

FINAL TRANSCRIPT

Conference Call Transcript

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PRESENTATION

Operator

Good day everyone and welcome to Mirant Corporation's fourth-quarter 2007 earnings conference call. Today's call is being recorded. For opening remarks and introductions, I'd like to turn the call over to Ms. Mary Ann Arico, Director of Investor Relations. Please go ahead.

Mary Ann Arico - Mirant Corporation - IR

Thank you, Felicia. Good morning and thank you for joining us today for Mirant's fourth-quarter and 2007 year-end earnings call. If you do not already have a copy the press release, financial statements and year-end filings with the SEC are available on our website at mirant.com. The slide presentation is also available on our website. A replay of our call will be available approximately two hours after we finish.

Speaking today will be Ed Muller, Mirant's Chairman and Chief Executive Officer, and Jim Iaco, Executive VP and Chief Financial Officer. Also in the room and available to answer questions are Bob Edgell, Executive VP and U.S. Region Head; Bill Holden, Senior VP and Treasurer; John O'Neal, Senior VP and Chief Commercial Officer; and Paul Gillespie, Senior VP of Tax.

Moving to slide one, the Safe Harbor. During the call we will make forward-looking statements which are subject to risks and uncertainties. Factors that could cause actual results to differ materially from management's projections, forecasts, estimates and expectations are discussed in the Company's SEC filings. I encourage you to read them. Our slide presentation and discussion on this call may include certain non-GAAP financial measures. For such measures, reconciliation to most directly comparable GAAP measure is available on our website or at the end of our slide presentation.

With that, I will turn it over to Ed.

Ed Muller - Mirant Corporation - Chairman and CEO

Thanks, Mary Ann, and good morning everyone. First, a very minor but important correction, Bob Edgell's title with the Company is Executive Vice President and Chief Operating Officer. And second, let me turn first to page 3. I will try as I go along to remember to tell you what page I'm on. If I forget, someone here in the room will hopefully nudge me.

Starting on page 3, before turning to the specifics of our presentation and our results and so, I'd like to take just a few moments to talk about how we think about enhancing stockholder value. That is enhancing the value of the business with which our owners have entrusted us. As you can see on page 3, we think about this in three ways. The first is operational performance. We're in the business of generating electricity from our power stations.

Since the day I joined Mirant, we have been focused on having our plants run reliably. As those who follow the Company know, we've had some disappointments, for example in the spring of 2007 this past year, we took an extended planned outage to connect the SCR at Unit 1 at Morgantown -- an SCR is selective catalytic reduction. This is part of our program under the Maryland Healthy Air Act to substantially reduce our emissions in this case of NOx. We took that outage but we were late coming back from it having had a variety of problems.

Those kinds of problems concern us enormously. We are focused on them. We are focused on making sure that we are as available as possible and as reliable as possible. One of the things we do here besides focusing in general is we focus on where things go wrong so that we don't repeat. And in doing that, no great surprise. We know that half of the problems that we have on reliability at our coal stations involve boiler tube failures. Now that sounds like a fancy term for those who are in the car industry or have followed it, you will know what that is, but boiler tubes are pipes of various sizes, of various thicknesses, they are inside the boiler and from the heat in the boiler, hot water and steam moves through those pipes at varying and often great pressures.

Keep in mind that a large boiler at a coal station like ours at Morgantown will have tubes in it that if stretched out from end to end would go north of 300 miles. So think of pipe that would run say from the city of Boston to the city of Philadelphia if we put it out in a straight line. When we have problems with those tubes, a leak, a rupture of a pipe, what have you, we have to come down to repair it and it causes reliability. We have a very focused, very targeted set of initiatives under way to reduce these boiler tube failures.

This is an example of the kind of thing we are doing. We are focused on it every day. We are focused on it seven days a week. We are focused on it 24 hours a day. I have a high degree of confidence that our reliability will improve but we will always be working on this, it is the nature of being in the power generating business having big machines upon which we rely and upon which the electric system relies.

The second element which you see there on page 3 is cash generation. In my mind, cash is the ultimate test of how a business is doing and that is what we focus on. There are lots of and

appropriately accounting standards to think about it but ultimately cash is what it is all about. Jim Iaco will later in our presentation go over our cash flows. I think when you look at them and he will lay this out for you well, our cash flows from this business are strong and getting stronger. And that makes sense when you think about it because we are in markets where demand is growing faster than supply. And our business and our sector is no different than any other sector in that you would analyze in terms of microeconomics, when demand grows faster than supply prices arise.

So we would expect to see revenues rising and we would therefore expect to see cash rising and we are -- that is exactly what we are seeing and we expect to see it across the sector. Our cash flow is masked somewhat because I referred to the SCR a moment ago at Morgantown Unit 1, we have in accordance with the Maryland Healthy Air Act, a very large CapEx program under way in Maryland at all three of our stations there, Morgantown, Chalk and Dickerson to put in environmental controls principally to control NOx, sulfate oxide, and mercury. The program which is on budget, which is on schedule, is a \$1.6 billion program. That means we are taking \$1.6 billion of cash and we are investing it in the fleet, in Maryland.

As of December 31, we had invested \$500 million of that \$1.6 billion, we have (inaudible) \$1.1 billion to go. Those expenditures will continue through the first quarter of 2010. The environmental improvements that we are doing will all be completed by the end of the fourth quarter of 2009 but in the ordinary course with construction contracts, we will be finishing the payments about a quarter later.

So Jim will show you that when you think about cash flow from our business, of course, we properly show the cash flow that is going out as we invest it in these environmental improvements, but these improvements are extraordinary and they are relatively short-term and so the way we will show you how to think about the cash flow of the business subtracting those out properly identified.

The third thing -- element as you can see on page 3 that we think about is growing the business. And everyone running a business and I am no exception, wants to grow their business. In the electric generating business, it is and it has been generally easier to say than to do, it is easy to get excited about. I like doing it, we look forward to doing it. You can see it is inevitable that it will happen. It is inevitable because with demand growing faster than supply, supply will have to catch up. Otherwise we will see more and more things as we saw in Southern Florida earlier in the week. And those are not acceptable in our society nor should they be acceptable.

Our locations where we have existing generating facilities are ideally situated for this future growth in terms of location, in terms of space, in terms of infrastructure, in terms of existing facilities that can be repowered. We look forward to doing all of that. We would like to be doing it now. We would like to be taking some of the cash and investing it for appropriate returns. We won't do so until it is proven. We won't make announcements until we think they are real.

We have a lot of things under way both in terms of brownfield development and in terms of repowering and I hope that they will all come true. They won't and they won't certainly all come true instantly. It is difficult as I think anyone following this sector knows to add traditional generating capacity. We are somewhat in an illogical situation politically and societally. We want more generating capacity, we want it to be inexpensive, we just don't want to build it. And that will not continue forever. It will stop and we will invest when it is appropriate and when we can get appropriate returns, we look forward to doing it. It is something we focus on every day just as we focus every day on moving the reliability of our existing generating assets.

But we are in business where we invest when we grow large amounts of capital. We want to but we will only do so when we can do so prudently.

So with that, let me turn to page 4 and talk about our results. First, our adjusted EBITDA for the year is up sharply, 52% to \$988 million. We are pleased with this. Second, in the middle of 2006, we announced that we would divest three portions of our business, our Philippines business, our Caribbean business and six of our U.S. natural gas fired facilities. By the middle of 2007, we had done exactly what we said we would do, on schedule and with net proceeds to us of \$5.1 billion.

In 2007 in April, we publicly announced that we would explore strategic alternatives again with our focus being to enhance the value of the Company to its owners. We completed that process in November and announced that we would return \$4.6 billion in cash to our stockholders.

Turn to page 5, here's a description of both where we have been and where we are going. In November, we announced that we would return \$4.6 billion and we announced that we would commence that with returning \$2 billion in two parallel programs; \$1 billion through an accelerated share repurchase program where we turned over \$1 billion to JPMorgan, JPMorgan turned over to us 26-odd million shares and then we will -- under that program in effect they have borrowed the shares in the market. They will now go and have been going to buy the shares to return them. We will have a true up when the program is over. It is not over yet. JPMorgan will determine when it is over; it will be over in any event no later than May 15, 2008.

In parallel with that program, we commenced a \$1 billion program of open market purchases by the Company. As of Monday of this week, that is February 25, we had bought in \$600 million or thereabouts of stock so we have as of this past Monday expended \$1.6 billion of the \$4.6 billion in returning cash to our stockholders and we have decided that for the remaining \$2.6 billion, that is we authorized and told you how we would return the first of \$2 billion of the \$4.6 billion, \$1 billion through an accelerated share repurchase, \$1 billion through open market purchases, leaving \$2.6 billion, that we will return the remaining \$2.6 billion through a continuation of our program of open market purchases by the Company.

We will of course continue to evaluate whether there are more efficient ways as we go along but our expectation now and our plan now is to return all of the remaining cash through open market purchases. I think the charts on page 5 are self-explanatory and I won't dwell on them other than to note that when we began this program in November on a primary basis, we had about 256 million shares outstanding and as of this past Monday, we had about 214 million shares outstanding.

Turning now to page 6 and the financial highlights of how we have done for the year, as I said earlier, for the year our adjusted EBITDA \$988 million is up 52% for the quarter, \$214 million was up 23%. The year-over-year improvement is principally attributable to higher capacity revenues, higher energy prices, the results of the Pepco settlement which was finalized and took effect in 2007, higher realized results from our proprietary trading and fuel oil management activities, offset some by lower incremental realized value from our hedging program.

In November, our guidance for 2008 was \$907 million of adjusted EBITDA. We are updating that today. Jim will walk you through the particulars and increasing it from \$907 million to \$925 million. We are also initiating for the first time guidance for 2009 and we are initiating that at \$1.011 billion. These are guidance and what we are seeing in the market is reflected on page 7, strong fundamentals particularly in the long-term gas prices. When we prepared this, the long-term curves were at \$8.50. Looking at them this morning, they are all north of \$8.50.

Heat rates we are seeing expand particularly in the off-peak hours in PJM and capacity prices in PJM continue to reflect what I mentioned earlier at the beginning of this presentation which is that demand is growing faster than the supply. And all the words in the world don't change the basic fundamentals of economics.

Turning to page 8, a chart that we have used before modified for our most recent data which shows what is happening to reserve margins, that is how much extra is left in the markets, all of it is shrinking. And remembering in particular that getting below 15%, 15.5% is worrisome. You can see that both in the portions of New York where we have generating facilities and in the portion of PJM where our mid Atlantic fleet is located that we are heading as a society, as a region, apart from our business into trouble. This is if running a business and thinking very narrowly and selfishly, this is terrific, but we all live in this society together, this is not sustainable. This is not good, something has to give here. And all the words in the world don't change the reality.

Turning to page 9. Our strategy has been and continues and will remain to hedge substantially though all of the market fundamentals are strong for us which might lead someone to say why do you bother hedging. The answer is we are in a commodity business. Electricity itself is a commodity, the fuels that we use, gas, oil, coal, are commodities. The emissions credits we use are commodities, and commodities by their nature all have volatile pricing. And to ensure that we have enough certainty of cash flows and predictability to manage the business, we think hedging good portions of this is the right thing to do and we continue to do it and will continue.

In the past in our last presentation, if you look at it we were providing three years of data. We would provide the current year and the next two years. We have expanded that here to give you a better sense of how we see this to show you five years. And if you look for example on the right here on page 9 at our baseload coal, you will see where we are and compared to last time to give you a sense in 2008, we are currently on our baseload coal 97% hedged.

In November when we last had a presentation on this, we were 82% hedged. On our coal for that, we are currently 100% hedged; when we last spoke, we were 96% hedged. For 2009, same factors on the power when we last spoke, we were 54% hedged; we are today 63% hedged. On the coal the last time we spoke, we were 67% hedged; today we are 100% hedged and you can see what the various numbers are there. We are always in the markets, we are always assessing these yet numbers are always changing for us.

Turning to page 10, an update on the segment for our Mid-Atlantic stations. For the quarter, we were up 16.5% in terms of realized gross margin, for the year we are up 30%. And these increases result no surprise from the higher capacity revenues and higher energy prices offset again by lower incremental realized value from hedging.

Turning to page 11, still on our Mid-Atlantic data on a couple of environmental issues. First as I mentioned but it bears repeating given its size, we are marching along to comply with the Maryland Healthy Air Act which has us -- we have a program underway, a \$1.6 billion program which is on schedule, on budget. We have as of December 31, \$1.1 billion to go and this program will result in enormous reductions in the emissions at our Maryland stations of sulfur dioxide, nitrogen oxides and mercury.

At the Potomac River station where we've been having ongoing issues involving how much of the plant we can operate and how we operate it, all of which arose back in 2005 with an issue known as downwash, to remind everyone, the Potomac River station has five units, five coal units which operate well. It has very, very short stacks and the reason for that it is built very near what is today Reagan National Airport. And so to avoid getting in the way of incoming aircraft, it has very short stacks. That is what led to the so-called downwash issue which is at least as theoretically modeled a concern that under certain weather conditions what is properly coming out of the stack could fall to the ground rather than disperse and do so in concentrations that might be unsafe for people.

Our solution has been we've had a variety of solutions in how we operate the plant. One of those solutions is to merge the stacks and we would do that without changing their height but we

would combine within the plant the five stacks to two which would give greater upward motion, lift, if you will, in the stacks so that the whatever it is properly and legally and permitted coming out of the stacks would go up and disperse better and not risk concentrating at ground level where people are walking and living.

We have been at litigation, there have been lots of ins and outs. The bottom-line is we expect that we will be able to move forward with the stack merge. We expect that by next year, we will move from where we are today where we are able to operate up to three of the five units to being able to operate all five of the units on a largely unconstrained basis.

Finally, RGGI. RGGI stands for the Regional Greenhouse Gas Initiative. Maryland is a member of RGGI and this deals with carbon and greenhouse gases. Maryland issued early this month proposed regulations on how they would go forward RGGI. RGGI is to take effect in all of the states that have joined it at the beginning of 2009. And one question is how credits will work as a cap and trade program.

Maryland's proposal is to auction all of the credits. I think with some recognition that the price of this ultimately is going to end up being paid by the consumer or largely by the consumer. They, Maryland is proposing a cap on the cost of that for in-state generators like us for half of what we would need in terms of carbon of \$7 a ton. We will see how this resolves but that is the latest on where it stands.

Moving to page 12, I've spoken earlier today probably repeatedly on supply and demand and this is reflected in what is happening in RPM or the capacity market at the PJM. You will note for those who have followed it, we previously cleared our prices in what is called Southwest MAAC which is the general area around in the Baltimore/Washington corridor where our plants are located. In the most recent auction, instead we cleared in the RTO, the Regional Transmission Organization. That is the entire PJM rather than a small portion of it.

And that reflects what is happening in the RTO. And that reflects also if you look at the third bullet from the bottom on page 12 two things. One is higher energy and ancillary service offsets which John O'Neal, our Chief Commercial Officer, will be happy to explain if anyone wants further information. And that the rules when we bid on these which are detailed and with which we comply religiously require us to assume that various new transmission lines will be in place to serve among other things Southwest MAAC. Obviously if those lines are not in place, the world would be different within the world that we bid into but again, as I said, we bid and do so religiously by the rules here.

Turning to page 13, the Northeast. We had some improved gross margin for the quarter due to higher energy prices and capacity revenues in New England. New England for the FCM, which is Forward Capacity Market, had had fixed prices in the way it was set without a bidding and so we went through as did all the other participants, the first of the bidding. It cleared at the floor price so that will yield us about \$4.25 a kilowatt month. There was a surprising amount of demand side response as well as new generation. So that capacity market seemed to have a good effect, it is what we expected internally, not a surprise to us.

New York ISO has been seeking to update the CONE, the Cost Of New Entrant, which translates into what the capacity prices will be in New York and FERC approved at the end of January New York's efforts to increase that. That is the right thing to happen. If you are not getting enough new supply, why not? Prices need to be there, people have to believe those prices will be there in order for new capacity ultimately to be developed.

Finally in New York, we have two stations. They are the Bowline station and we have the Lovett station. Lovett has one remaining unit in operation today, that is Unit 5. It is a coal unit running at about 180 megawatts. And in accordance with a consent decree into which we entered, we

currently intend to shut it down permanently on April 19, that is a month and a half. And unless we can reach some satisfactory arrangements with the various jurisdictions and authorities in the state of New York, we will begin the demolition of the facility.

California, turning to page 14. You can see for the quarter particularly that our realized gross margin was up sharply, 95%, and that is due to arrangements we entered into for tolling the facilities at Pittsburg and Contra Costa. And those facilities are a prime example of what I mentioned earlier, facilities with room to add capacity or to repower them and we are actively exploring both, and in this instance, Pacific Gas & Electric, PG&E, the load serving entity for Northern California, is working on requests for offers and we are actively preparing for and engaged in the process of responding to that utilizing our two sites, Pittsburg and Contra Costa.

Page 15, a slide we've used before, a slide we will use again. This lays out what I've said already that there is significant opportunity which we wish to pursue but we wish to pursue it prudently, to redevelop our sites, to put in brownfield. Brownfield meaning we're building at an existing site rather than a brand new virgin side, or a greenfield site, and to repower them. That is to take the existing facilities and augment them, modernize them and so on.

Page 16 is a map showing you where we are located, why we think our locations are strong. If you look at those reserve margin charts earlier in the presentation, you can see why these are valuable sites, valuable places to be. We are in the midst of load centers with declining reserve margins where new capacity is needed. We have the sites to do so, we have the room to do so and we have the will to do so.

And with that, I will turn to page 17 and let Jim Iaco take you through the numbers.

Jim Iaco - Mirant Corporation - EVP and CFO

Thank you, Ed, good morning. As Ed mentioned earlier, we had a strong 2007 with a 52% increase in adjusted EBITDA as compared to 2006. Our fourth quarter of 2007 was up 23% from the comparable 2006 quarter. As shown on slide 17, adjusted EBITDA for the fourth quarter of 2007 was \$214 million as compared to \$174 million for the 2006 period. The \$40 million improvement is principally due to a \$53 million increase in realized gross margin which I will discuss in more detail in the next slide partially offset by a \$13 million increase in maintenance related environmental compliance costs and other miscellaneous cost increase.

Turning to the year ended December 31, 2007, adjusted EBITDA was \$988 million as compared to \$648 million for 2006. The \$340 million improvement is principally due to a \$343 million increase in realized gross margin. And again, I will discuss this in more detail on the following slide.

Taking adjusted EBITDA and deducting interest taxes, depreciation and amortization derives adjusted net income. The reduction in interest taxes, depreciation and amortization for both the fourth quarter of 2007 and full-year comparisons is primarily due to an increase in interest income from higher cash balances as a result of the proceeds from the dispositions completed in 2007.

Turning to items that reconcile adjusted net income to income from continuing operations, a GAAP measure, net unrealized gains or losses on derivatives reflect the mark-to-market gain or loss on our hedging activities. Impairments for 2007 are related to the impairment taken earlier in the year related to the Lovett generating facility and for 2006, the impairment related to the Bowline Unit 3 suspended construction project.

The New York property tax settlement is the benefit recorded during the fourth quarter of 2006 related to the settlement of those disputes. The Pepco settlement is the total Pepco settlement gain of \$379 million adjusted for \$17 million of refunds included in adjusted EBITDA which relate to 2007 payments made under the Pepco agreement prior to the settlement. And finally, the benefit for income taxes relates to the release of the valuation allowance related to the 2007 taxable gain resulting from the sale of the Philippine business.

Our average diluted share count is lower in the 2007 periods as compared to the 2006 periods due to share repurchases during the fourth quarter of 2007 partially offset by an increase in assumed diluted shares for options and warrants due to additional grants and increases in our stock price. And finally, earnings per share based on adjusted net income was \$0.72 for the fourth quarter of 2007 as compared to \$0.35 for the comparable 2006 period and \$2.91 per share for the year ended December 31, 2007 as compared to \$1.04 for 2006.

Now turning to slide 18, this slide presents the components of the Company's realized gross margin for the fourth quarter and for the full year of 2007 as compared to the comparable periods of 2006. Energy shown as the light blue bar, represents gross margin from the generation of electricity at market prices, sales and purchases of emission allowances, fuel sales, purchasing and handling of fuel, steam sales and our proprietary trading and fuel oil management activities.

The \$42 million increase for the fourth quarter of 2007 as compared to 2006 was attributable to a \$74 million increase in energy gross margins in the Mid-Atlantic and Northeast regions principally due to an increase in electric energy prices partially offset by a \$35 million decrease in gross margins related to settle fuel oil management positions.

The \$172 million increase for the full year of 2007 as compared to 2006 was principally due to a \$145 million increase in energy gross margins in the Mid-Atlantic in Northeast regions principally due to an increase in electric energy prices and an \$80 million increase in gross margins related to settle fuel oil management positions partially offset by a \$42 million decrease in the results from our proprietary trading activities.

Contracted and capacity, the dark blue bar, represents gross margin received from capacity sold in ISO administered capacity markets through RMR contracts, ancillary services, and from the back-to-back agreement which was terminated on August 10, 2007. The \$104 million increase for the fourth quarter of 2007 was principally due to a \$72 million increase in capacity gross margin in the Mid-Atlantic and Northeast regions, an \$18 million increase in the California region, the result of a new tolling agreement with PG&E, and a \$14 million increase as a result of the Pepco settlement.

The \$380 million increase for the full-year of 2007 was principally due to a \$200 million increase in capacity revenue in the Mid-Atlantic and the Northeast regions, a \$43 million increase due to the new tolling agreement with PG&E and a \$77 million increase as a result of the Pepco settlement.

And finally, the incremental realized value of hedges, the yellow bar, reflects the actual incremental margin realized in excess of market prices upon the settlement of our power and fuel hedging contracts.

Turning now to slide 19, taking net cash provided by operating activities on a GAAP basis and adjusting it for bankruptcy payments which are nonrecurring in nature, and emission allowance sales proceeds and capitalized interests, which are included in investing activities for GAAP financial statement presentation. Results and adjusted net cash provided by operating activities of \$146 million for the fourth quarter of 2007 as compared to \$164 million for the fourth quarter of 2006 and \$835 million for the full-year of 2007 as compared to \$945 million for 2006.

As noted, 2006 includes a \$446 million source of cash, the result of a substantial decrease in cash collateral. Reducing these amounts for total capital expenditures results in a free cash flow deficit of \$29 million for the fourth quarter of 2007 as compared to free cash flow of \$129 million for the fourth quarter of 2006 and free cash flow of \$275 million for the full-year of 2007 as compared to \$812 million for 2006.

Our Maryland Healthy Air Act expenditures which are nonrecurring in nature have been and will be funded by existing cash. I will discuss this in more detail on slide 26. Therefore a more meaningful presentation of free cash flow is to use free cash flow adjusted for the expenditures related to the Maryland Healthy Air Act. Importantly, adding back actual expenditures under that program results in adjusted free cash flow of \$104 million or \$0.39 per share for the fourth quarter of 2006 and \$685 million or \$2.47 per share for the full-year of 2007.

Turning to slide 20, this slide presents our debt and liquidity as of December 31, 2007. Consolidated debt, which is \$3.095 billion at December 31, 2007, is down \$180 million from consolidated debt at December 31, 2006 due to \$138 million worth of repayments of debt at Mirant North America and \$39 million of purchases of Mirant America's generation senior notes due in 2011. After subtracting reserve cash, our available cash and cash equivalents including amounts available under the Mirant North America revolver and synthetic credit facility, amounted to \$5.656 billion at December 31, 2007. This balance reflects payments made under the accelerated share repurchase program and open market purchases totaling \$1.316 billion through December 31, 2007.

Let me take a moment to discuss the cash balances at Mirant North America and Mirant Mid-Atlantic. Mirant North America's ability to pay dividends is restricted under the terms of its debt agreements. At December 31, 2007, Mirant North America had distributed to its parent all available cash that was permitted to be distributed under the terms of those debt agreements, leaving approximately \$697 million at Mirant North America and its subsidiaries. \$242 million of that amount was held by Mirant Mid-Atlantic which as of December 31, 2007, met the ratio test under the leveraged lease documents for distribution to Mirant North America.

After taking into account the financial results of Mirant North America for the year ended December 31, 2007, we expect Mirant North America will be able to distribute to its parent approximately \$55 million in March.

Turning to slide 21, as Ed mentioned earlier, we are updating our guidance for 2008 to \$925 million and initiating guidance for 2009 at \$1.011 billion. I will address the changes in realized gross margin. I will address a comparison of adjusted EBITDA for 2008 as compared to 2007 and 2009 as compared to 2008, and also give some detailed information on guidance and sensitivities in the coming slides.

Taking adjusted EBITDA and deducting projected net interest expenditures, income taxes, and factoring in projected changes in working capital, adjusted net cash flow from operations is projected to be \$774 million and \$773 million for 2008 and 2009 respectively. Reducing adjusted net cash flow from operations by projected capital expenditures of \$975 million and \$527 million for 2008 and 2009 respectively, derives an adjusted free cash deficit of \$201 million for 2008 and an adjusted free cash flow of \$246 million for 2009.

Again, adding back in the Maryland Healthy Air Act capital expenditures for 2008 and 2009, which as I stated earlier are nonrecurring in nature and will be funded by existing cash after the return of \$4.6 billion to our stockholders, results in an adjusted free cash flow under the Maryland Healthy Air Act CapEx of \$488 million for 2008 and \$532 million for 2009. Our adjusted free cash flow yield excluding the Maryland Healthy Air Act CapEx and based on the closing share price and diluted share count as of February 25, is 5.7% for 2008 and 6.2% for 2009.

Our hedged realized gross margin for 2008 is \$1.213 billion or 75% of our projected realized gross margin. For 2009, our hedged realized gross margin is \$1.026 billion or 61% of our projected realized gross margin. Hedged realized gross margin is defined as hedged merchant generation and other contracted capacity which would include reliability must run agreements and capacity sold in ISO administered capacity markets.

And finally, hedged adjusted EBITDA, which is defined as hedged realized gross margin, reduced by our projected operating expenses for a full calendar year is \$530 million or 57% of our projected adjusted EBITDA for 2008 and \$353 million or 35% of our projected adjusted EBITDA for 2009.

Turning to slide 22, this slide presents the components of actual realized gross margin for 2007 and projected realized gross margin included in our guidance for 2008 and 2009. Realized gross margin is projected to decrease from \$1.643 billion in 2007 to \$1.608 billion in 2008. The \$35 million decrease is comprised of a \$167 million decrease in the incremental realized value of hedging, partially offset by a \$111 million increase in contracted and capacity realized gross margins and a \$21 million increase in energy realized gross margins.

Realized gross margin is projected to increase from 1.608 billion in 2008 and \$1.684 billion in 2009. The \$76 million increase is comprised of a \$105 million increase in energy realized gross margins, a \$36 million increase in contracted and capacity partially offset by a \$65 million decrease in the incremental realized value of hedges.

Turning to slide 23, this slide presents a comparison of our 2008 guidance to actual 2007 results and a comparison of our 2009 guidance to our 2008 guidance. 2008 guidance as compared to 2007 actual results, adjusted EBITDA is projected to decrease by \$63 million. This change is comprised of the following, an increase of \$111 million in contract and capacity gross margin principally due to a full-year of PPM capacity revenues for 2008 as compared to seven months for 2007, as well as higher prices for the RPM plan year '08, '09 as compared to the RPM plan year '07, '08.

An increase of \$64 million is due to changes in market prices. We have an increase of \$40 million due to increases across the fleet and our commercial availability; a \$167 million decrease in the incremental realized value of hedges principally due to a reduction and the projected differential between market prices and hedged prices; an increase of \$68 million in operating and other costs; a decrease of \$33 million due to the anticipated shutdown of Lovett Unit 5; and finally, a \$10 million decrease in anticipated revenues from our proprietary trading and fuel oil management activities.

2009's guidance as compared to 2008's guidance, adjusted EBITDA is projected to increase by \$86 million. This change is comprised of the following, an increase of \$104 million due to changes in market prices; an increase of \$48 million due to increases in our commercial availability; an increase of \$36 million in contract and capacity gross margin, principally in the Mid-Atlantic and Northeast regions; a decrease of \$10 million in operating and other costs; a \$65 million decrease in the incremental realized value of hedges, principally due to a lower volume of hedged transactions; and we have included a \$40 million worth of costs related to complying with the Regional Greenhouse Gas Initiative.

We expect to emit approximately 16 million tons of CO₂ in 2009 and for purposes of our 2009 guidance, we assume CO₂ credits under the RGGI program which cover one ton of emissions will cost \$2.50 per credit. And finally, a \$7 million decrease in anticipated revenues from our proprietary trading and fuel oil management activities.

Turning to slide 24, I'll address some of the key sensitivities regarding the guidance for 2008 and 2009 that we are providing today. NYMEX gas prices utilized in our guidance are as of February 6 and are \$8.32 per mmbtu for the balance of 2008 and \$8.57 per mmbtu for 2009. Based upon our unhedged adjusted EBITDA for 2008 and 2009, a \$1 price move in natural gas will result in a change in adjusted EBITDA of approximately \$25 million for the balance of 2008 and \$65 million for all 2009.

Energy price changes due to heat rate movements of 500 BTUs per kilowatt hour will result in a change in adjusted EBITDA of approximately \$25 million for the balance of 2008 and \$70 million for all of 2009. The heat rate shown are 7 by 24 Pepco forward implied market heat rates as of February 6.

As I indicated on the previous slide, we have included a carbon credit cost of \$40 million in our 2009 guidance based on our expected emissions at a cost of \$2.50 per ton. The sensitivity to adjusted EBITDA for a \$1 change in the price of credits is approximately \$5 million. This sensitivity is based on our hedged position and our view that power prices will increase as the cost of complying with RGGI increases.

Turning to slide 25, this presents a breakdown of our projected capital expenditures for 2008 through 2010. Our normalized maintenance CapEx approximates \$100 million a year but is projected to be higher in the early years of our Maryland environmental CapEx program due to upgrades that will be timed in conjunction with our environmental retrofits.

As Ed mentioned earlier, the total estimated cost for compliance with the Maryland Healthy Air Act remains at \$1.6 billion. We have expended \$500 million through December 31, 2007.

Turning to slide 26, we have previously announced that we will be returning \$4.6 billion to our stockholders starting with a \$1 billion accelerated share repurchase program combined together with \$1 billion in open market purchases. Reducing the \$4.6 billion by the accelerated share repurchase program and open market purchases through December 31, 2007, the remaining cash to be returned to stockholders as of December 31, 2007, amounted to \$3.284 billion.

At December 31, 2007, cash and cash equivalents amounted to \$4.961 billion. Reducing that amount by the remaining cash to be returned to stockholders of \$3.284 billion and by other unavailable cash, cash available to fund projected expenditures at December 31, 2007 is \$1.662 billion and exceeds the remaining Maryland Healthy Air Act expenditures by \$562 million.

And with that, I will turn it back to Ed who will wrap up and open up the presentation for questions. Ed?

Ed Muller - Mirant Corporation - Chairman and CEO

Thanks, Jim, appreciate it. On page 27, the key takeaways from the presentation today, we have a business that generates good strong cash flow. As we said, it is masked by the very large environmental CapEx that we have underway in Maryland but taking that -- looking through that, you can see that this business generates very good cash. We are in the process and have underway returning the full \$4.6 billion that we said we would return and other than the \$1 billion that we will be returning -- have returned through the accelerated share repurchase program, we will return it through open market purchases unless at some point we see a better way to do it.

The generating -- our generating facilities are located in regions with declining reserve margins that the laws of economics are working in our favor. As Jim just said, the environmental program

in Maryland is if you will, funded. We have the cash in hand to do it. It is underway, I repeat, it is on budget and it is on schedule.

We are, as I said, at the very beginning highly focused on our maintenance program to maintain and improve the availability of the plants and their reliability and we are optimistic that we will succeed with that. We want as we have wanted to add capacity, brownfield capacity at our existing sites and to repower and redevelop our existing assets. That will happen, the question is when. We are working on it but we will not -- you will not be hearing from us until we think it is realistic and we will not be doing it until we think it is prudent.

And with that, Mary Ann, I think we are ready for questions.

Mary Ann Arico - Mirant Corporation - IR

Felicia, we are ready to start the Q&A.

QUESTION AND ANSWER

Gregg Orrill - Lehman Brothers - Analyst

Thanks a lot. Good morning. In your '09 EBITDA guidance, two things. I was wondering first if you included the ramp up from three units to five for Potomac River? And then second, on the exposure to RGGI, did you include any offsetting market power prices?

Ed Muller - Mirant Corporation - Chairman and CEO

The answer to both, Gregg, is yes. We are assuming, it is our best judgment that we will be able to run largely unconstrained all five units in '09 and that is the basis of the guidance that we have given. And second, yes, in how we have calculated both the guidance for '09 and the sensitivity that Jim walked you through, we assume that there is going to be a reaction in market prices to the cost of RGGI.

Gregg Orrill - Lehman Brothers - Analyst

Okay, thanks.

Elizabeth Parella - Merrill Lynch - Analyst

Thank you. Just following up on the 2009 guidance. Given increase in the commercial availability of \$48 million year-on-year after a big increase in '08, just wanted to get a sense as to -- on the scrubber outages which you are going to do in late '09, how long do you think those outages are going to take? And how do you manage to also have a big increase in availability that year?

Ed Muller - Mirant Corporation - Chairman and CEO

Well, first as to how long they will take, Elizabeth, we will be doing a variety of things at the plants in conjunction with these outages to make them efficient and for commercial reasons, we are not going to disclose the exact lengths of the outages. And availability is up because of a variety of things across the fleet and while we will have some downtime, planned downtime at the coal stations, we are looking at all of our fleet which is 11 stations across the country.

Elizabeth Parella - Merrill Lynch - Analyst

Okay. And you mentioned that you've got a reduction in operating costs in '08, as part of the -- I'm sorry -- a drag in operating costs I think is the way we should be looking at it in '08. But no drag and in fact some reduction in operating costs in '09. Can you walk us through what that is driving that pattern?

Jim Iaco - Mirant Corporation - EVP and CFO

Sure, Elizabeth. In '08 compared to '07, the increase I spoke to about \$68 million, we have some increase at our plant operating and maintenance costs of about \$33 million. This is a variety of things some of which is tied to the scrubber program. We have an increase in property taxes because of some recently enacted legislation in Maryland and some increase in our corporate costs.

As far as 2009 compared to 2008, that decrease, we've got a slight decrease across the board. I mean some of it is related to property taxes, some decrease in our operating costs in our plants and we have a decrease in our corporate cost as well.

Elizabeth Parella - Merrill Lynch - Analyst

Okay. And if I could just ask a question on your coal hedging. What should we be thinking about as the blend in 2010 and maybe on a normalized basis with the scrubbers on the three Maryland plants?

Ed Muller - Mirant Corporation - Chairman and CEO

John, do you want to take that?

John O'Neal - Mirant Corporation - SVP, Chief Commercial Officer

In terms of the spec, Elizabeth, is that --?

Elizabeth Parella - Merrill Lynch - Analyst

Well, no, I just meant assuming that you're going to move to some type of higher sulfur coal. So how should we be thinking about the blend of coals that you'll be using in 2010? And I don't know if it changes beyond that or you get fully to where you want to be in 2010?

John O'Neal - Mirant Corporation - SVP, Chief Commercial Officer

Certainly in 2010, we have the flexibility to burn a higher sulfur coal because of the scrubber upgrade that we will be doing at the Mid-Atlantic station. We also, as you know, are putting in a barge unloader at Morgantown which will allow us to bring in imported coal. From a modeling perspective the way we think about it is right now we are kind of modeling and again, we are not giving guidance for 2010, but as we think about it, we kind of think about a typical kind of MGA spec in 2010 and beyond. And obviously we will avail ourselves of what makes the most sense when we get there.

Our coal plants have typically -- we purchased at around a three pound sulfur spec and that is probably a good way for you to think about it as you think about the outer years. Again, if it makes more sense for us to bring in a higher sulfur coal because of the sulfur differential and the savings, we will do that. Alternatively, if it makes more sense to bring in international coal at a low sulfur, we will do that. Obviously as we look at the international markets right now, that doesn't make a lot of sense. But from a modeling standpoint, we kind of think about a three pound MGA as being what we would model going forward.

Elizabeth Parella - Merrill Lynch - Analyst

If I could just ask one other question since Paul is there. I think there is a slide in the appendix on the NOL situation. It sounds like something may have changed since the November call, is that correct? And if you could just sort of walk us through whether anything has changed that we need to be aware of from an NOL perspective?

Paul Gillespie - Mirant Corporation - SVP of Tax

All right, two things happened. We think that in December 2007, we had a change in ownership, the effect of that change in ownership however, is very limited. In essence, we still think we are in the same position that we had earlier advised you and we can use about 500 million of NOL in each year through 2012 assuming that we have sufficient taxable income.

Second thing that has happened is that our NOLs have dropped down a little bit. That is a result of a study that we completed in the December. The NOLs or the benefits, the tax benefits haven't disappeared. They've simply shifted over to different deferred tax assets.

Elizabeth Parella - Merrill Lynch - Analyst

Okay. Thank you.

Douglas Clifford - Omega Advisors - Analyst

Good morning. I want to focus in on the share repurchases. If I understand it, you are not disclosing where JPMorgan is on its short position right now whether then, Ed, you said they have not covered their short completely as of today?

Ed Muller - Mirant Corporation - Chairman and CEO

Well, they have not completed -- that is correct, they have not completed the program. You understand it correctly, Doug.

Douglas Clifford - Omega Advisors - Analyst

That suggests then that the total number of shares that have actually been repurchased in the market is something less than 40 million shares. And the total volume in your stock since November 9 is something over 270 million shares. So the arithmetic tells me that you and JPMorgan combined have been somewhere perhaps 12% or 15% of the volume.

And my question is that number seems a little low. It seems lower than it certainly can be. Do you have a comment or do you think that going forward you will be trying to be closer to 25% of the volume in your stock?

Ed Muller - Mirant Corporation - Chairman and CEO

Doug, we don't have a comment. The program is such that between JPMorgan and us we have some volume restrictions and we of course adhere to the restrictions. And what else goes on in the market is beyond us.

Douglas Clifford - Omega Advisors - Analyst

But your restrictions are at least in the numbers I went through, that your restrictions are well above what the pace of your repurchases have been so far.

Ed Muller - Mirant Corporation - Chairman and CEO

Bill, go ahead.

Bill Holden - Mirant Corporation - SVP, Treasurer

Doug, maybe I can just add a little bit. You are correct that the limitation on the repurchases across the two programs, the ASR and the open market repurchases is 25% of the average daily trading volume. The way that the programs are set up though we allocate that 25% to the ASR and to the open market purchases. We are not able to transfer unused amounts from one program to the other. So for the open market repurchases, we have a percentage of that 25%.

For the ASR, there is a percentage allocated and then JPMorgan actually makes the trading decisions on that side of it as to how they cover the short. And that is all part of the documentation under the ASR where they've agreed that the final price that we end up paying for the shares will be adjusted based on the volume weighted average price during the program minus a discount which they agreed to at the outset.

Douglas Clifford - Omega Advisors - Analyst

Would it be, this is the last question, is would it then be logical for us to think that once the JPMorgan has covered their short and assuming you don't do another ASR, that it will be easier to coordinate a one-pronged program at least in getting the volume up?

Bill Holden - Mirant Corporation - SVP, Treasurer

Yes, Doug, once the ASR is complete, then the open market purchase program would have access to the full 25% limit.

Douglas Clifford - Omega Advisors - Analyst

Thank you.

Paul Patterson - Glenrock Associates - Analyst

Good morning, guys. I wanted to touch base with you on slide 29. When we look at the delivered coal price in the Mid-Atlantic, does that indicate that you guys haven't hedged the coal prices and these are just the market prices that you guys expect to realize than?

Ed Muller - Mirant Corporation - Chairman and CEO

John?

John O'Neal - Mirant Corporation - SVP, Chief Commercial Officer

No, Paul, what we are showing you there -- the purpose of this slide is we want to allow you to model our business based purely on market prices as we see them. And so the delivered coal price we are providing for you there is what we believe the market price is for delivered coal to our fleet in the Mid-Atlantic including transportation. So our transportation is roughly somewhere between \$20 to \$22 a ton. You back that out of these costs, you get at the time we did this -- again, these are curves as of 2-6 -- you get the spec for our coal, you get prices in the high 60s.

What we then provide you down below is the net value of all of our hedging activity on a dollar per megawatt hour basis. So the value of the hedges, because as I described it, we are near on 100% hedged in 2008 and 2009 both, the value of those hedges because obviously a lot of that hedging activity went on long before this run-up, so there is very large imputed value in those hedges. That is reflected in the numbers you see below where we give you the net value of all of our hedging activity which includes both the coal hedges and the power hedges.

One other note I would make is that at 12-31-07, and we disclose this in our K today, because we think it's good disclosure, is the value of all of our coal hedges at 12-31 was \$134 million on a mark-to-market basis. Obviously those are not contracts that we are required to mark but we felt from a disclosure standpoint it would be helpful for people to know the value and it was \$134 million at December 31st.

Paul Patterson - Glenrock Associates - Analyst

Okay, great. And then just on -- again we saw the chart, we see the declining reserve margins. We've also seen some statements by the Maryland Public Service Commission in terms of going for a sort of an IRP process for lack of a better term in terms of new generation and what have you. Any comments you have on that in terms of what you guys think is the opportunities or the issues associated with something like that?

Ed Muller - Mirant Corporation - Chairman and CEO

You said IRP (multiple speakers)

Paul Patterson - Glenrock Associates - Analyst

Well, I mean the contracting for generation forcing PG&E to have long-term contracts with IPPs and what have you, what they seem to be suggesting is a very likely outcome perhaps in the next few months.

Ed Muller - Mirant Corporation - Chairman and CEO

Well, I think this, Paul. The leadership in Maryland and the government has to its credit realized that there is a long term, a problem that has been long term in coming that needs to be addressed and how best to address that is complicated. And it's evident that the leadership is concerned about a variety of things for which I again think it deserves credit. One is reliability. Is there just going to be enough? And as those reserve margins come down, that becomes worrisome.

Of course the second as you'd expect is price, though with gas up where it is, it's no surprise that electricity is expensive. How this comes out as in any process where you have a lot of constituents, different groups with interests is still unclear. I think a logical way for it would be some sort of contracting for new build. That is certainly one way to do this. And if the state decides that is what it wants to do, we would be very interested in participating in that process and adding or augmenting the capacity at our existing sites in Maryland.

But beyond that, I think it's beyond our ability to predict with enough certainty the answer to your question.

Paul Patterson - Glenrock Associates - Analyst

Okay, thank you.

Lasan Johong - RBC Capital Markets - Analyst

Yes, good morning, congratulations, a good year. I wanted to give you a couple of quick questions. First of all, is there any timeframe for completing the \$2.6 billion of open market share repurchase at all?

Ed Muller - Mirant Corporation - Chairman and CEO

We have been -- we are not specifying a time period but as you can see from what we have done as through this past Monday, we are marching along with this. And our plan is to march along.

Lasan Johong - RBC Capital Markets - Analyst

Okay. And can you give us a sense of kind of what types of projects you are looking at mix of greenfield versus brownfield, coal versus gas, contracted versus merchant?

Ed Muller - Mirant Corporation - Chairman and CEO

Well, we are looking at a variety of things, and as I said earlier, I don't want to get out ahead -- I've been in this business long enough to know that anything that gets said people jump on and then in the next call they want to know how much progress we've made. And things in this sector unfortunately often move slowly and I don't want to hold out false hopes.

We are looking at things that would make our existing -- some of our existing boilers more efficient. We are looking at taking some of our existing peaking capacity and turning it into combined cycle capacity. We are looking at bidding to build new natural gas fired peaking capacity in California.

We are not looking at adding any coal-fired capacity. I think that is a -- and the reason is not because we don't like coal and we don't think it can be a good part of the mix going forward, there is I think a strong argument that it should. But we recognize the political realities out there and for us to spend a lot of time trying to do something that right now the public does not want, would have us tilting at windmills, which is not our business.

Lasan Johong - RBC Capital Markets - Analyst

Okay, and last question is Maryland prepared for the potential sharp increase in rates due to the RGGI implementation? Do you think they are, how should I say this, are they deluding themselves into believing that this is not going to impact the customers in the [day] or are they fully aware of what they are doing and what it means to customer bills and how this could potentially threaten and damage reliability?

Ed Muller - Mirant Corporation - Chairman and CEO

Well, I think your question is an excellent one. I don't know -- I can't speak for all of Maryland nor can even speak for the Maryland government. I think that there is some growing recognition. I think in the beginning of this as RGGI was coming along, there was a perception that it was a free lunch, that it would not affect the consumer at all. There was a sense that there might be some price increase but demand would go down sufficiently so that the net bill to consumers would be the unchanged, they would use less. I think that notion is somewhat dissipating.

I think you see this cap for half of what the instate generators would need as being a recognition that somebody is going to pay for this and by and large, it's going to hit the consumer. So where all that stands, I think if you got various people you'd get different opinions but I think there is rising concern in this regard.

Lasan Johong - RBC Capital Markets - Analyst

Okay, thank you very much.

Alex Mazier - Sandell Asset Management - Analyst

Hey, guys, good year. Just a question regarding your hedging. Coal for '08 and '09, I was just wondering if any of those contracts are subject to openers or escalators?

Ed Muller - Mirant Corporation - Chairman and CEO

John, do you want to take that?

John O'Neal - Mirant Corporation - SVP, Chief Commercial Officer

Yes. Alex, all of our contracts are firm priced contracts. We've not included anything in there that would include a price reopener. So everything we are providing to you today both from a value standpoint and also then from a volume standpoint on the hedged percentages are at fixed prices.

Alex Mazier - Sandell Asset Management - Analyst

Thank you.

Daniele Seitz - Dahlman Rose & Co. - Analyst

Thank you very much. Do you have any goals of capacity factor as you upgrade your coal units over the next two or three years of some targets that you are looking at? It seems that you are focusing on operations. So I was wondering if there was anything we could latch on?

Ed Muller - Mirant Corporation - Chairman and CEO

Well, I think we have said that we are seeking to improve our commercial availability. It is one of the goals for our annual incentive plan and I believe we stated this in an 8-K. The factor we are seeking is to have commercial availability of 87% for 2008. Well if we didn't say it, we've said it now. It is one of the factors and we are focused on it as I said every day.

Daniele Seitz - Dahlman Rose & Co. - Analyst

And this compares to what number for '07?

Ed Muller - Mirant Corporation - Chairman and CEO

It was a lower number in '07.

Daniele Seitz - Dahlman Rose & Co. - Analyst

I assume so. But you don't have the number -- I can always ask later. And as far as the cost of equipment, environmental equipment, I was wondering are all of those contracts locked and there is no chance of any cost escalation?

Ed Muller - Mirant Corporation - Chairman and CEO

No, I wouldn't say that. I think the biggest issue for us is most of the equipment, the hard assets, is fixed or we are very close to having it fixed. The issue for us that is open is labor costs which is a problem I think throughout the industry though it may be a problem that is given the state of the economy, mitigating somewhat. But it is not on the physical equipment, the parts, the components and so on, it is the labor.

Daniele Seitz - Dahlman Rose & Co. - Analyst

And your impression is that the \$1.1 billion that is left over labor will represent maybe 25%, 35%?

Ed Muller - Mirant Corporation - Chairman and CEO

I think it is probably more than that. But when I say, Daniele, as I said probably repeatedly here, that we are on budget. We are assessing the labor markets and we are doing so on a biweekly basis.

Daniele Seitz - Dahlman Rose & Co. - Analyst

Right, no, I was asking that because other companies have been mentioning it. The other last question, the Potomac issue, I mean isn't there some sort of a worry out there that the capacity we reserve will be very limited during the summer? Is there any chance for the plants to actually operate on the (inaudible) basis?

Ed Muller - Mirant Corporation - Chairman and CEO

On a which basis, Daniele?

Daniele Seitz - Dahlman Rose & Co. - Analyst

Because it's on an emergency basis.

Ed Muller - Mirant Corporation - Chairman and CEO

Well, there is always that possibility. In February of '07, we were ordered indirectly by the Department of United States Department of Energy to run at full capacity because of reliability concerns in the District of Columbia. And having been ordered by the federal government to run, we did so. Now due to some transmission improvements made by the load serving entity there, there seems to be at least currently less of a concern about that but you raise a very good point and that depends on availability. It depends on problems, to whit, look what happened in Florida in a substation.

So can that happen? That can. We have to operate within the terms of our permits. Though of course when we are ordered by the federal government to operate, to maintain the electric supply in the nation's capital, we will do so.

Daniele Seitz - Dahlman Rose & Co. - Analyst

Understand, thank you.

Tyler Baron - Botti Brown - Analyst

Good morning. First question on capital structure. If we look at your '09 guidance and roll forward the continued share repurchase, that would put us levered at around 1.4 times. The expectation for that is still to -- will eventually migrate to 3.5 to 4 times?

Ed Muller - Mirant Corporation - Chairman and CEO

Bill?

Bill Holden - Mirant Corporation - SVP, Treasurer

Yes, Tyler, I guess the way I would think about it we -- I'm not sure where you get that number. If you look at the -- as a starting point -- if you look at the debt we had at year end and you impute the debt from the MIRMA leases, we are just around 4 times debt to EBITDAR based on the '08 guidance and obviously the '09 guidance is up so it would come down a little bit.

But I think I have mentioned this before, we're thinking about this more in terms of gross debt than net debt and if you are looking through time at net debt, the cash balances are going to decline as we spend the cash on the share -- returning capital to the stockholders and as we invest the cash into the capital expenditure program in Maryland.

Tyler Baron - Botti Brown - Analyst

Great. I'm talking on a net debt basis. But even still we have net cash right now of \$1.8 billion. You have around \$3.3 billion remaining on the share repurchase, that would get you to net debt of \$1.4 billion on '09 guidance of \$1 billion.

Bill Holden - Mirant Corporation - SVP, Treasurer

Yes, but Tyler, I think you have to keep in mind that we will be -- the net debt balance is going to move around quite a bit because we will be investing that cash in the Maryland CapEx program and then we will be returning a lot of the cash as well. So I think after we get to 2010, and the Maryland CapEx program is behind this, net debt probably becomes a more meaningful measure but at this point because of the obligations in front of us for Maryland, we're thinking about it more as gross debt. And as I said on that basis, we are about 4 times debt to EBITDAR.

Operator

At this time, I will turn the conference back to management for any additional remarks.

Mary Ann Arico - Mirant Corporation - IR

Thank you for joining us today. If you have any further questions, Steve Himes and I will be available by phone in just a few minutes. Thank you.

Operator

That concludes today's conference call. We thank you for your participation.