MIRANT CORP
Form 10-Q
May 10, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x	**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
o	**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	**001-16107**	**20-3538156**
(State or other jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1155 Perimeter Center West, Suite 100, Atlanta, Georgia	**30338**
(Address of Principal Executive Offices)	(Zip Code)
(678) 579-5000	
(Registrant s Telephone Number, Including Area 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. x Yes o No

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.

o Large Accelerated Filer x Accelerated Filer o Nonaccelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes x 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. x Yes o 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.

TABLE OF CONTENTS

		Page
	Cautionary Statement Regarding Forward-Looking Information	3
	PART I FINANCIAL INFORMATION	
Item 1.	Interim Financial Statements (unaudited):	
	Condensed Consolidated Statements of Operations	5
	Condensed Consolidated Balance Sheets	6
	Condensed Consolidated Statements of Stockholders Equity	7
	Condensed Consolidated Statements of Comprehensive Income	7
	Condensed Consolidated Statements of Cash Flows	8
	Notes to the Condensed Consolidated Financial Statements	9
Item 2.	Management s Discussion and Analysis of Results of Operations and Financial Condition	41
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	55
Item 4.	Controls and Procedures	55
	PART II OTHER INFORMATION	
Item 1.	Legal Proceedings	57
Item 1 A.	Risk Factors	59
Item 6.	Exhibits	60

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;

3

- 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 or after January 3, 2006.

4

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

	Three Months Ended March 31,	
	2006	2005
	(in millions, except per share data)	
Operating Revenues:		
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
Gross Margin	**863**	396
Operating Expenses:		
Operations and maintenance	**239**	230
Depreciation and amortization	**75**	77
Gain on sales of assets, net	**(40)**	(3)
Total operating expenses	**274**	304
Operating Income	**589**	92
Other Expense (Income), net:		
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
Income From Continuing Operations Before Reorganization Items, Income Taxes and Minority Interest	**518**	73
Reorganization items, net		61
Provision (benefit) for income taxes	**47**	(3)
Minority interest	**4**	7
Income From Continuing Operations	**467**	8
Income From Discontinued Operations, net		3
Net Income	**$ 467**	$ 11
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.

5

MIRANT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	At March 31, 2006 (Unaudited) (in millions)	At December 31, 2005
ASSETS		
Current Assets:		
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
Property, Plant and Equipment, net	**6,105**	6,015
Noncurrent Assets:		
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
Total assets	**$ 11,971**	$ 12,912
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
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
Noncurrent Liabilities:		
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
Liabilities Subject to Compromise	**18**	18
Minority Interest in Subsidiary Companies	**145**	172
Commitments and Contingencies		
Stockholders Equity:		
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**	&nb