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NRG Energy, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question today is coming from the line of Lasan Johong, RBC Capital Markets.

Lasan Johong - RBC Capital Markets

If you take a look at page nine of your presentation, it looks like you are taking a little bit of a bet on that for gas prices, at least in 2012 anyway. I'm not objecting to that, I think that's probably not a bad move. If you take that to the logical conclusion, one could suggest that at the bottom of the natural gas pricing formula you might want to monetize some of that \$1.6 billion of in the money hedges, and then do a double benefit to shareholders by selling out that hedge and using to pay down debt potentially, and then riding the upside back again on the gas prices.

Is this a strategy that you would consider doing?

David Crane

Lasan, it's a strategy that we would consider doing, I guess I would say on the margin. It's a core part of our overall business model to be pretty heavily hedged with our baseload and we like the level of hedges that we have. You are right.

We see the dynamic that you are talking about, and we never say never if you're talking about taking off hedges, and then ride it back up. That's something Mauricio and his team consider every day and he is looking at me in a very grouchy fashion. So I will just leave it at that.

Lasan Johong - RBC Capital Markets

How concerned are you about the Texas wind situation, since it's starting to have an impact on your numbers?

Bob Flexon

Obviously, for this year you mentioned that over the next couple of years the baseload is pretty well hedged out. So it shouldn't have really much effect on us over the next couple of years, and I guess the wind investment will start slowing down a little bit. So I think as we go forward, the main thing that's really going to drive us is gas prices in Texas. That's really is going to be the thing that moves the needle for us.

The discussion we just had with the decline in rig count and what we think will be a falloff in production as well as a recovery of higher gas usage, we would think that prices get strong recovery and that around our baseload is what really drives the needle for us.

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