



South Texas Project Electric Generating Station P.O. Box 289 Wadsworth, Texas 77483

April 13, 2006
NOC-AE-06002006

U. S. Nuclear Regulatory Commission
Attention: Document Control Desk
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738

South Texas Project
Units 1 and 2
Docket No. STN 50-498 and STN 50-499
Notice Regarding NRG Energy, Inc. Corporate Restructuring Affecting NRG South Texas LP
and Request for Consent to Support Agreement Modifications

In January 2006, the NRC approved the indirect transfer of operating licenses for the South Texas Project held by Texas Genco, LP and the transfer of control of Texas Genco LLC, the indirect parent company of Texas Genco, LP, to NRG Energy, Inc. (NRG Energy). Refer to ML053630163. Subsequently, Texas Genco LLC was renamed NRG Texas LLC and Texas Genco, LP was renamed NRG South Texas LP. Additional information regarding the corporate ownership structure between NRG Energy and NRG Texas LLC was provided by STPNOC letter dated April 10, 2006 (NOC-AE-06002003).

In order to streamline the corporate organizational structure among the NRG Energy subsidiaries that hold direct and indirect ownership of NRG South Texas LP, and to achieve certain other business and tax advantages, NRG Energy is planning to undertake a restructuring that will affect NRG South Texas LP, but that will not involve any direct or indirect transfer of control of NRG South Texas LP or its licenses. A simplified organizational chart showing the existing ownership of NRG South Texas LP is provided as Attachment 1. NRG Energy and the existing wholly owned subsidiaries of NRG Energy that own NRG South Texas LP will retain control of the voting stock or other existing controlling interests in NRG South Texas LP. The only exception is that following the restructuring NRG Energy's subsidiary, NRG Texas LLC, which currently holds 100% of the voting stock of Texas Genco Holdings, Inc. (TGN), will no longer have any ownership interest in TGN. Instead, NRG Energy will directly own 100% of the voting stock of TGN. A simplified organizational chart showing the post-restructuring ownership of NRG South Texas LP and both voting and non-voting classes of TGN common stock is provided as Attachment 2. NRG Energy anticipates completing this restructuring as of April 30, 2006.

As noted above, TGN is currently owned by NRG Texas LLC, which is owned and controlled by NRG Energy (approximately 83%), while seven NRG holding companies own a non-controlling interest (approximately 17%). In the proposed restructuring, the seven existing holding companies will be merged into a single, wholly-owned subsidiary of NRG Energy called "NRG Texas Generation Holdings, Inc." TGN will be recapitalized so that TGN will be owned by the holders of two classes of common stock.

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STI: 32002357

TGN will be controlled by the holder of the voting stock, with a 0.1% economic interest in TGN, whereas the non-voting stock will hold 99.9% of the economic interests in TGN, without the ability to exercise control over TGN. Following a distribution from NRG Texas LLC, NRG Energy will directly own 100% of the voting stock in TGN and, therefore, continue to exercise control over TGN. NRG Energy's wholly-owned subsidiary, NRG Texas Generation Holdings, Inc., will own the non-voting stock in TGN, but will not have the ability to control TGN. NRG Texas LLC will no longer hold any interest in TGN.

The proposed restructuring will not affect the existing financial "Support Agreement" dated April 13, 2005 between NRG Texas LLC (formerly "Texas Genco LLC") and NRG South Texas LP (April 2005 Agreement), but rather this April 2005 Agreement will remain in place unchanged until NRC approves conforming changes to the April 2005 Agreement, as requested below. NRG Texas LLC will continue to own its non-nuclear generating assets, and its obligation under the existing April 2005 Agreement will continue uninterrupted. In addition, NRG Energy has executed a supplemental "Support Agreement," substantially similar to the existing April 2005 Agreement, which also provides NRG South Texas LP with the right to \$120 million in financial support directly from NRG Energy, effective upon completion of the restructuring described above (2006 Agreement). A copy of this 2006 Agreement is provided as Attachment 3. This arrangement is not cumulative to the existing obligation, *i.e.*, the combined obligations of NRG Energy and NRG Texas LLC will remain at \$120 million. However, NRG South Texas LP will have the right under the new 2006 Agreement to seek financial support directly from NRG Energy.

Under the terms of the existing April 2005 Agreement, the prior written consent of the Director of the Office of Nuclear Reactor Regulation (NRR) is required for any modifications. On behalf of NRG South Texas LP, STPNOC requests that the Director, NRR consent to amendments to the April 2005 Agreement to: (1) conform the names in the April 2005 Agreement to the current name of NRG Texas LLC; (2) conform the April 2005 Agreement in light of the new affiliate relationship between NRG Texas LLC and NRG South Texas LP, rather than the existing parent-subsiary relationship, and (3) acknowledge that the obligations under the April 2005 Agreement can be off-set by support payments made by NRG Energy under the 2006 Agreement. A copy of the proposed amended and restated April 2005 Agreement is provided as Attachment 4. Consent is requested by September 1, 2006.

If there are any questions regarding this notice, please contact John Conly at (361) 972-7336 or me at (361) 972-7074.



John W. Crenshaw
General Manager, Oversight

Enclosures:

- Attachment 1 - Simplified Organization Chart for NRG South Texas LP (March 24, 2006)
- Attachment 2 - Simplified Organization Chart for NRG South Texas LP (April 30, 2006)
- Attachment 3 - Executed Support Agreement with NRG Energy (April 11, 2006)
- Attachment 4 - Proposed Amended Support Agreement with NRG Texas LLC

cc:

(paper copy)

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U. S. Nuclear Regulatory Commission

Steve Winn
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Eddy Daniels
NRG South Texas LP

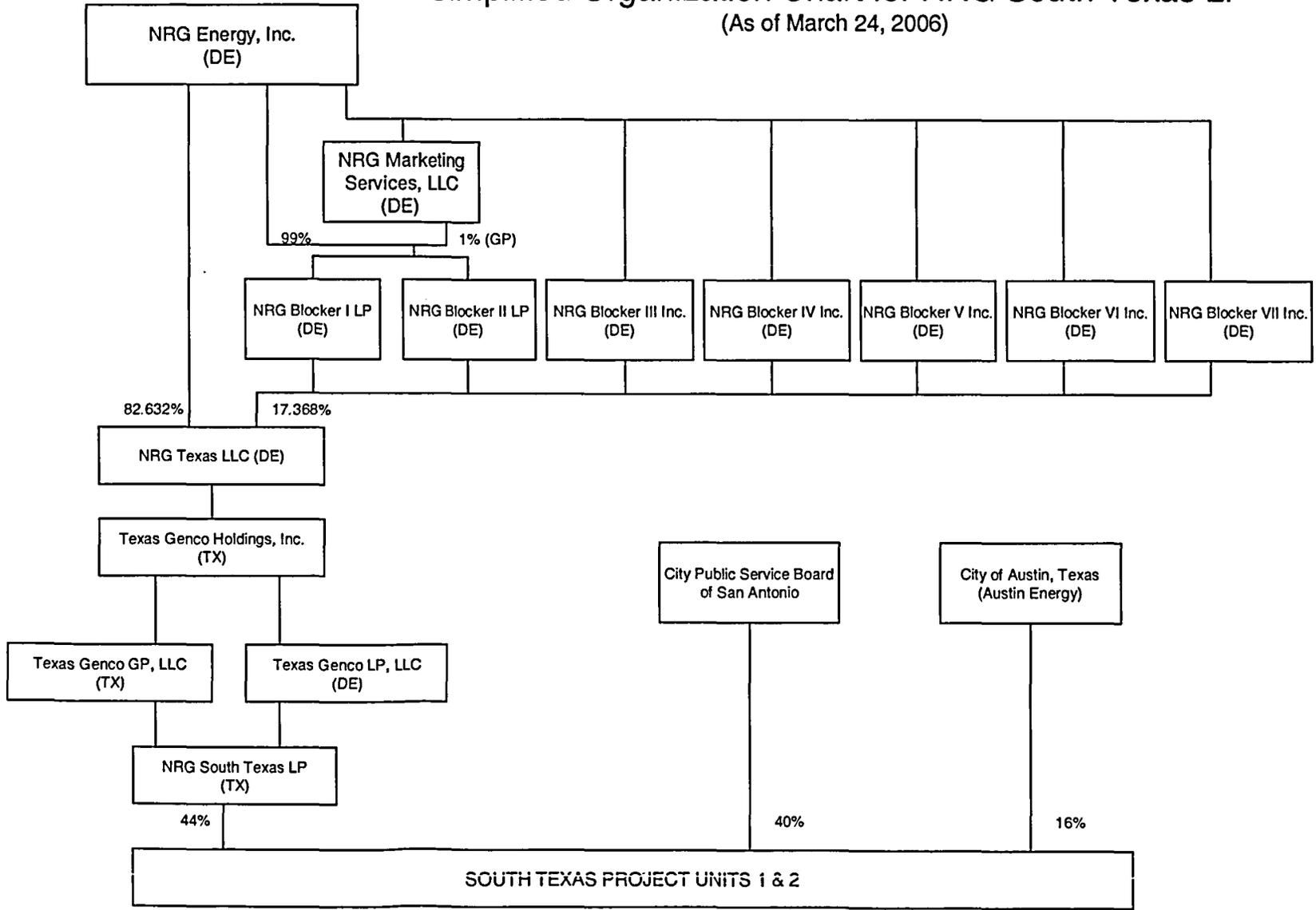
J. J. Nesrsta
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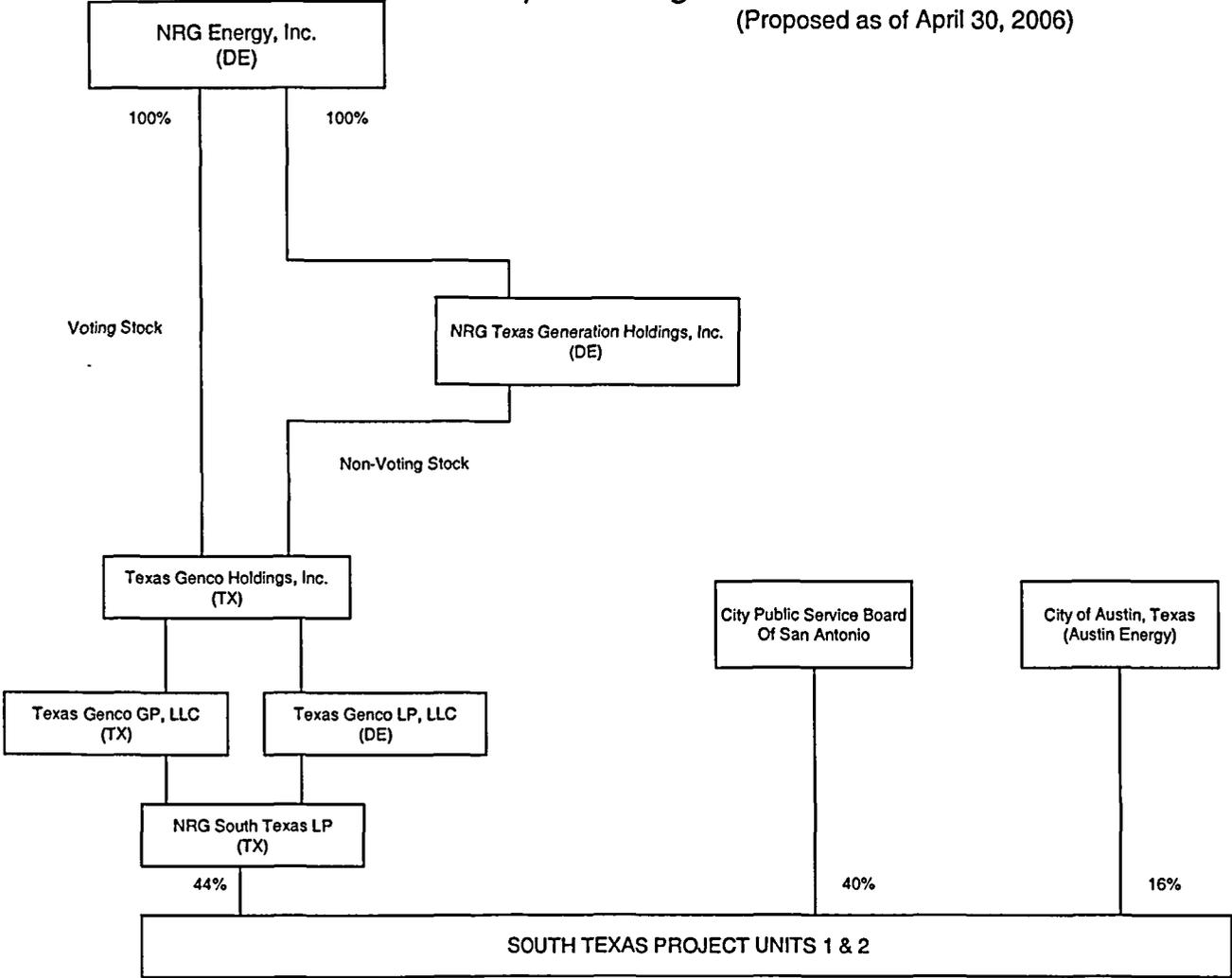
C. Kirksey
City of Austin

Susan Uttal
Steve Hom
U. S. Nuclear Regulatory Commission

Simplified Organization Chart for NRG South Texas LP (As of March 24, 2006)



Simplified Organization Chart for NRG South Texas LP (Proposed as of April 30, 2006)



Executed Support Agreement with NRG Energy, Inc.

April 11, 2006

SUPPORT AGREEMENT

THIS SUPPORT AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Agreement"), dated as of April 11, 2006, between NRG Energy, Inc., a Delaware corporation (the "Parent"), NRG South Texas LP, a Texas limited partnership ("LP"), and NRG Texas LLC, an affiliate and a Delaware limited liability company formerly known as Texas Genco LLC.

WITNESSETH:

WHEREAS, Parent is the indirect owner of 100% of the limited partnership and general partnership interests of LP;

WHEREAS, LP is the owner of an undivided interest in the South Texas Project Nuclear Generating Station ("STP") and is party to that certain Amended and Restated South Texas Project Participation Agreement, effective as of November 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "STP Participation Agreement"), and that certain South Texas Project Operating Agreement, dated and effective as of November 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "STP Operating Agreement");

WHEREAS, pursuant to the Section 3.1 of the STP Operating Agreement, LP has agreed to pay to STP Nuclear Operating Company, a Texas non-profit corporation and the operator of STP ("STPNOC"), its Participant's Share of the Costs of Operations (as such terms are defined in the STP Operating Agreement);

WHEREAS, Parent and LP desire to take certain actions to enhance and maintain the financial condition of LP as hereinafter set forth in order to ensure its ability to pay to STPNOC its Participant's Share of the Costs of Operations;

WHEREAS, NRG Texas LLC entered into a Support Agreement with Subsidiary dated April 13, 2005 ("April 2005 Agreement"), that is substantially identical in form and substance to this Agreement, and it is the intention of Parent, Subsidiary and NRG Texas LLC that this Agreement augment the April 2005 Agreement; and

WHEREAS, NRG Texas LLC plans to distribute the voting stock of Texas Genco Holdings, Inc. ("TGN"), a parent company of LP that owns and controls LP, to Parent;

NOW THEREFORE, in consideration of the mutual promises herein contained, the parties hereto agree as follows:

- Support Payments. At all times while this Agreement is in effect and subject to the limitations set forth in paragraphs 3, 4, and 5, Parent agrees that it will make, or cause one of its subsidiaries or affiliates to make, to the extent necessary, a Support Payment (as defined in paragraph 2) to LP in order to ensure that LP has sufficient liquidity in order to pay to STPNOC its Participant's Share of the Costs of Operations. Any Support Payments required by this Agreement shall be made not later than the end of the next fiscal quarter.
- Commitment to Provide Capital. If during the term of this Agreement, Parent is required to make a Support Payment to LP, such payment may be provided by Parent, or any subsidiary or affiliate of Parent, at Parent's option, either as an equity investment or capital contribution or as a loan, in each case in cash or other liquid assets (any of the foregoing, "Support Payment"). If such payment is advanced to LP as a loan, the loan shall be on such terms and conditions, including maturity and rate of interest, as Parent and LP shall agree.
- Limitation of Parent's Support Obligations. Each of Parent and LP agree that Parent shall not be required to make, or cause its subsidiaries or affiliates to make, Support Payments to LP in excess of \$120,000,000 in the aggregate during the term of the Agreement, provided, however, that the total aggregate Support Payments of \$120,000,000 available under this Agreement shall be reduced by any amount of Support Payment made pursuant to the April 2005 Agreement.

4. Not a Guaranty. This Agreement, its provisions and any actions pursuant hereto by Parent shall not constitute or be deemed to constitute a direct or indirect guaranty by Parent of any indebtedness for borrowed money or other obligation or liability of any kind or character whatsoever of LP, including, without limitation, any obligation of LP to make any payment or to perform any obligation required of it under the STP Participation Agreement or the STP Operating Agreement.

5. STP Participants and Creditors. The Subsidiary shall not be permitted to amend, supplement or otherwise modify either the STP Participation Agreement or the STP Operating Agreement without the prior written counsel of Parent. In the event that LP violates this paragraph 5, Parent's obligations to provide Support Payments hereunder shall be suspended.

6. Rights of Participants and Creditors. The obligations of Parent pursuant to this Agreement are to LP only and do not run to and are not enforceable directly by STPNOC, any other Participant (as defined in the STP Participation Agreement) or any creditor of LP or other entity or person, nor shall this Agreement cause Parent to be responsible for payments of any obligation of LP to STPNOC, any Participant or any creditor or other entity or person or give rise to any recourse by STPNOC, any Participant, creditor or other entity or person to or against Parent or any of its assets or properties.

7. Waivers. Any failure by any party hereto, at any time or times hereafter, to require strict performance by the other party of any provision of this Agreement shall not waive, affect or diminish any right of any party thereafter to demand strict compliance and performance therewith. None of the agreements contained in this Agreement shall be deemed to have been suspended or waived by any party hereto unless such suspension or waiver is in writing.

8. Amendments and Termination. This Agreement may be amended, modified or terminated at any time by the parties hereto only by a written instrument signed by both Parent and LP. This Agreement shall terminate upon the termination of the STP Operating Agreement.

9. Successors. This Agreement shall be binding upon, and shall insure to the benefit of, the parties hereto and their respective successors and assigns, provided that LP may not assign, transfer or pledge its rights hereunder without the prior written consent of Parent. This Agreement is not intended for the benefit of any entity or person other than the parties hereto, and shall not confer or be deemed to confer upon any other such entity or person any benefits, rights or remedies hereunder.

10. Governing Law; Severability. This Agreement and all rights and obligations hereunder shall be governed by and construed and enforced in accordance with the laws of the State of New York. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

11. NRG South Texas LP. NRG South Texas LP shall take no action to cause NRG Energy, Inc., or its successors and assigns, to void, cancel or modify its \$120 million contingency commitment to NRG South Texas LP or cause it to fail to perform or impair its performance under the commitment, or remove or interfere with NRG South Texas LP's ability to draw upon the commitment, without the prior written consent of the Director of the Office of Nuclear Reactor Regulation. Also, NRG South Texas LP shall inform the Nuclear Regulatory Commission ("NRC") in writing any time that it draws upon the \$120 million commitment.

12. April 2005 Agreement. It is the intention of the parties hereto that this Agreement shall not substitute for the obligations NRG Texas LLC under the April 2005 Agreement, which shall continue in effect. However, it is intended that the total aggregate amount of Support Payments under both this Agreement and the April 2005 Agreement be limited to \$120,000,000. Pursuant to the terms of the April 2005 Agreement, NRG Texas LLC shall seek the prior written consent of the NRC's Director of the Office of Nuclear Reactor Regulation to amend the April 2005 Agreement to provide for a limitation under that agreement, similar to the terms of Paragraph 3 hereof. As such, upon amendment, the April 2005 Agreement will provide that the total aggregate Support Payments of \$120,000,000 available under the April 2005 Agreement shall be reduced by any amount of Support

Payment made pursuant to this Agreement.

13. Effective Date. This Agreement is effective upon the distribution of the voting stock of TGN to Parent.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

NRG ENERGY, INC., a Delaware corporation

By:


Name: George Schaefer
Title: VP + Treasurer

EDD

NRG SOUTH TEXAS LP, a Texas limited partnership

By: Texas Genco GP, LLC, its general partner and a Texas limited liability company

By:

Name:
Title:

NRG TEXAS LLC, a Delaware limited liability company (formerly known as, Texas Genco LLC)

By:

Name:
Title:

Payment made pursuant to this Agreement.

13. Effective Date. This Agreement is effective upon the distribution of the voting stock of TGN to Parent.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

NRG ENERGY, INC., a Delaware corporation

By:

Name: George Schaefer
Title: VP + Treasurer

EDD

NRG SOUTH TEXAS LP, a Texas limited partnership

By: Texas Genco GP, LLC, its general partner and a Texas limited liability company

By:

Name: Steven Winn
Title: President

NRG TEXAS LLC, a Delaware limited liability company (formerly known as, Texas Genco LLC)

By:

Name: Steven Winn
Title: President

Proposed Amended Support Agreement

SUPPORT AGREEMENT

THIS AMENDED AND RESTATED SUPPORT AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Agreement"), dated as of ____, 2006, between NRG Texas LLC, a Delaware limited liability company (the "Affiliate"), and Texas Genco, LP, a Texas limited partnership ("LP").

WITNESSETH:

WHEREAS, Affiliate, formerly known as "Texas Genco LLC," entered into a Support Agreement with LP dated April 13, 2005;

WHEREAS, the parent of Affiliate, NRG Energy, Inc., is the indirect owner of 100% of the limited partnership and general partnership interests of LP and entered into a Support Agreement with LP dated as of April 11, 2006 similar to the terms hereof ("2006 Agreement");

WHEREAS, LP is the owner of an undivided interest in the South Texas Project Nuclear Generating Station ("STP") and is party to that certain Amended and Restated South Texas Project Participation Agreement, effective as of November 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "STP Participation Agreement"), and that certain South Texas Project Operating Agreement, dated and effective as of November 17, 1997 (as amended, supplemented or otherwise modified from time to time, the "STP Operating Agreement");

WHEREAS, pursuant to the Section 3.1 of the STP Operating Agreement, LP has agreed to pay to STP Nuclear Operating Company, a Texas non-profit corporation and the operator of STP ("STPNOC"), its Participant's Share of the Costs of Operations (as such terms are defined in the STP Operating Agreement); and

WHEREAS, the Affiliate and LP desire to take certain actions to enhance and maintain the financial condition of LP as hereinafter set forth in order to ensure its ability to pay to STPNOC its Participant's Share of the Costs of Operations;

NOW THEREFORE, in consideration of the mutual promises herein contained, the parties hereto agree as follows:

1. Support Payments. At all times while this Agreement is in effect and subject to the limitations set forth in paragraphs 3, 4, and 5, Affiliate agrees that it will make, or cause one of its subsidiaries or affiliates to make, to the extent necessary, a Support Payment (as defined in paragraph 2) to LP in order to ensure that LP has sufficient liquidity in order to pay to STPNOC its Participant's Share of the Costs of Operations. Any Support Payments required by this Agreement shall be made not later than the end of the next fiscal quarter.
2. Commitment to Provide Capital. If during the term of this Agreement, Affiliate is required to make a Support Payment to LP, such payment may be provided by Affiliate, or any subsidiary, affiliate or parent of Affiliate, at Affiliate's option, either as an equity investment or capital contribution or as a loan, in each case in cash or other liquid assets (any of the foregoing, "Support Payment"). If such payment is advanced to LP as a loan, the loan shall be on such terms and conditions, including maturity and rate of interest, as Affiliate and LP shall agree.
3. Limitation of Affiliate's Support Obligations. Each of Affiliate and LP agree that Affiliate shall not be required to make, or cause its subsidiaries, affiliates or parents to make, Support Payments to LP in excess of \$120,000,000 in the aggregate during the term of the Agreement, provided, however, that the total aggregate Support Payments of \$120,000,000 available under this Agreement shall be reduced by any amount of Support Payment made pursuant to the 2006 Agreement with NRG Energy, Inc.
4. Not a Guaranty. This Agreement, its provisions and any actions pursuant hereto by Affiliate shall not constitute or be deemed to constitute a direct or indirect guaranty by Affiliate of any indebtedness for borrowed money or other obligation or liability of any kind or character whatsoever of LP, including, without limitation, any

obligation of LP to make any payment or to perform any obligation required of it under the STP Participation Agreement or the STP Operating Agreement.

5. STP Participation Agreement and STP Operating Agreement. The Subsidiary shall not be permitted to amend, supplement or otherwise modify either the STP Participation Agreement or the STP Operating Agreement without the prior written consent of NRG Energy, Inc. In the event that LP violates this paragraph 5, Affiliate's obligations to provide Support Payments hereunder shall be suspended.

6. Rights of Participants and Creditors. The obligations of Affiliate pursuant to this Agreement are to LP only and do not run to and are not enforceable directly by STPNOC, any other Participant (as defined in the STP Participation Agreement) or any creditor of LP or other entity or person, nor shall this Agreement cause Affiliate to be responsible for payments of any obligation of LP to STPNOC, any Participant or any creditor or other entity or person or give rise to any recourse by STPNOC, any Participant, creditor or other entity or person to or against Affiliate or any of its assets or properties.

7. Waivers. Any failure by any party hereto, at any time or times hereafter, to require strict performance by the other party of any provision of this Agreement shall not waive, affect or diminish any right of any party thereafter to demand strict compliance and performance therewith. None of the agreements contained in this Agreement shall be deemed to have been suspended or waived by any party hereto unless such suspension or waiver is in writing.

8. Amendments and Termination. This Agreement may be amended, modified or termination at any time by the parties hereto only by a written instrument signed by both Affiliate and LP. This Agreement shall terminate upon the termination of the STP Operating Agreement.

9. Successors. This Agreement shall be binding upon, and shall insure to the benefit of, the parties hereto and their respective successors and assigns, provided that LP may not assign, transfer or pledge its rights hereunder without the prior written consent of Affiliate. This Agreement is not intended for the benefit of any entity or person other than the parties hereto, and shall not confer or be deemed to confer upon any other such entity or person any benefits, rights, or remedies hereunder.

10. Governing Law; Severability. This Agreement and all rights and obligations hereunder shall be governed by and construed and enforced in accordance with the laws of the State of New York. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

11. NRG South Texas LP. Texas Genco, LP shall take no action to cause NRG Texas LLC, or its successors and assigns, to void, cancel or modify its \$120 million contingency commitment to NRG South Texas LP or cause it to fail to perform or impair its performance under the commitment, or remove or interfere with NRG South Texas LP's ability to draw upon the commitment, without the prior written consent of the Director of the Office of Nuclear Reactor Regulation. Also, NRG South Texas LP shall inform the NRC in writing any time that it draws upon the \$120 million commitment.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

NRG TEXAS LLC, a Delaware limited liability company (formerly known as Texas Genco LLC)

By: _____
Name:
Title:

TEXAS GENCO, LP, a Texas limited partnership

By: Texas Genco GP, LLC, its general partner and a Texas limited liability company

By: _____
Name:
Title: