Exelon Raises Hostile Bid For NRG Energy To $8 Billion

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COLUMBUS, Ohio (AP) — Exelon Corp. on Thursday sweetened its hostile takeover bid for NRG Energy Inc. by 12 percent to $8 billion in stock, citing newly identified cost savings along with NRG's recent deal for Reliant Energy's Texas retail business.

Exelon Chairman and CEO John Rowe called it a "best and final offer." The new bid ups the price for NRG by about $1 billion.

"Together the two company's shareholders get something very rare, a truly effective combination in an industry in which significant profitable growth is very hard to come by," Rowe said in a conference call.

NRG, which rejected Exelon's previous bid, said it would review the latest offer.

If NRG combines with Chicago-based Exelon, the new company would be the largest U.S. power generator, providing energy to about 45 million homes. Exelon is already the nation's largest nuclear power company.

Rowe told analysts that the deal would further expand Exelon's nuclear fleet.

Exelon would also add gas generation and coal plants, assets that would be valuable even under pending emmissions caps, and broaden its footprint in Texas, California and the Northeast.

Exelon is now offering 0.545 shares of its stock for each NRG share. The old offer had been 0.485 shares.

The new offer represents value of more than $3 billion to NRG shareholders, Exelon said. Exelon said its shareholders would see additional value of $1 billion to $3 billion.

The bid was increased after Exelon said it found an additional $1.5 billion in potential savings from the tie-up, and because of NRG's acquisition of Reliant Energy's retail business in May for $287.5 million.

The new bid is still low, said Jefferies & Co. analyst Paul Fremont, because it is just a 7 percent premium from NRG's closing stock price Wednesday. Jefferies has a $30 price target for Princeton, N.J.-based NRG.

NRG shares fell $1.17, or 4.4 percent, to $24.88 in trading Thursday afternoon. It shares have traded between $14.39 and $43.95 over the past year.

Both Exelon and NRG Energy have nominated a slate of directors for shareholders to vote on at NRG's annual meeting on July 21. The outcome of that vote could ultimately determine if the sale goes through.

Exelon is urging NRG shareholders to vote to expand the board and for nine new independent directors.

Exelon said Thursday that its is "confident" the company can meet all financing needs associated with the transaction, including refinancing of $4.7 billion of NRG's senior notes and other NRG debt, while maintaining its investment-grade credit ratings. Rowe told analysts that Exelon would sell assets and issue stock to reduce the debt of the combined company.

Last month, Exelon said it would to lay off 500 employees and would take a $40 million severance charge in the second quarter as part of a massive cost-cutting program. Those cuts are expected to save Exelon about $350 million.

Exelon shares fell $1.81 to $49.75. It shares have traded between $38.41 and $92.13 in the past year.

The company has nearly $19 billion in annual revenue and 5.4 million electric customers in northern Illinois and Pennsylvania. It also has 480,000 natural gas customers in the Philadelphia area.

Its 10 nuclear stations, with 17 reactors, represent approximately 20 percent of the U.S. nuclear industry's power capacity, and about 3 percent of all U.S. power generation.

NRG's power plants have 24,000 megawatts of generation capacity, enough to supply more than 20 million homes. Its retail business, Reliant Energy, serves more than 1.7 million residential, business, commercial and industrial customers in Texas.

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