

MIRANT CORP  
Form 10-Q  
May 10, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended March 31, 2006**

**Or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_**

**Mirant Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
Incorporation or Organization)

**001-16107**

(Commission  
File Number)

**20-3538156**

(I.R.S. Employer  
Identification No.)

**1155 Perimeter Center West, Suite 100,**

**Atlanta, Georgia**

(Address of Principal Executive Offices)

**(678) 579-5000**

(Registrant's Telephone Number,  
Including Area Code)

**30338**

(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

**Common Stock, par value \$0.01 per share**

**Series A Warrants**

**Series B Warrants**

Securities registered pursuant to Section 12(g) of the Act:

**None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Nonaccelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  Yes  No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

The number of shares outstanding of the Registrant's Common Stock, par value \$0.01 per share, at May 1, 2006, was 300,020,291.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

The information presented in this Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 in addition to historical information. These statements involve known and unknown risks and uncertainties and relate to future events, our future financial performance or our projected business results. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, anticipate, estimate, predict, potential or continue or the negative of these terms or other comparable terminology.

Forward-looking statements are only predictions. Actual events or results may differ materially from any forward-looking statement as a result of various factors, which include:

- legislative and regulatory initiatives regarding deregulation, regulation or restructuring of the electric utility industry; changes in state, federal and other regulations (including rate and other regulations); changes in, or changes in the application of, environmental and other laws and regulations to which we and our subsidiaries and affiliates are or could become subject;
- failure of our assets to perform as expected, including outages for unscheduled maintenance or repair;
- our implementation of business strategies, including the acquisition of additional assets or the disposition or alternative utilization of existing assets;
- changes in market conditions, including developments in energy and commodity supply, demand, volume and pricing, or the extent and timing of the entry of additional competition in our markets or those of our subsidiaries and affiliates;
- increased margin requirements, market volatility or other market conditions that could increase our obligations to post collateral beyond amounts which are expected;
- our inability to access effectively the over-the-counter and exchange-based commodity markets or changes in commodity market liquidity or other commodity market conditions, which may affect our ability to engage in asset management and proprietary trading activities as expected;
- our ability to borrow additional funds and access capital markets;
- strikes, union activity or labor unrest;
- weather and other natural phenomena, including hurricanes and earthquakes;
- the cost and availability of emissions allowances;
- our ability to obtain adequate fuel supply and delivery for our facilities;
- curtailment of operations due to transmission constraints;
- environmental regulations that restrict our ability to operate our business;
- war, terrorist activities or the occurrence of a catastrophic loss;
- deterioration in the financial condition of our counterparties and the resulting failure to pay amounts owed to us or to perform obligations or services due to us;

- hazards customary to the power generation industry and the possibility that we may not have adequate insurance to cover losses as a result of such hazards;

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- price mitigation strategies employed by independent system operators ( ISOs ) or regional transmission organizations ( RTOs ) that result in a failure to compensate our generation units adequately for all of their costs;
- volatility in our gross margin as a result of our accounting for derivative financial instruments used in our asset management activities and volatility in our cash flow from operations resulting from working capital requirements, including collateral, to support our asset management and proprietary trading activities;
- our inability to enter into intermediate and long-term contracts to sell power and procure fuel, including its transportation, on terms and prices acceptable to us;
- legislative and regulatory initiatives and changes in the application of laws and regulations by national and local governments in foreign countries where we have operations;
- political factors that affect our international operations, such as political instability, local security concerns, tax increases, expropriation of property, cancellation of contract rights and environmental regulations;
- the inability of our operating subsidiaries to generate sufficient cash flow and our inability to access that cash flow to enable us to make debt service and other payments;
- the fact that our New York subsidiaries remain in bankruptcy;
- our substantial consolidated indebtedness and the possibility that we or our subsidiaries may incur additional indebtedness in the future;
- restrictions on the ability of our subsidiaries to pay dividends, make distributions or otherwise transfer funds to us, including restrictions on Mirant Mid-Atlantic, LLC ( Mirant Mid-Atlantic ) contained in its leveraged lease financing agreements;
- the resolution of claims and obligations that were not resolved during the Chapter 11 process that may have a material adverse effect on our results of operations;
- our ability to negotiate favorable terms from suppliers, counterparties and others and to retain customers because we were previously subject to bankruptcy protection; and
- the disposition of the pending litigation described in this Form 10-Q as well as in our Annual Report on Form 10-K for the year ended December 31, 2005.

We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

#### **Factors that Could Affect Future Performance**

In addition to the discussion of certain risks in Management's Discussion and Analysis of Financial Condition and Results of Operations and the accompanying Notes to Mirant's unaudited condensed consolidated financial statements, other factors that could affect the Company's future performance (business, financial condition or results of operations and cash flows) are set forth in our 2005 Annual Report on Form 10-K.

#### **Certain Terms**

As used in this report, we, us, our, the Company and Mirant refer to Mirant Corporation and its subsidiaries, unless the context requires otherwise. Also as used in this report we, us, our, the Company and Mirant refer to old Mirant prior to January 3, 2006 and to new Mirant on after January 3, 2006.



**MIRANT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

Three Months  
 Ended March 31,  
 2006                      2005  
 (in millions, except per  
 share data)

<b>Operating Revenues:</b>		
Generation	\$ 1,113	\$ 691
Integrated utilities and distribution	190	153
Total operating revenues	1,303	844
Cost of fuel, electricity and other products	440	448
<b>Gross Margin</b>	<b>863</b>	<b>396</b>
<b>Operating Expenses:</b>		
Operations and maintenance	239	230
Depreciation and amortization	75	77
Gain on sales of assets, net	(40)	(3)
Total operating expenses	274	304
<b>Operating Income</b>	<b>589</b>	<b>92</b>
<b>Other Expense (Income), net:</b>		
Interest expense	101	31
Equity in income of affiliates	(9)	(7)
Impairment losses on minority owned affiliates	7	
Interest income	(25)	(5)
Other, net	(3)	
Total other expense, net	71	19
<b>Income From Continuing Operations Before    Reorganization Items, Income Taxes and Minority Interest</b>	<b>518</b>	<b>73</b>
Reorganization items, net		61
Provision (benefit) for income taxes	47	(3)
Minority interest	4	7
<b>Income From Continuing Operations</b>	<b>467</b>	<b>8</b>
<b>Income From Discontinued Operations, net</b>		<b>3</b>
<b>Net Income</b>	<b>\$ 467</b>	<b>\$ 11</b>
Basic earnings per share	\$ 1.56	
Diluted earnings per share	\$ 1.51	
Average shares outstanding	300	
Effect of dilutive securities	9	
Average shares outstanding assuming dilution	309	

The accompanying notes are an integral part of these condensed consolidated financial statements.



**MIRANT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	At March 31, 2006 (Unaudited) (in millions)	At December 31, 2005
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,730	\$ 1,551
Funds on deposit	617	1,729
Receivables, net	638	873
Price risk management assets	609	608
Inventories	411	372
Prepaid expenses	200	217
Investment in securities available for sale	55	30
Other	37	40
Total current assets	4,297	5,420
<b>Property, Plant and Equipment, net</b>	<b>6,105</b>	<b>6,015</b>
<b>Noncurrent Assets:</b>		
Intangible assets, net	286	288
Investments	229	227
Price risk management assets	127	115
Funds on deposit	168	188
Deferred income taxes	389	315
Other	370	344
Total noncurrent assets	1,569	1,477
<b>Total assets</b>	<b>\$ 11,971</b>	<b>\$ 12,912</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current Liabilities:</b>		
Short-term debt	\$ 31	\$ 32
Current portion of long-term debt	318	394
Claims payable and estimated claims accrual	167	1,948
Accounts payable and accrued liabilities	551	783
Price risk management liabilities	589	849
Accrued taxes and other	477	369
Total current liabilities	2,133	4,375
<b>Noncurrent Liabilities:</b>		
Long-term debt	4,145	3,307
Price risk management liabilities	433	458
Deferred income taxes	251	242
Asset retirement obligations	34	35
Deferred revenue	156	150
Other	304	299
Total noncurrent liabilities	5,323	4,491
<b>Liabilities Subject to Compromise</b>	<b>18</b>	<b>18</b>
<b>Minority Interest in Subsidiary Companies</b>	<b>145</b>	<b>172</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders Equity:</b>		
Preferred stock, par value \$.01 per share, authorized 100,000,000 shares, issued 0 shares at March 31, 2006 and December 31, 2005, respectively		
Common stock, par value \$.01 per share, authorized 1.5 billion shares, issued 300,017,296 and 300,000,000 at March 31, 2006 and December 31, 2005, respectively, and outstanding 300,014,586 shares and 300,000,000 at March 31, 2006 and December 31, 2005, respectively	3	3
Treasury stock, at cost, 2,710 shares and 0 shares at March 31, 2006 and December 31, 2005, respectively		
Additional paid-in capital	11,300	11,298
Accumulated deficit	(6,995)	(7,462)
Accumulated other comprehensive income	44	17
Treasury stock, at cost		
Total stockholders equity	4,352	3,856
<b>Total liabilities and stockholders equity</b>	<b>\$ 11,971</b>	<b>\$ 12,912</b>

The accompanying notes are an integral part of these condensed consolidated statements.



**MIRANT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**  
**(UNAUDITED)**

	Common Stock (in millions)	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income
<b>Balance, December 31, 2005</b>	\$ 3	\$ 11,298	\$ (7,462 )	\$ 17
Net income			467	
Stock-based compensation		2		
Other comprehensive income				27
<b>Balance, March 31, 2006</b>	\$ 3	\$ 11,300	\$ (6,995 )	\$ 44

**MIRANT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Three Months Ended March 31, 2006      2005 (in millions)	
<b>Net Income</b>	\$ 467	\$ 11
<b>Other comprehensive income, net of tax</b>		
Cumulative translation adjustment	1	7
Unrealized gains on available-for-sale securities	26	
Other comprehensive income, net of tax	27	7
<b>Total Comprehensive Income</b>	\$ 494	\$ 18

The accompanying notes are an integral part of these condensed consolidated statements.

**MIRANT CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Three Months Ended March 31, 2006 (in millions)	2005
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 467	\$ 11
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	75	79
Gain on sales of assets and investments	(41 )	(3 )
Non-cash charges for reorganization items		26
Price risk management activities, net	(298 )	11
Other, net	37	4
Changes in operating assets and liabilities:		
Receivables, net	232	25
Other current assets	203	(41 )
Other assets	20	22
Accounts payable and accrued liabilities	(228 )	(49 )
Settlement of claims payable	(746 )	
Taxes accrued	33	18
Other liabilities		1
Total adjustments	(713 )	93
Net cash provided by (used in) operating activities	(246 )	104
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(30 )	(32 )
Cash paid for acquisitions	(35 )	
Issuance of notes receivable	(22 )	
Proceeds from the sales of assets and minority owned investments	50	72
Other		(5 )
Net cash provided by (used in) investing activities	(37 )	35
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of long-term debt	2,119	10
Repayment of long-term debt	(627 )	(96 )
Settlement of debt under the Plan	(1,035 )	
Debt issuance cost	(51 )	
Change in debt service reserve fund	58	38
Other	(1 )	(2 )
Net cash provided by (used in) financing activities	463	(50 )
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(1 )</b>	
<b>Net Increase in Cash and Cash Equivalents</b>	<b>179</b>	<b>89</b>
<b>Cash and Cash Equivalents, beginning of period</b>	<b>1,551</b>	<b>1,485</b>
<b>Cash and Cash Equivalents, end of period</b>	<b>\$ 1,730</b>	<b>\$ 1,574</b>
<b>Supplemental Cash Flow Disclosures:</b>		
Cash paid for interest, net of amounts capitalized	\$ 59	\$ 49
Cash paid for income taxes	\$ 1	\$
Cash paid for claims and professional fees from bankruptcy	\$ 1,833	\$ 33

The accompanying notes are an integral part of these condensed consolidated statements.

**MIRANT CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**A. Description of Business**

*Overview*

Mirant Corporation and its subsidiaries (collectively, "Mirant" or the "Company") is an international energy company whose revenues primarily are generated through the production of electricity in the United States, the Philippines and the Caribbean. As of March 31, 2006, the Company owned or leased approximately 17,500 megawatts ( "MW") of electric generating capacity.

Mirant Corporation was incorporated in Delaware on September 23, 2005, and is the successor to a corporation of the same name that was formed in Delaware on April 3, 1993. This succession occurred by virtue of the transfer of substantially all of old Mirant's assets to new Mirant in conjunction with old Mirant's emergence from bankruptcy protection on January 3, 2006. Old Mirant was then renamed and transferred to a trust, which is not affiliated with new Mirant. New Mirant serves as the corporate parent of the business enterprise and, pursuant to the Plan of Reorganization (the "Plan") that was approved in connection with old Mirant's emergence from bankruptcy, has no successor liability for any unassumed obligations of old Mirant.

Mirant manages its business through three principal operating segments: United States, Philippines and Caribbean. The Company's United States segment consists of the ownership, long-term lease and operation of power generation facilities and energy trading and marketing operations. The Philippine segment includes ownership, long-term lease or similar interest and operation of power generation businesses. The Caribbean segment includes investment in power generation businesses in Curacao and Trinidad and Tobago and ownership and operation of fully integrated utilities in the Bahamas and Jamaica which generate power sold to residential, commercial and industrial customers.

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements of Mirant and its wholly-owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ( "GAAP") for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

The accompanying financial statements include the accounts of Mirant and its wholly-owned and controlled majority-owned subsidiaries, as well as variable interest entities in which Mirant has an interest and is the primary beneficiary, and have been prepared from records maintained by Mirant and its subsidiaries in their respective countries of operation. All significant intercompany accounts and transactions have been eliminated in consolidation. Investments in minority-owned companies in which Mirant exercises significant influence over operating and financial policies are accounted for using the equity method of accounting. Jointly owned affiliates, which Mirant does not control, as well as interests in variable interest entities in which Mirant is not the primary beneficiary, are also accounted for using the equity method of accounting.

The Company has held a minority equity interest in Ilijan, a non-consolidated variable interest entity ( VIE ), since July 2000. The non-consolidated VIE primarily holds an interest in a generation facility and has total assets of approximately \$119 million at March 31, 2006. The Company believes that its maximum exposure to loss associated with its interest in the non-consolidated VIE is the Company's carrying value of its investment in the VIE at March 31, 2006, of approximately \$62 million.

Certain prior period amounts have been reclassified to conform to the current year financial statement presentation. All amounts are presented in U.S. dollars unless otherwise noted.

#### ***Recently Adopted Accounting Standard***

In December 2004, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 123R, *Share-Based Payment* ( SFAS No. 123R ), which requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees. Mirant adopted the provisions of SFAS No. 123R on January 1, 2006, using the modified prospective transition method. All awards that are granted, modified or settled after the date of adoption will be measured and accounted for in accordance with SFAS No. 123R, with no restatement of prior periods.

Mirant's unvested awards of stock-based compensation at December 31, 2005, were cancelled pursuant to the Plan. Under the modified prospective transition method, a company is required to recognize compensation cost for unvested awards that are outstanding on the effective date based on the fair value that the company had originally estimated for purposes of preparing its SFAS No. 123 pro forma disclosures. Therefore, there was no cumulative effect recognized upon adoption of SFAS No. 123R. As a result, SFAS No. 123R only applied to stock-based instruments issued to employees and others during the first quarter of 2006. Pre-tax expense related to stock-based compensation was approximately \$2 million for the three months ended March 31, 2006. See Note F for additional information on the Company's stock-based compensation.

#### ***New Accounting Standards Not Yet Adopted***

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments* ( SFAS No. 155 ), which allows fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a re-measurement event beginning in the first fiscal year after September 15, 2006. At the date of adoption, any difference between the total carrying amount of the existing bifurcated hybrid financial instrument and the fair value of the combined hybrid financial instrument will be recognized as a cumulative effect adjustment to beginning retained earnings. The Company will adopt SFAS No. 155 on January 1, 2007. The adoption of SFAS No. 155 is not expected to have a material impact on the Company's statements of operations, financial position or cash flows.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets* ( SFAS No. 156 ), which requires all separately recognized servicing assets and servicing liabilities to be measured initially at fair value and permits, but does not require, an entity to subsequently measure those servicing assets or liabilities at fair value. SFAS No. 156 is effective at the beginning of the first fiscal year after September 15, 2006. All requirements for recognition and initial measurement of servicing assets and servicing liabilities will be applied prospectively to all transactions occurring after the adoption of this statement. The Company will adopt SFAS No. 156 on January 1, 2007. The adoption of SFAS No. 156 is not expected to have a material impact on the Company's statements of operations, financial position or cash flows.

In September 2005, the FASB ratified Emerging Issues Task Force ( EITF ) Issue 04-13, *Accounting for Purchases and Sales of Inventory with the Same Counterparty* ( EITF 04-13 ), which requires companies to account for exchanges of inventory with the same counterparty as one transaction. EITF 04-13 will be applied to new arrangements, and modifications or renewals of existing arrangements, beginning in the first interim or annual reporting period after March 15, 2006. The Company will adopt EITF 04-13 on April 1, 2006. EITF 04-13 will impact the Company's accounting for emissions allowances classified as inventory to the extent the allowances are exchanged in a transaction with the same counterparty.

In April 2006, the FASB issued FASB Staff Position ( FSP ) FASB Interpretation ( FIN ) 46R-6, *Determining the Variability to Be Considered in Applying FASB Interpretation No. 46R* ( FSP FIN 46R-6 ). The variability that is considered in applying FIN 46R affects the determination of whether an entity is a VIE, which interests are variable interests in the entity, and which party, if any, is the primary beneficiary of the VIE. According to FSP FIN 46R-6, the variability to be considered should be based on the nature of the risks of the entity and the purpose for which the entity was created. The guidance in FSP FIN 46R-6 is applicable prospectively to an entity at the time a company first becomes involved with such entity and is applicable to all entities previously required to be analyzed under FIN 46R when a reconsideration event has occurred beginning the first reporting period after June 15, 2006. Retrospective application to the date of the initial application of FIN 46R is permitted but not required. The Company will adopt FSP FIN 46R-6 on July 1, 2006, on a prospective basis.

## **B. Bankruptcy Related Disclosures**

Mirant's Plan was confirmed by the United States Bankruptcy Court for the Northern District of Texas (the Bankruptcy Court ) on December 9, 2005, and the Company emerged from bankruptcy on January 3, 2006. For financial statement presentation purposes, Mirant recorded the effects of the Plan at December 31, 2005.

At March 31, 2006, and December 31, 2005, amounts related to allowed claims, estimated unresolved claims and professional fees associated with the bankruptcy that are to be settled in cash are \$167 million and \$1.948 billion, respectively, and these amounts are recorded in claims payable and estimated claims accrual on the accompanying unaudited condensed consolidated balance sheets. These amounts do not include unresolved claims that will be settled in common stock or the stock portion of claims that are expected to be settled with cash and stock. During the three months ended March 31, 2006, the Company paid approximately \$1.781 billion in cash related to bankruptcy claims. Of this amount approximately \$1.035 billion is reflected in cash flows from financing activities and represents the principal amount of debt claims. The remaining \$746 million is reflected in cash flows from operating activities and represents other bankruptcy claims and interest.

**Financial Statements of Subsidiaries in Bankruptcy**

Mirant's New York subsidiaries remain in bankruptcy and include the following entities: Mirant Lovett, LLC ( Mirant Lovett ), Mirant Bowline, LLC ( Mirant Bowline ), Mirant NY-Gen, LLC ( Mirant NY-Gen ), Mirant New York, Inc. ( Mirant New York ) and Hudson Valley Gas Corporation. Unaudited condensed consolidated financial statements of Mirant's New York subsidiaries are set forth below:

**Mirant New York Subsidiaries****Unaudited Condensed Consolidated Statement of Operations Data**

(in millions)

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Operating revenues	\$ 118	\$ 65
Cost of fuel, electricity and other products	43	49
Operating expenses	42	38
Operating income (loss)	33	(22 )
Other expense, net	2	
Reorganization items, net	(1 )	
Provision for income taxes		1
Net income (loss)	\$ 32	\$ (23 )

**Mirant New York Subsidiaries****Unaudited Condensed Consolidated Balance Sheet Data**

(in millions)

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
Current assets	\$ 103	\$ 31
Intercompany receivables	97	149
Property, plant and equipment, net	498	502
Other	8	4
Total assets	\$ 706	\$ 686
Liabilities not subject to compromise:		
Current liabilities	\$ 173	\$ 168
Intercompany payables	19	36
Other noncurrent liabilities	9	9
Liabilities subject to compromise - affiliate	62	62
Liabilities subject to compromise - nonaffiliate	18	18
Stockholders' equity	425	393
Total liabilities and stockholders' equity	\$ 706	\$ 686



**Mirant New York Subsidiaries**  
**Unaudited Condensed Consolidated Statement of Cash Flow Data**  
(in millions)

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Net cash (used in) provided by:		
Operating activities	\$ (2 )	\$ 5
Investing activities	74	(6 )
Financing activities	2	1
Net increase in cash and cash equivalents	74	
Cash and cash equivalents, beginning of period	1	
Cash and cash equivalents, end of period	\$ 75	\$

*Liabilities Subject to Compromise*

The Company's liabilities subject to compromise are \$18 million and \$18 million at March 31, 2006, and December 31, 2005, respectively, and relate to its New York subsidiaries that remain in bankruptcy.

*Reorganization Items, net*

For the three months ended March 31, 2006, reorganization items, net were less than \$1 million and relate to the New York subsidiaries. For the three months ended March 31, 2005, reorganization items, net represents amounts that were recorded in the financial statements as a result of the bankruptcy proceedings.

The following were the significant items within this category (in millions):

	<b>Three Months Ended March 31, 2005</b>
Estimated claims and losses on rejected and amended contracts	\$ 30
Professional fees and administrative expense	37
Interest income, net	(6 )
Total	\$ 61

For the three months ended March 31, 2006, the Company incurred \$6 million of professional fees and administrative expenses related to the bankruptcy proceedings for entities that have emerged from bankruptcy. As these expenses were incurred subsequent to the Company's January 3, 2006, emergence from bankruptcy, these amounts are included in operations and maintenance expense in the unaudited condensed consolidated statements of operations.

**C. Discontinued Operations and Assets Held for Sale**

*Discontinued Operations*

The Company has reclassified amounts for prior periods in the financial statements to report separately, as discontinued operations, the revenues and expenses of components of the Company that have been disposed of or are expected to be disposed of in the next year. In February 2006,

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Mirant executed an agreement to sell its 77 MW combined cycle Wichita Falls facility in Texas. The sale was completed on May 4, 2006.

For the three months ended March 31, 2006, income from discontinued operations relates to the Wichita Falls facility and was less than \$1 million. For the three months ended March 31, 2005, income from discontinued operations includes Wichita Falls as well as the Company's Wrightsville generating facility that was sold in September 2005. A summary of the operating results for these discontinued operations for the three months ended March 31, 2005, follows (in millions):

	March 31, 2006	2005
Operating expenses	\$	\$ (2 )
Loss before reorganization items		(2 )
Reorganization benefit, net		5
Net income	\$	\$ 3

### *Assets Held for Sale*

Current assets held for sale includes discontinued operations and other assets that the Company expects to dispose of within the next year. Current assets held for sale as of March 31, 2006, and December 31, 2005, are comprised of \$11 million of property, plant and equipment, net. These amounts are included in other current assets in the condensed consolidated balance sheets.

### **D. Price Risk Management Assets and Liabilities**

The fair values of Mirant's price risk management assets and liabilities, net of credit reserves, at March 31, 2006, are included in the following table (in millions).

	Net Price Risk Management Asset/(Liabilities)				Net Fair Value
	Assets		Liabilities		
	Current	Noncurrent	Current	Noncurrent	
Electricity	\$ 530	\$ 104	\$ (509 )	\$ (14 )	\$ 111
Back-to-Back Agreement (1)			(31 )	(406 )	(437 )
Natural Gas	52	11	(43 )	(13 )	7
Oil	17	1	(1 )		17
Coal	16	11	(4 )		23
Other, including credit reserve	(6 )		(1 )		(7 )
<b>Total</b>	<b>\$ 609</b>	<b>\$ 127</b>	<b>\$ (589 )</b>	<b>\$ (433 )</b>	<b>\$ (286 )</b>

(1) Contractual arrangement between Mirant and Potomac Electric Power Company ( PEPCO ) with respect to certain power purchase agreements ( PPAs ).

Of the \$286 million net fair value liability at March 31, 2006, a \$27 million net price risk management asset relates to the remainder of 2006, a net price risk management asset of \$14 million relates to 2007 and a net price risk management liability of \$327 million relates to periods thereafter. The volumetric weighted average maturity, or weighted average tenor, of the price risk management portfolio at March 31, 2006, was approximately 14 months. The net notional amount of the price risk management assets and liabilities at March 31, 2006, was a net short position of approximately 25 million equivalent megawatt-hours ( MWh ).

In January 2006, the Company entered into financial swap transactions with a counterparty, the effect of which was to hedge its Mid-Atlantic expected on-peak coal fired generation by approximately 80%, 50% and 50% for 2007, 2008 and 2009, respectively.

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The following table provides a summary of the factors impacting the change in net fair value of the price risk management asset and liability accounts in the first quarter of 2006 (in millions):

	<b>Proprietary Trading</b>	<b>Asset Management</b>	<b>Back-to- Back Agreement</b>	<b>Total</b>
Net fair value of portfolio at December 31, 2005	\$ 40	\$ (181 )	\$ (443 )	\$ (584 )
Gains (losses) recognized in the period, net	17	215	(1 )	231
Contracts settled during the period, net	(5 )	65	7	67