

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

_____)
In re:) Chapter 11
)
EDISON MISSION ENERGY, et al.,¹) Case No. 12-49219 (JPC)
)
Debtors.) (Jointly Administered)
)
_____)

**DECLARATION OF CHRISTOPHER SOTOS
IN SUPPORT OF CONFIRMATION OF THE DEBTORS’
CHAPTER 11 PLAN OF REORGANIZATION**

I, Christopher Sotos, state the following under penalty of perjury:

1. I am a Senior Vice President of Strategy and Mergers & Acquisitions at NRG Energy, Inc. (“NRG”). I offer this testimony in support of confirmation of the *Debtors’ Third Amended Joint Chapter 11 Plan of Reorganization (with Technical Amendments)* (the “Plan”) filed by Edison Mission Energy (“EME”) and its affiliated debtors in the above-captioned chapter 11 cases (collectively, the “Debtors”).² The Plan implements, among other things, a transaction wherein NRG will (through certain of its affiliates) purchase substantially all of the assets of the Debtors and their non-debtor subsidiaries, and assume certain liabilities of the Debtors and their non-debtor subsidiaries (the “Sale Transaction”). The Sale Transaction was negotiated between and among NRG, the Debtors, and other key constituents in these chapter 11 cases, and was thereafter incorporated into the Plan.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: Edison Mission Energy (1807); Camino Energy Company (2601); Chestnut Ridge Energy Company (6590); Edison Mission Finance Co. (9202); Edison Mission Energy Fuel Services, LLC (4630); Edison Mission Fuel Resources, Inc. (3014); Edison Mission Fuel Transportation, Inc. (3012); Edison Mission Holdings Co. (6940); Edison Mission Midwest Holdings Co. (6553); EME Homer City Generation L.P. (6938); Homer City Property Holdings, Inc. (1685); Midwest Finance Corp. (9350); Midwest Generation EME, LLC (1760); Midwest Generation, LLC (8558); Midwest Generation Procurement Services, LLC (2634); Midwest Peaker Holdings, Inc. (5282); Mission Energy Westside, Inc. (0657); San Joaquin Energy Company (1346); Southern Sierra Energy Company (6754); and Western Sierra Energy Company (1447). The location of parent Debtor Edison Mission Energy’s corporate headquarters and the Debtors’ service address is: 3 MacArthur Place, Suite 100, Santa Ana, California 92707.

² Capitalized terms not otherwise defined herein are to be given the meanings ascribed to them in the Plan.

2. Except as otherwise indicated, the facts and statements in this declaration are based on my personal knowledge, my review of relevant documents, information provided to me or verified by NRG or its professional advisors, and my opinion based upon my experience and my knowledge of the circumstances and negotiations resulting in the Sale Transaction and the Plan. I am authorized to make this declaration on behalf of NRG and, if called upon to testify, I would testify competently to the facts set forth herein.

EXPERIENCE AND QUALIFICATIONS

1. I joined NRG in 2004 as a Senior Finance Analyst, following more than nine years in financial roles within the energy sector and other industries, including positions with Koch Capital Markets, Entergy Wholesale Operations and Service Corporation International.

2. In my current position as head of Strategy and Mergers & Acquisitions, I lead a team that evaluates new opportunities for growth and advises senior management on strategic acquisitions. This was my role in the Sale Transaction. As such, I have a general understanding of the history and structure of the Sale Transaction.

3. Prior to assuming my current position, I served a four-year term as NRG's Treasurer. In that role, I was involved in various financing and valuation issues in several acquisitions, including transactions with Reliant Energy, Green Mountain Energy, Energy Plus Holdings, and GenOn. I was also responsible for other essential treasury functions, including raising capital, valuation, debt administration and cash management.

4. I graduated from Indiana University in 1994 with a Bachelor of Science degree in finance and a Bachelor of Arts degree in economics.

BACKGROUND REGARDING NRG ENERGY, INC.

5. NRG is the largest competitive power generation company in the United States, with approximately 47,000 MW of fossil, nuclear, solar, and wind generation capacity. NRG's retail electricity providers—Reliant, Green Mountain Energy Company,

and Energy Plus—and heating and cooling operations serve more than two million customers in the United States.

6. NRG Energy Holdings Inc. (the “Purchaser,” and with NRG, the “Purchaser Parties”) is the purchaser in the Sale Transaction. The Purchaser is a direct, wholly owned subsidiary of NRG. Pursuant to the Sale Transaction, the Purchaser has agreed to acquire substantially all of EME’s assets for approximately \$2.64 billion, including approximately \$1.06 billion of cash on hand.

GOOD FAITH OF THE BUYER

7. The Purchaser Parties have acted in good faith in all respects relating to the Sale Transaction. The Purchaser Parties in no way induced or caused the Debtors’ chapter 11 filings. The Debtors were free to deal with any other party interested in acquiring the assets of EME and, in fact, thoroughly pursued a marketing and sale process managed by JP Morgan.³ The Sale Transaction and related documents were negotiated, proposed, and entered into by the Debtors and the Purchaser Parties in good faith and from arm’s-length bargaining positions, without any collusion, fraud, or attempt to take grossly unfair advantage of any party, including any potential purchaser. Specifically, the Purchase Agreement was the product of approximately six weeks of hard-fought, arms’-length negotiations among the various stakeholders in these cases, including the Debtors, the Unsecured Creditors Committee, the Supporting Noteholders, and the PoJo Parties, culminating in the entry into the Plan Sponsor Agreement, which the Court has already approved. Moreover, the Purchase Agreement provided for a “go shop” period during which the Debtors were free to continue to explore and develop alternative transactions. Each of the Purchaser Parties is accordingly a good-faith purchaser and entitled to the protections of section 363(m) of the Bankruptcy Code.

³ I understand that the Court approved the Debtors’ engagement of JP Morgan in an order dated July 17, 2013 (Dkt. #1021) and that a description of some of the sale-related actions performed and contemplated is included in the Debtors’ motion for such engagement, dated June 26, 2013 (Dkt. #936).

8. Neither the Debtors, the Purchaser Parties, nor any of the other parties to the Plan Sponsor Agreement engaged in collusion or any similar conduct that would cause or permit the Sale Transaction to be avoidable under section 363(n) of the Bankruptcy Code. The parties to the Plan Sponsor Agreement are highly sophisticated and were independently represented by counsel.

9. Neither of the Purchaser Parties is an “insider” or “affiliate” of any of the Debtors. No common identity of current directors and officers exists between the either of the Purchaser Parties and any of the Debtors.

ABILITY TO PERFORM UNDER ASSUMED CONTRACTS

10. The Purchaser Parties have the industry experience and financial wherewithal necessary to close on the Sale Transaction and perform under the Executory Contracts and Unexpired Leases listed on the Schedule of Assumed Executory Contracts and Unexpired Leases. The Purchaser Parties have invested significant time and financial resources in pursuing the Sale Transaction and preparing for integration.

11. NRG has been one of the major operators in the business of wholesale power generation in the United States for over two decades. As such, NRG is well-positioned and experienced for the successful operation and management of the Debtors’ business. NRG has a diverse fleet of almost one hundred generation assets located in 18 states in the Northeast, Chicago area, Gulf Coast, Southwest, Nevada, and California. NRG’s generation facilities include mostly power plants powered by natural gas, oil, and coal, as well as four wind farms and six solar farms. In operating such facilities, NRG has developed extensive knowledge and experience with regard to the engineering, safety, efficiency, regulatory, environmental, and technology aspects, among others, of power generation.

12. NRG is a Fortune 500 company. Its common stock is publicly traded on the New York Stock Exchange with a current market capitalization of approximately \$9 billion.

In 2012, NRG's total revenues were \$8.2 billion, with adjusted EBITDA of \$1.92 billion. NRG had approximately \$3.67 billion of total liquidity as of September 30, 2013 and \$896 million of Free Cash Flow (FCF) before growth investments in the first nine months of 2013. NRG had an adjusted EBITDA of approximately \$1.97 billion in the first nine months of 2013.

13. With NRG's financial capability and experience in the power generation field, as well as its willingness and ability to implement the Sale Transaction, the Purchaser and the Post-Effective Date Debtor Subsidiaries have the support necessary to perform their obligations in connection with the Sale Transaction, including (i) the payment of the cure amounts required under the Plan; and (ii) future performance under the Executory Contracts and Unexpired Leases listed on the Schedule of Assumed Executory Contracts and Unexpired Leases.

14. The assumption and/or assignment of the Executory Contracts and Unexpired Leases listed on the Schedule of Assumed Executory Contracts and Unexpired Leases, attached to the Plan, are integral to the Sale Transaction and to the continued business operations of the Purchaser and the Post-Effective-Date Debtor Subsidiaries.

SOLICITATION

15. I understand that the Court approved the Disclosure Statement and Solicitation Procedures on December 18, 2013. To the extent that the Purchaser Parties and their respective directors, managers, officers, employees, agents, affiliates, representatives, attorneys, and advisors, as applicable, have solicited acceptance of the Plan and/or have participated in connection with the Sale Transaction in the offer, issuance, sale, or purchase of the New Interests and NRG stock that are to be offered or sold under the Plan, such parties have done so in good faith and in compliance with the applicable provisions of the Bankruptcy Code and the Disclosure Statement Order. Therefore, such parties are entitled to

the protections afforded by section 1125(e) of the Bankruptcy Code and the related provisions set forth in Article VIII of the Plan.

PURCHASER INJUNCTION

16. The releases and injunctions contained in Article VIII.H of the plan (the “Purchaser Injunction”) are essential elements of the Sale Transaction. The Purchaser Parties bargained for these provisions and in entering into the Purchase Agreement relied on the parties’ agreement to provide for the Purchaser Injunction in the Plan.⁴ Without the Purchaser Injunction, the Purchaser Parties would not have entered into the Plan Sponsor Agreement or proceeded with the Sale Transaction. The Sale Transaction is the centerpiece of the Plan and necessary for the Debtors’ reorganization; the Purchaser Injunction is accordingly necessary.

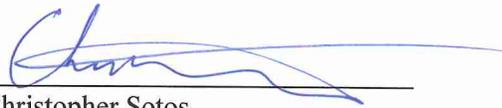
17. Further, the Purchaser Injunction is narrowly tailored. It addresses only the categories of Excluded Liabilities described at section 1.7 of the Purchase Agreement, to prevent such narrow classes of liabilities from being asserted against the Purchaser Parties or the reorganized assets they are acquiring. The Purchaser Injunction was the product of good-faith and arm’s-length negotiations among the Purchaser Parties, the Debtors, the Unsecured Creditors Committee, and the Supporting Noteholders, and constitutes a good-faith compromise and settlement. The Purchaser Injunction is in exchange for good and valuable consideration, including the substantial financial contribution of the Purchaser Parties under the Plan, all of which will enable the Debtors’ creditors to realize a sizeable recovery in these cases.

⁴ These provisions were included in the Plan Term Sheet attached as Exhibit B to the Plan Sponsor Agreement.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed this 7th day of March 2014.

By:



Christopher Sotos
Senior Vice President, Strategy and Mergers &
Acquisitions
NRG Energy, Inc.