

provider of cable, telephone and high-speed internet access systems and an exempt telecommunications company under section 34 of the Act; e prime, inc., a marketer of electricity and natural gas; and Eloigne Company, an investor in projects that qualify for low-income housing tax credits.

NRG is an energy company primarily engaged in the ownership and operation of power generation facilities and the sale of energy, capacity and related products in the United States and internationally. NRG PMI is the energy marketing subsidiary of NRG. NRG PMI provides a full range of energy management services for NRG's generation facilities in its Eastern and Central regions. The Bankruptcy Petition included the Plan, which incorporates the terms of the tentative settlement announced on March 26, 2003 among NRG, Xcel and members of NRG's major creditor constituencies that provides for payments by Xcel to NRG and its creditors of up to \$752 million. A plan support agreement ("Plan Support Agreement") reflecting the settlement has been signed by Xcel, NRG, holders of approximately 40 percent in principal amount of NRG's long-term notes and bonds, along with two NRG banks who serve as co-chairs of the global steering committee ("Global Steering Committee") for the NRG bank lenders. The Plan Support Agreement will become fully effective upon execution by holders of approximately an additional ten percent in principal amount of NRG's long-term notes and bonds and by a majority of NRG bank lenders representing at least two-thirds in principal amount of NRG's bank debt.

## II. The Plan of Reorganization

### A. Overview of the Plan

Applicants request authorization for solicitation regarding the Plan under sections 11(f) and 11(g) of the Act, and authorization under section 12(e) to solicit consents and approvals from the holders of the securities of NRG, along with other ancillary and related authorizations to implement the Plan. The Plan submitted to the Bankruptcy Court by the Debtors is structured to: (i) Permit the Debtors to reorganize and emerge from bankruptcy; (ii) maximize the recovery of the Debtors' creditors on their capital investment; (iii) fix the exposure and/or commitment of Xcel to the Debtors and their creditors; and (iv) eliminate the direct and indirect equity

ownership of Xcel in NRG and its subsidiaries. NRG believes that consummation of the Plan will best facilitate its business and financial restructuring and is in its best interests and in the best interests of its creditors and other parties in interest.

Applicants state that the purpose of the Plan is to provide NRG with a capital structure that can be supported by cash flows from operations. To this end, NRG will reduce its debt and reduce its annual interest payments. Applicants state that the Debtors believe that the reorganization contemplated by the Plan affords holders of claims the greatest opportunity for realization on the Debtors' assets and thus is in the best interests of such holders. If the Plan is not confirmed, the Debtors believe that they will be forced to either file an alternate plan of reorganization or liquidation under chapter 11 or liquidate under chapter 7 of the Bankruptcy Code. In either event, the Debtors believe that NRG's unsecured creditors (including the holders of public debt) would realize a less favorable distribution of value, or, in certain cases, none at all, for their claims. In addition, any alternative other than confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to the holders of claims.

Applicants state that upon implementation of the Plan, the ownership interests, direct and indirect, of Xcel in NRG and its subsidiaries will terminate. In addition, Xcel and its subsidiaries (other than NRG and its subsidiaries) ("Xcel Entities") will have limited obligations going forward with respect to the Debtors. Xcel believes that Xcel's disaffiliation with the Debtors is beneficial to Xcel and its investors.

According to Applicants, NRG is restructuring its operations to become a domestic based owner-operator of a fuel-diverse portfolio of electric generation facilities engaged in the sale of energy, capacity and related products. NRG is working toward this goal by selective divestiture of non-core assets, consolidation of management, reorganization and redirection of power marketing philosophy and activities and an overall financial restructuring that will improve liquidity and reduce debt. NRG does not anticipate any new significant acquisitions or construction, and instead will focus on operational performance and asset management. NRG has already made significant reductions in expenditures, business development activities and personnel. Power sales, fuel procurement and risk management will remain a key strategic

element of NRG's operations. NRG's objective will be to optimize the fuel input and the energy output of its facilities within an appropriate risk and liquidity profile. Despite NRG's focus on domestic electric generation, NRG will continue to hold international assets until it can optimize the divestiture of such assets.

### B. Settlement Agreement

Applicants state that in connection with the implementation of the Plan, Xcel will enter into a settlement agreement ("Settlement Agreement") with NRG. The Settlement Agreement constitutes the definitive documentation in respect of the settlement terms agreed to in the Plan Support Agreement. Under the Settlement Agreement and the Plan, Xcel will pay up to \$752 million to NRG and its creditors to settle all claims of NRG against Xcel, including all claims under the Plan Support Agreement, and in return for releases of claims against Xcel from NRG, the other debtors in the Proceedings and NRG's creditors. The terms of the Settlement Agreement between NRG and Xcel require that the order of the Bankruptcy Court confirming the Plan provide that the right of any holder of an equity unit to acquire shares of Xcel common stock terminate as of the Petition Date.

Applicants state that, in general terms, the Settlement Agreement provides for the following: (i) Payment by Xcel of \$250 million in exchange for the release of claims and causes of action which NRG may have in respect of the Plan Support Agreement; and (ii) payment by Xcel of up to \$390 million ("Release-Based Amount") in exchange for releases of Xcel and certain injunctions for the benefit of Xcel. In addition, under a Separate Bank Release Agreement between Xcel and the lenders under the NRG Credit Facilities, Xcel would agree to pay \$112 million ("Separate Bank Settlement Payment") for the benefit of the lenders under the NRG Credit Facilities in exchange for such lenders' release of claims against Xcel.

### C. Treatment of Creditors Under the Plan

According to Applicants, the Plan generally classifies the creditors of, and other investors in, the NRG Applicants into several classes. In general terms, the Plan provides for the treatment of the creditors of the NRG Applicants, as follows:

- (i) Holders of priority claims will receive payment in full;
- (ii) Holders of unsecured claims against any NRG Applicant, which are

Xcel Wholesale, purchased through an exchange offer the 26 percent of NRG common stock held by the public so that it again held 100 percent ownership of NRG on December 31, 2002.