1	(14)
Income (loss) from continuing operations .....	20	(4)	24
Loss from discontinued operations .....	–	(1)	1
Net income (loss) .....	<u>\$ 20</u>	<u>\$ (5)</u>	<u>\$ 25</u>

(1) Revenues less cost of sales.

*Revenues (including from affiliates).*

	<b>Three Months Ended March 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
	(in millions)		
Third-party revenues .....	\$ 4	\$ 8	\$ (4)
Revenues – affiliates .....	173	136	37 <sup>(1)</sup>
Revenues .....	<u>\$ 177</u>	<u>\$ 144</u>	<u>\$ 33</u>

(1) Merchant sales to PJM Interconnection, LLC through Reliant Energy affiliates increased due to (a) higher market prices and (b) higher capacity payments.

*Cost of Sales (including from affiliates).*

	<b>Three Months Ended March 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
	(in millions)		
Cost of sales .....	74	\$ 58	\$ 16 <sup>(1)</sup>
Cost of sales – affiliates .....	(5)	1	(6)
Unrealized losses .....	–	1	(1)
Cost of sales .....	<u>\$ 69</u>	<u>\$ 60</u>	<u>\$ 9</u>

(1) Increase primarily due to higher coal prices.

*Gross Margin.*

	Three Months Ended March 31,		
	2008	2007	Change
	(in millions)		
Orion MidWest.....	\$ 108	\$ 85	\$ 23
Net unrealized losses on energy derivatives.....	-	(1)	1
Gross margin.....	<u>\$ 108</u>	<u>\$ 84</u>	<u>\$ 24</u>

(1) Increase primarily due to (a) higher unit margins (higher power prices partially offset by higher fuel costs) and (b) higher commercial capacity factor due to lower planned and unplanned outages in 2008.

*Operation and Maintenance (including from affiliates).*

	Three Months Ended March 31,		
	2008	2007	Change
	(in millions)		
Planned outages and maintenance spending.....	\$ 14	\$ 28	\$ (14)
Plant support costs.....	15	15	-
Commercial support allocations.....	6	8	(2)
Other, net.....	1	1	-
Operation and maintenance (including from affiliates).....	<u>\$ 36</u>	<u>\$ 52</u>	<u>\$ (16)</u>

(1) Decrease primarily due to lower planned outage and maintenance spending at Elrama and Avon Lake in 2008.

*Taxes Other than Income Taxes.*

	Three Months Ended March 31,		
	2008	2007	Change
	(in millions)		
Property taxes.....	\$ 2	\$ 2	\$ -
Other, net.....	1	1	-
Taxes other than income taxes.....	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>

*General and Administrative – Primarily Affiliates.*

	Three Months Ended March 31,		
	2008	2007	Change
	(in millions)		
Allocations from Reliant Energy.....	\$ 5	\$ 7	\$ (2)
General and administrative – primarily affiliates.....	<u>\$ 5</u>	<u>\$ 7</u>	<u>\$ (2)</u>

*Gains on Sales of Assets and Emission Allowances, Net — Primarily Affiliates.*

	Three Months Ended March 31,		
	2008	2007	Change
	(in millions)		
Emission allowances.....	\$ -	\$ 3	\$ (3)
Gains on sales of assets and emission allowances, net.....	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ (3)</u>

*Depreciation and Amortization.*

	<b>Three Months Ended March 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
	(in millions)		
Depreciation on plants .....	\$ 20	\$ 19	\$ 1
Amortization of emission allowances .....	4	2	2
Depreciation and amortization .....	<u>\$ 24</u>	<u>\$ 21</u>	<u>\$ 3</u>

*Interest Expense (including from affiliates).*

	<b>Three Months Ended March 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
	(in millions)		
Interest expense .....	\$ 9	\$ 9	\$ -
Interest expense – affiliates .....	2	2	-
Capitalized interest .....	(3)	-	(3)
Interest expense (including from affiliates) .....	<u>\$ 8</u>	<u>\$ 11</u>	<u>\$ (3)</u>

*Interest Income — Primarily Affiliates.*

	<b>Three Months Ended March 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
	(in millions)		
Interest income on note receivable from Reliant Energy, Inc.....	\$ 1	\$ 2	\$ (1)
Other, net .....	-	-	-
Interest income – primarily affiliates .....	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ (1)</u>

*Income Tax Expense (Benefit).* See note 6 to our interim financial statements.

*Loss from Discontinued Operations.* See note 10 to our interim financial statements.