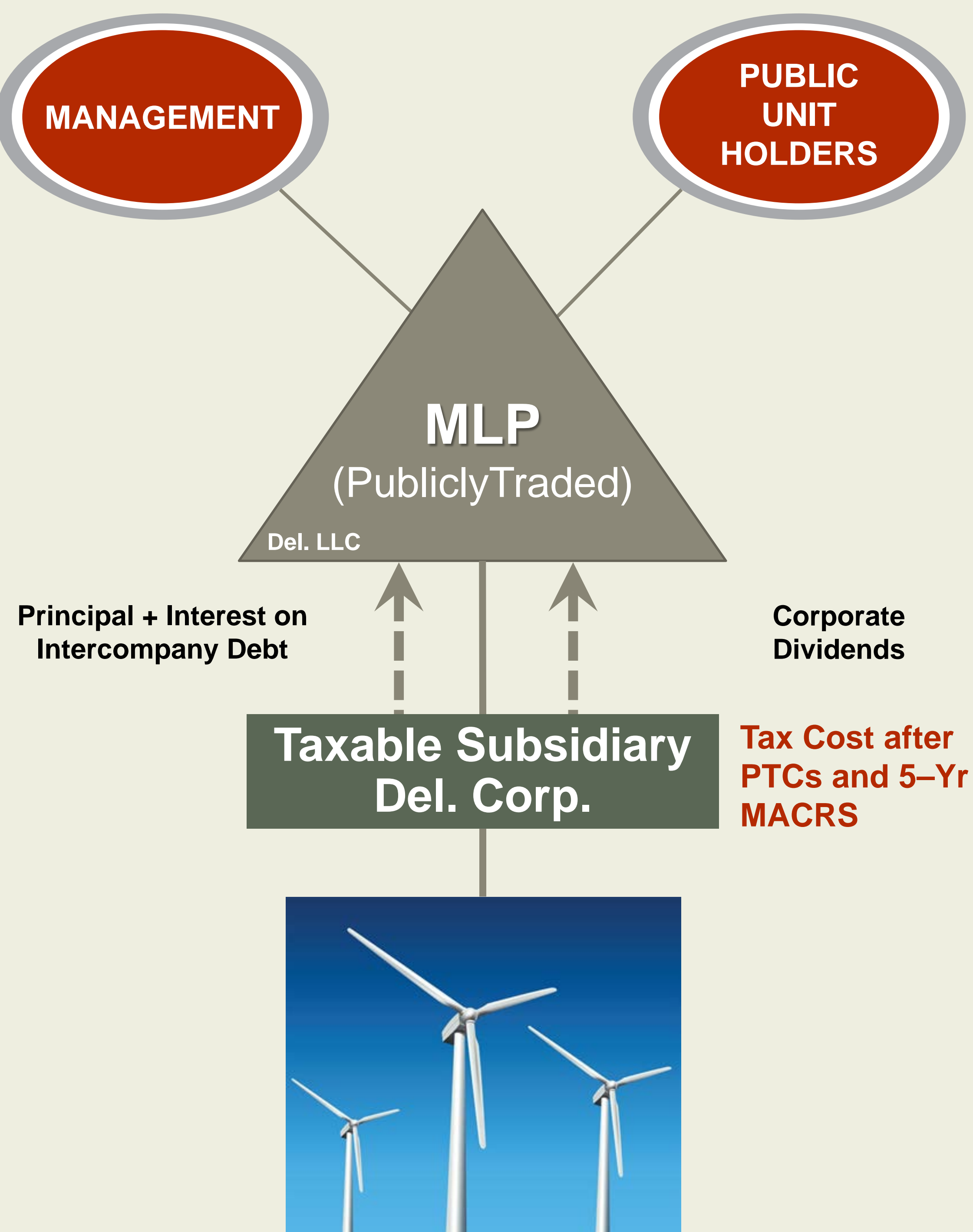
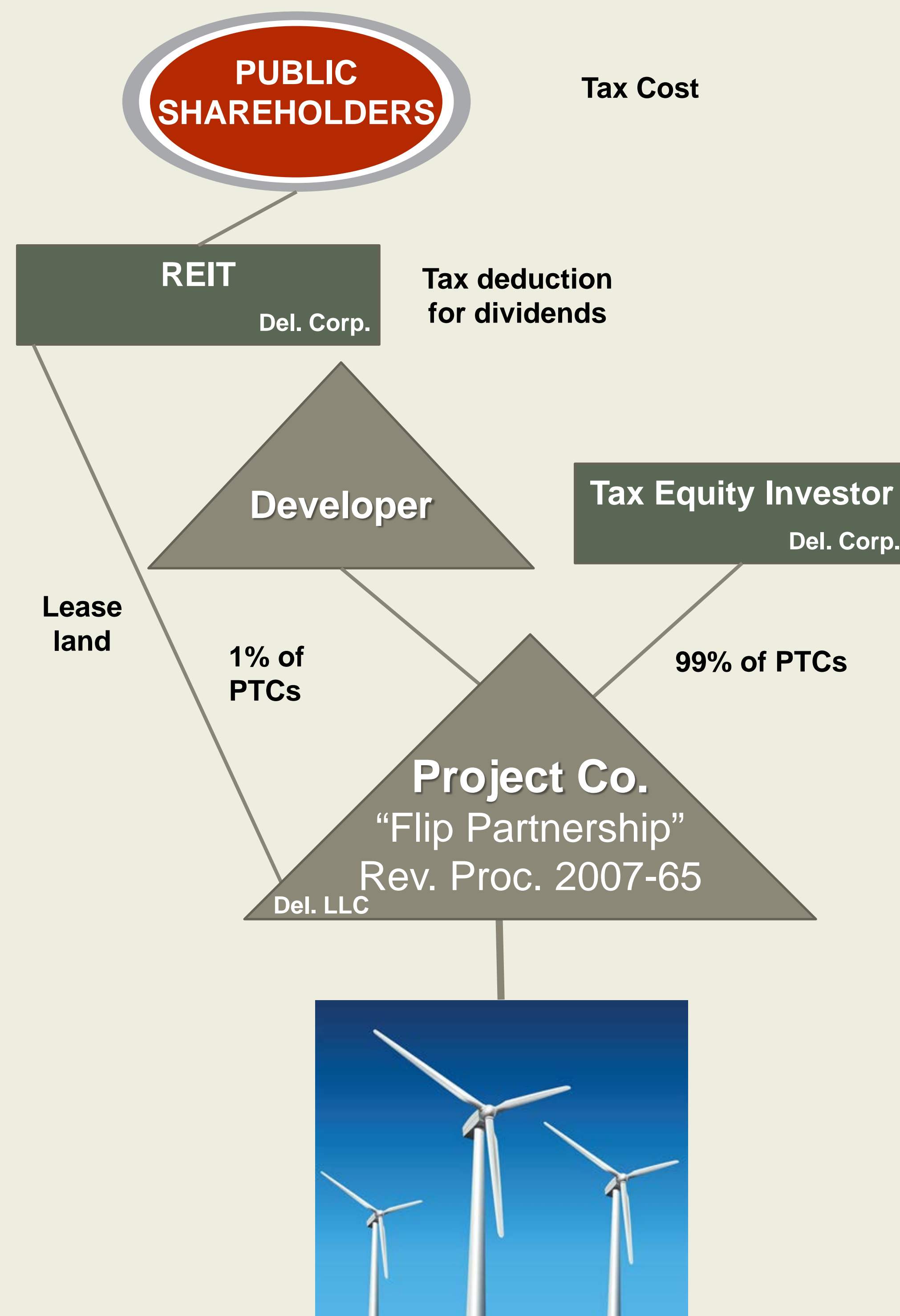


BY: DAVID K. BURTON

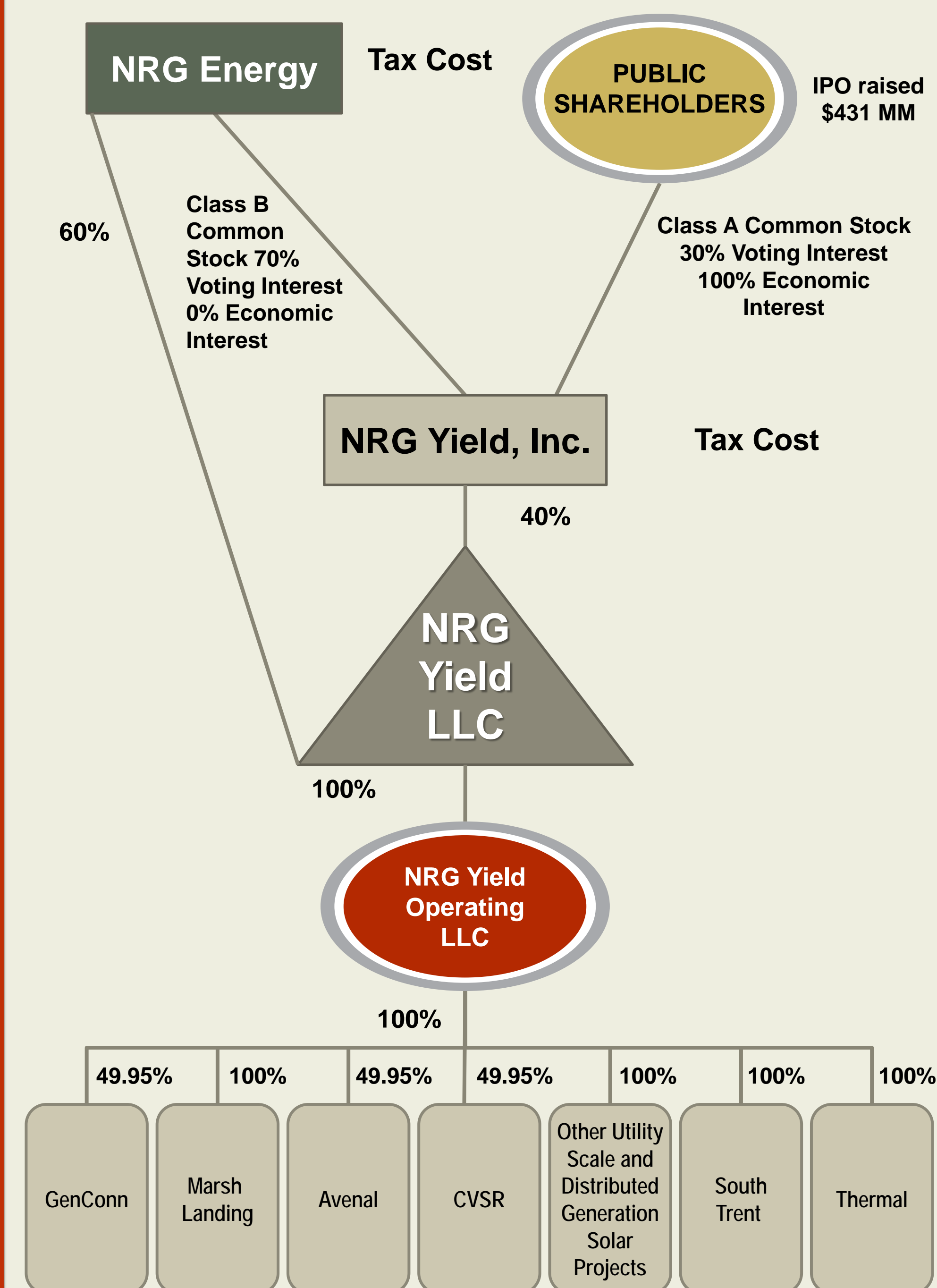
MLP Current Law



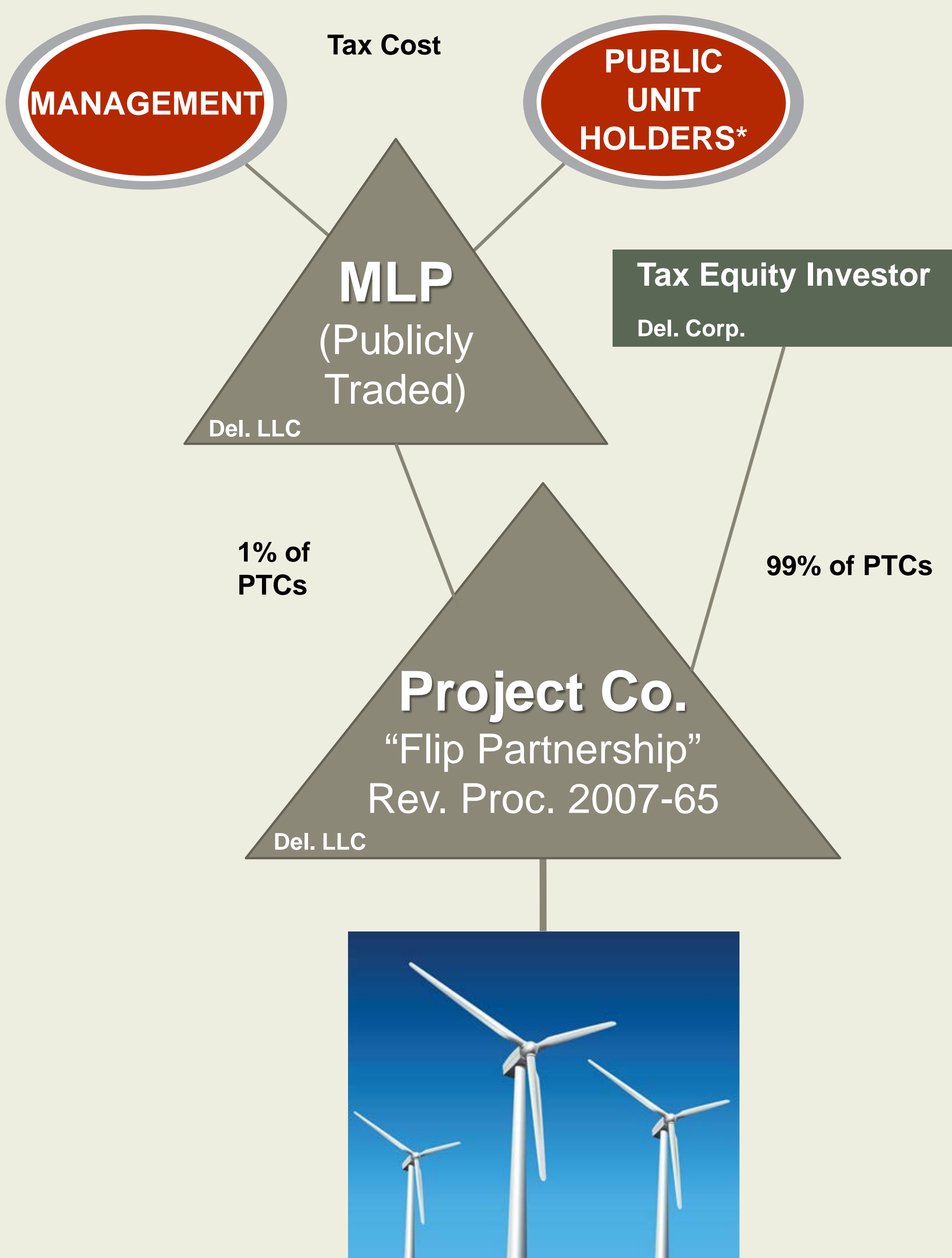
REIT Current Law



YieldCo NRG Yield, Inc.

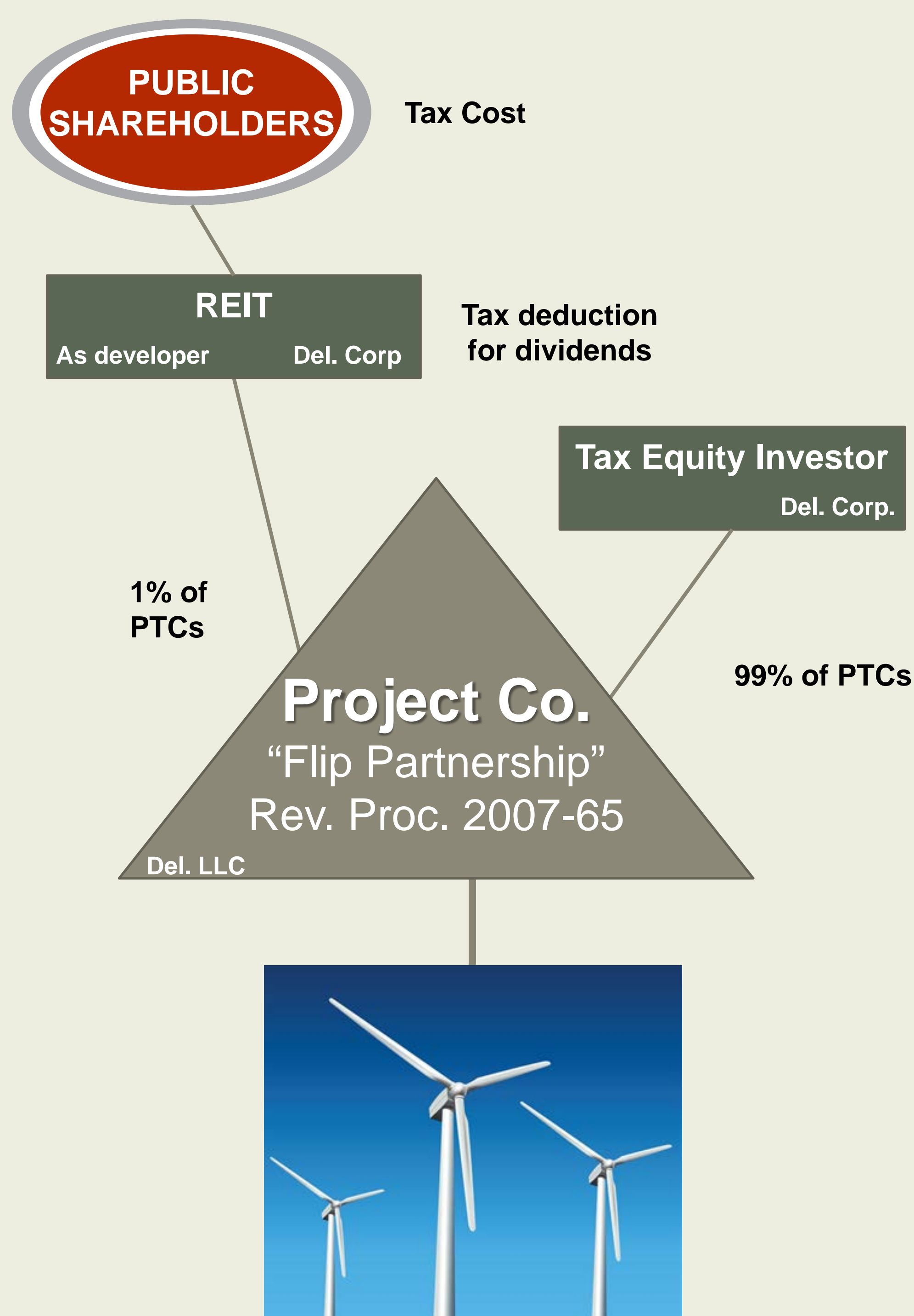


If MLP Parity Act is Enacted



If IRS Rules Turbines are Real Estate

(Not possible under Rep. Camp's tax reform proposal)



- No change in law required
- NRG Yield Operating, LLC will not pay tax and rather will pass the tax attributes through to NRG Energy (60%) and NRG Yield LLC (40%)
 - NRG Yield, LLC is a flow through to NRG Yield, Inc.
- Cash distributions from NRG Yield, Inc. to the shareholders will be taxable dividends to the shareholders to the extent of NRG Yield, Inc.'s E&P
- "Qualified dividends" paid to individuals subject to only 23.8% federal tax rates
- E&P is calculated like taxable income but (i) without tax credits and, (ii) using 12-year straight-line depreciation
- To the extent the cash distributions exceed NRG Yield, Inc.'s E&P, the distributions will reduce the shareholders' basis in their shares of NRG Yield, Inc.
- A lower basis means a larger gain when the shareholders sell their shares, which if the shares were held for more than a year, would be taxed at the 23.8% long term capital rate for individuals
- To maximize its value, NRG Yield, Inc. will need to *keep growing*
 - New assets with tax credits and depreciation are needed to shelter the taxable income generated by older assets that have exhausted their tax benefits