

equal to or less than \$50,000 or is reduced to \$50,000 at the election of the holder of such claim, will receive cash in the amount of such claim;

(iii) Holders of secured claims against the NRG Applicants will receive either the collateral securing such claim or cash in an amount equal to the net proceeds realized upon the sale of such collateral, or as may otherwise be agreed upon by the Debtors and the claimant;

(iv) Each holder of NRG's unsecured debt and claims will receive its pro rata share of senior notes of Reorganized NRG,⁷ common stock of Reorganized NRG, ("New NRG Common Stock") and, if such holder makes the election on its ballot to release Xcel from claims or such holder is bound by a final order of the Bankruptcy Court to releases of claims against Xcel as provided in the Plan, equal to its pro rata share of the Release-Based Amount;

(v) Each of the holders of unsecured claims against NRG PMI will receive its pro rata share of senior notes of Reorganized NRG and New NRG Common Stock;

(vi) Intercompany claims among the Debtors and between the Debtors and certain of NRG's other subsidiaries will be divided into two classes: (1) Claims that will be cancelled without any distribution to the holders and (2) claims that will be reinstated on the Effective Date (as described below);

(vii) Any and all outstanding equity interests in NRG will be canceled without consideration; and

(viii) NRG will retain its 100% ownership in NRG PMI.

The Plan contains a mechanism that would allow holders of unsecured debt and claims against NRG and NRG PMI to elect to receive equity instead of cash and/or debt, or cash and/or debt instead of equity. Reallocation will occur to the extent there are willing parties on each side.⁸

Applicants state that, generally, the claims of the Xcel Entities against the Debtors would receive one of two different types of treatment under the Plan. As to claims of approximately \$32 million arising prior to January 31, 2003, Xcel has agreed to settle such claims in exchange for a promissory note to be issued by NRG to Xcel in the original principal amount of \$10 million

("Xcel Note"). The estimated recovery on account of such claims is approximately 31%.

According to Applicants, any intercompany claims of Xcel against NRG or any of its subsidiaries arising from the provision of intercompany goods or services after January 31, 2003, will be paid in full in cash in the ordinary course. Payments on Guarantees and indemnities made by Xcel after January 31, 2003, will be reimbursed in full by NRG on the effective date of the Plan ("Effective Date"). The ownership interests, direct and indirect, of Xcel in NRG and its subsidiaries will terminate. According to Applicants, the new stock and other securities to be issued by the NRG Applicants under the Plan are as follows:

(i) The New NRG Common Stock shall consist of 100,000,000 shares of new common stock, par value \$0.01 per share. The New NRG Common Stock (subject to dilution for management incentive plan) will be distributed on a pro rata basis to holders of NRG's unsecured debt and claims and holders of unsecured claims against NRG PMI;

(ii) Reorganized NRG will also issue senior notes which shall (a) be in an initial principal amount of \$500,000,000, (b) accrue interest at a rate of 10% per annum if payable in cash or 12% per annum if payable in kind, and (c) mature on the seventh anniversary of the issuance. The senior notes are to be distributed on a pro rata basis to holders of NRG's unsecured debt and claims and holders of unsecured claims against NRG PMI; and

(iii) The Xcel Note shall (a) be a non-amortizing promissory note in an initial principal amount of \$10 million, (b) accrue interest at a rate of 3% per annum and (c) mature 2½ years after the effective date of the Plan.

D. Third Amended Disclosure Statement

The Plan was filed with the Bankruptcy Court along with the disclosure statement accompanying the Plan ("Disclosure Statement"). Applicants state that under section 1125 of the Bankruptcy Code, the Debtors may not solicit votes for acceptances of the Plan until the Bankruptcy Court approves the Disclosure Statement as containing information of a kind, and in sufficient detail, adequate to enable creditors to make an informed judgment whether to vote for acceptance or rejection of the Plan. According to Applicants, the Bankruptcy Court held a hearing on the Disclosure Statement on June 30, 2003, and is continuing its review of the Disclosure Statement.

Upon receipt of requisite approvals of the Disclosure Statement, the Debtors will solicit votes on the Plan. According to Applicants, the solicitation process is expected to take approximately 45 days. After the votes are cast, a confirmation hearing will be scheduled and notice of the hearing will be provided to creditors and parties-in-interest. Creditors and parties-in-interest will have an opportunity to object to the confirmation of the Plan at the confirmation hearing. At the confirmation hearing, the Bankruptcy Court must determine whether the confirmation of the Plan meets the requirements of section 1129 of the Bankruptcy Code. If the Bankruptcy Court determines that the Plan meets the requirements of section 1129, the Bankruptcy Court should confirm the Plan.

The Debtors may alter, amend or modify the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the confirmation hearing, with the written consent of the Unsecured Creditors Committee, the Global Steering Committee and Xcel. The Debtors may alter, amend or modify any exhibits to the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the confirmation hearing, with the written consent of the Unsecured Creditors Committee, the Global Steering Committee and Xcel. After the confirmation of the Plan by the Bankruptcy Court, and prior to substantial consummation of the Plan with respect to any Debtor as defined in section 1102 of the Bankruptcy Code, any Debtor may, with the written consent of the Unsecured Creditors Committee, the Global Steering Committee and Xcel, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the confirmation order, and such matters as may be necessary to carry out the purposes and effects of the Plan. A holder of a claim that has accepted the Plan shall be deemed to have accepted the Plan as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the claim of such holder. Applicants state that modification of or amendments to the Plan will be promptly filed with the Commission by amendment to the Application.

III. Obligations of Xcel Under the Plan and the Settlement Agreement

Applicants also state that under the Settlement Agreement, Xcel and NRG

⁷ Reorganized NRG refers to NRG, or any successor thereto by merger, consolidation or otherwise, as contemplated by the Plan.

⁸ The reallocation procedure is completely voluntary, and no party can be required or compelled to take part in the reallocation procedure. Creditors who do not participate in the reallocation procedure will receive the distribution to which they are otherwise entitled under the distribution provisions of the Plan.